

Joseph Ellison proposes the following substitute bill:

**State Sovereignty Fund**  
2025 GENERAL SESSION  
STATE OF UTAH

**Chief Sponsor: Joseph Ellison**  
Senate Sponsor: Chris H. Wilson

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**LONG TITLE**

**General Description:**

This bill creates the State Sovereignty Fund.

**Highlighted Provisions:**

This bill:

- defines terms;
- establishes the State Sovereignty Fund;
- provides for the funding, investment, and distribution of the State Sovereignty Fund; and
- makes technical and conforming changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

**AMENDS:**

**51-7-2**, as last amended by Laws of Utah 2024, Chapters 418, 492 and 510

**63J-1-312**, as last amended by Laws of Utah 2022, Chapter 456

**63J-1-313**, as last amended by Laws of Utah 2022, Chapter 456

**ENACTS:**

**51-13-101**, Utah Code Annotated 1953

**51-13-201**, Utah Code Annotated 1953

**51-13-202**, Utah Code Annotated 1953

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*Be it enacted by the Legislature of the state of Utah:*

Section 1. Section **51-7-2** is amended to read:

**51-7-2 . Exemptions from chapter.**

- (1) Except as provided in Subsection (2), the following funds are exempt from this chapter:
- (a) funds invested in accordance with the participating employees' designation or direction pursuant to a public employees' deferred compensation plan established and operated in compliance with Section 457 of the Internal Revenue Code of 1986, as amended;
  - (b) funds of the Utah State Retirement Board;
  - (c) funds of the Utah Housing Corporation;
  - (d) endowment funds of higher education institutions, including funds of the Higher Education Student Success Endowment, created in Section 53B-7-802;
  - (e) permanent and other land grant trust funds established pursuant to the Utah Enabling Act and the Utah Constitution;
  - (f) the State Post-Retirement Benefits Trust Fund;
  - (g) the funds of the Utah Educational Savings Plan;
  - (h) funds of the permanent state trust fund created by and operated under Utah Constitution, Article XXII, Section 4;
  - (i) the funds in the Navajo Trust Fund;
  - (j) the funds in the Radioactive Waste Perpetual Care and Maintenance Account;
  - (k) the funds in the Employers' Reinsurance Fund;
  - (l) the funds in the Uninsured Employers' Fund;
  - (m) the Utah State Developmental Center Long-Term Sustainability Fund, created in Section 26B-1-331;
  - (n) the funds in the Risk Management Fund created in Section 63A-4-201;
  - (o) the Utah fund of funds created in Section 63N-6-401;
  - (p) the funds deposited into the Utah Homes Investment Program from the Transportation Infrastructure General Fund Support Subfund created in Section 72-2-134; ~~and~~
  - (q) subject to Subsection 67-4-19(2), the portion of the funds in the following accounts invested by the state treasurer in precious metals:
    - (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;
    - (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;
    - (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and
    - (iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in Section ~~[63J-1-315.]~~ 63J-1-315; and
  - (r) the State Sovereignty Fund created in Section 51-13-201.

- (2) Except for the funds of the Utah State Retirement Board and the Utah Educational Savings Plan, the funds described in Subsection (1) are not exempt from Subsections 51-7-14(2) and (3).
- (3) Notwithstanding Title 52, Chapter 4, Open and Public Meetings Act, a public body that administers a fund described in Subsection (1) may hold a closed meeting to discuss the sale or purchase of identifiable securities, investment funds, or investment contracts.
- (4) A paper, electronic, or other depiction or record of information relating to investment activities of a fund described in Subsection (1) is not subject to Title 63G, Chapter 2, Government Records Access and Management Act.

Section 2. Section **51-13-101** is enacted to read:

## **CHAPTER 13. STATE SOVEREIGNTY FUND**

### **Part 1. General Provisions**

#### **51-13-101 . Definitions.**

As used in this chapter:

- (1) "Division" means the Division of Finance created in Section 63A-3-101.
- (2) "Excess revenue collections" means any amount of General Fund or Income Tax Fund revenue that, in any fiscal year, exceeds the estimated revenue for that fiscal year last adopted by the Executive Appropriations Committee by more than two standard deviations on a 20-year mean.
- (3) "Fund" means the State Sovereignty Fund created in Section 51-13-201.
- (4) "General Fund Budget Reserve Account" means the General Fund Budget Reserve Account created in Section 63J-1-312.
- (5) "Income Tax Fund Budget Reserve Account" means the Income Tax Fund Budget Reserve Account created in Section 63J-1-313.
- (6)(a) "Principal" means money deposited into the State Sovereignty Fund in accordance with Section 51-13-201.
- (b) "Principal" does not include earnings like interest, dividends, or asset appreciation credited to the State Sovereignty Fund.
- (7) "Reserve account surplus" means an amount described in Subsection 63J-1-312(3)(a)(ii)(B) or 63J-1-313(3)(a)(ii)(B).

Section 3. Section **51-13-201** is enacted to read:

### **Part 2. Establishment of State Sovereignty Fund**

#### **51-13-201 . State Sovereignty Fund -- Creation -- Distribution.**

- 96     (1) There is created the State Sovereignty Fund which consists of:  
97         (a) any reserve account surplus;  
98         (b) one-half of any General Fund savings from a decrease in the Federal Medical  
99             Assistance Percentages;  
100         (c) if the federal government offers an enhanced Federal Medical Assistance Percentage,  
101                  $\hat{H} \rightarrow [25\%] \ 12.5\% \leftarrow \hat{H}$  of the resulting state fund savings;  
102         (d) any excess revenue collections;  
103         (e) interest, dividends, or other earnings attributable to the fund; and  
104         (f) additional money appropriated by the Legislature.  
105     (2)(a) The division shall deposit into the fund any amounts described in Subsections (1)  
106         (a) through (f).  
107         (b) The Governor's Office of Planning and Budget, in consultation with the legislative  
108             fiscal analyst, shall annually report to the Division of Finance the amounts described  
109             in Subsections (1)(b), (c), and (d).  
110     (3) The division shall separately track principal deposits into the fund from the General  
111         Fund and Income Tax Fund, including earnings on the deposits.  
112     (4) In accordance with Section 51-13-202, the state treasurer shall invest the money in the  
113         fund for the benefit of the people of the state in perpetuity.  
114     (5) The Legislature may not appropriate money from the fund before fiscal year 2075-76.  
115     (6)(a) Beginning fiscal year 2075-76, the Legislature may appropriate up to 50% of the  
116         annual earnings from the investment of the fund to offset reduced federal funding or  
117         to provide state tax relief.  
118         (b) After any appropriations under Subsection (6)(a), the division shall deposit any  
119             remaining earnings into the fund for investment.  
120     (7) The Legislature may appropriate principal from the fund only:  
121         (a) by affirmative vote of two-thirds of all members elected of each chamber of the  
122             Legislature; and  
123         (b) for the purpose of offsetting reduced federal funding or providing state tax relief.  
124     Section 4. Section **51-13-202** is enacted to read:  
125         **51-13-202 . State Sovereignty Fund -- Investment -- Administrative costs.**  
126     (1) The state treasurer shall:  
127         (a) invest money in the fund with the following goals, in order of priority:  
128             (i) providing for growth of the principal; and  
129             (ii) fund stability;

(b) invest and manage fund assets as a prudent investor would by:

(i) considering the purpose, terms, distribution requirements, and other circumstances of the fund; and

(ii) exercising reasonable care, skill, and caution in order to meet the standard of care of a prudent investor; and

(c) deposit into the fund the interest, dividends, or other earnings attributable to the fund.

(2) The state treasurer may deduct any administrative costs incurred by managing the fund from earnings generated by investments in the fund.

Section 5. Section **63J-1-312** is amended to read:

**63J-1-312 . Establishing a General Fund Budget Reserve Account -- Providing for deposits and expenditures from the account -- Providing for interest generated by the account.**

(1) As used in this section:

(a) "Income Tax Fund budget deficit" means a situation where appropriations made by the Legislature from the Income Tax Fund for a fiscal year exceed the estimated revenues adopted by the Executive Appropriations Committee of the Legislature for the Income Tax Fund in that fiscal year.

(b) "General Fund appropriations" means the sum of the spending authority for a fiscal year that is:

(i) granted by the Legislature in all appropriation acts and bills; and

(ii) identified as coming from the General Fund.

(c) "General Fund budget deficit" means a situation where General Fund appropriations made by the Legislature for a fiscal year exceed the estimated revenues adopted by the Executive Appropriations Committee of the Legislature for the General Fund in that fiscal year.

(d) "General Fund revenue surplus" means a situation where actual General Fund revenues collected in a completed fiscal year exceed the estimated revenues for the General Fund for that fiscal year that were adopted by the Executive Appropriations Committee of the Legislature.

(e) "Operating deficit" means that, at the end of the fiscal year, the unassigned fund balance in the General Fund is less than zero.

(2) There is created within the General Fund a restricted account to be known as the General Fund Budget Reserve Account, which is designated to receive the legislative appropriations and the surplus revenue required to be deposited into the account by this

164 section.

165 (3)(a)(i) Except as provided in Subsection (3)(a)(ii), at the end of any fiscal year in  
166 which the Division of Finance, in consultation with the [~~Legislative Fiscal Analyst~~]  
167 legislative fiscal analyst and in conjunction with the completion of the annual  
168 audit by the state auditor, determines that there is a General Fund revenue surplus,  
169 the Division of Finance shall transfer 25% of the General Fund revenue surplus to  
170 the General Fund Budget Reserve Account.

171 (ii) If the transfer of 25% of the General Fund revenue surplus to the General Fund  
172 Budget Reserve Account would cause the balance in the account to exceed 9% of  
173 General Fund appropriations for the fiscal year in which the revenue surplus  
174 occurred, the Division of Finance shall:

175 (A) transfer to the General Fund Budget Reserve Account only those funds  
176 necessary to ensure that the balance in the account equals 9% of General Fund  
177 appropriations for the fiscal year in which the General Fund revenue surplus  
178 occurred[:]; and

179 (B) transfer to the State Sovereignty Fund created in Section 51-13-201 the  
180 remaining amount of the 25% of the General Fund revenue surplus described  
181 in Subsection (3)(a)(i).

182 (iii) The Division of Finance shall calculate the amount to be transferred under this  
183 Subsection (3)(a):

184 (A) after making the transfer of General Fund revenue surplus to the Medicaid  
185 Growth Reduction and Budget Stabilization Account, as provided in Section  
186 63J-1-315;

187 (B) before transferring from the General Fund revenue surplus any other year-end  
188 contingency appropriations, year-end set-asides, or other year-end transfers  
189 required by law; and

190 (C) excluding any direct legislative appropriation made to the General Fund  
191 Budget Reserve Account for the fiscal year.

192 (b)(i) Except as provided in Subsection (3)(b)(ii), in addition to Subsection (3)(a)(i),  
193 if a General Fund revenue surplus exists and if, within the last 10 years, the  
194 Legislature has appropriated any money from the General Fund Budget Reserve  
195 Account that has not been replaced by appropriation or as provided in this  
196 Subsection (3)(b), the Division of Finance shall transfer up to 25% more of the  
197 General Fund revenue surplus to the General Fund Budget Reserve Account to

replace the amounts appropriated, until direct legislative appropriations, if any, and transfers from the General Fund revenue surplus under this Subsection (3)(b) have replaced the appropriations from the account.

(ii) If the transfer under Subsection (3)(b)(i) would cause the balance in the account to exceed 9% of General Fund appropriations for the fiscal year in which the revenue surplus occurred, the Division of Finance shall transfer only those funds necessary to ensure that the balance in the account equals 9% of General Fund appropriations for the fiscal year in which the revenue surplus occurred.

(iii) The Division of Finance shall calculate the amount to be transferred under this Subsection (3)(b):

(A) after making the transfer of General Fund revenue surplus to the Medicaid Growth Reduction and Budget Stabilization Account, as provided in Section 63J-1-315;

(B) before transferring from the General Fund revenue surplus any other year-end contingency appropriations, year-end set-asides, or other year-end transfers required by law; and

(C) excluding any direct legislative appropriation made to the General Fund Budget Reserve Account for the fiscal year.

(c) For appropriations made by the Legislature to the General Fund Budget Reserve Account, the Division of Finance shall treat those appropriations, unless otherwise specified in the appropriation, as replacement funds for appropriations made from the account if funds were appropriated from the General Fund Budget Reserve Account within the past 10 years and have not yet been replaced.

(4) The Legislature may appropriate money from the General Fund Budget Reserve Account only to:

(a) resolve a General Fund budget deficit, for the fiscal year in which the General Fund budget deficit occurs;

(b) pay some or all of state settlement agreements approved under Title 63G, Chapter 10, State Settlement Agreements Act;

(c) pay claims approved under Section 63G-9-304;

(d) pay retroactive tax refunds;

(e) resolve an Income Tax Fund budget deficit; or

(f) finance an existing federally funded program or activity when:

(i) the federal funds expected to fund the federal program or activity are not available

- 232 to fund the program or activity; and
- 233 (ii) the Legislature and governor concurrently determine that the program or activity
- 234 is essential.
- 235 (5) Interest generated from investments of money in the General Fund Budget Reserve
- 236 Account shall be deposited into the General Fund.
- 237 Section 6. Section **63J-1-313** is amended to read:
- 238 **63J-1-313 . Establishing an Income Tax Fund Budget Reserve Account --**
- 239 **Providing for deposits and expenditures from the account -- Providing for interest**
- 240 **generated by the account.**
- 241 (1) As used in this section:
- 242 (a) " Income Tax Fund appropriations" means the sum of the spending authority for a
- 243 fiscal year that is:
- 244 (i) granted by the Legislature in all appropriation acts and bills; and
- 245 (ii) identified as coming from the Income Tax Fund.
- 246 (b) " Income Tax Fund budget deficit" means a situation where appropriations made by
- 247 the Legislature from the Income Tax Fund for a fiscal year exceed the estimated
- 248 revenues adopted by the Executive Appropriations Committee of the Legislature for
- 249 the Income Tax Fund in that fiscal year.
- 250 (c) " Income Tax Fund revenue surplus" means a situation where actual Income Tax
- 251 Fund revenues collected in a completed fiscal year exceed the estimated revenues for
- 252 the Income Tax Fund in that fiscal year that were adopted by the Executive
- 253 Appropriations Committee of the Legislature.
- 254 (d) "Operating deficit" means that, at the end of the fiscal year, the unassigned fund
- 255 balance in the Income Tax Fund is less than zero.
- 256 (2) There is created within the Income Tax Fund a restricted account to be known as the
- 257 Income Tax Fund Budget Reserve Account, which is designated to receive the
- 258 legislative appropriations and the surplus revenue required to be deposited into the
- 259 account by this section.
- 260 (3)(a)(i) Except as provided in Subsection (3)(a)(ii), at the end of any fiscal year in
- 261 which the Division of Finance, in consultation with the [~~Legislative Fiscal Analyst~~]
- 262 legislative fiscal analyst and in conjunction with the completion of the annual
- 263 audit by the state auditor, determines that there is an Income Tax Fund revenue
- 264 surplus, the Division of Finance shall transfer 25% of the Income Tax Fund
- 265 revenue surplus to the Income Tax Fund Budget Reserve Account.



(ii) If the transfer of 25% of the Income Tax Fund revenue surplus to the Income Tax Fund Budget Reserve Account under Subsection (3)(a)(i) would cause the balance in the account to exceed 11% of Income Tax Fund appropriations for the fiscal year in which the Income Tax Fund revenue surplus occurred, the Division of Finance shall:

(A) transfer to the Income Tax Fund Budget Reserve Account only those funds necessary to ensure that the balance in the account equals 11% of the Income Tax Fund appropriations for the fiscal year in which the Income Tax Fund revenue surplus occurred[-] ; and

(B) transfer to the State Sovereignty Fund created in Section 51-13-201 the remaining amount of the 25% of the Income Tax Fund revenue surplus described in Subsection (3)(a)(i).

(iii) The Division of Finance shall calculate the amount to be transferred under this Subsection (3)(a):

(A) before transferring from the Income Tax Fund revenue surplus any other year-end contingency appropriations, year-end set-asides, or other year-end transfers required by law; and

(B) excluding any direct legislative appropriation made to the Income Tax Fund Budget Reserve Account for the fiscal year.

(b)(i) Except as provided in Subsection (3)(b)(ii), in addition to Subsection (3)(a)(i), if an Income Tax Fund revenue surplus exists and if, within the last 10 years, the Legislature has appropriated any money from the Income Tax Fund Budget Reserve Account that has not been replaced by appropriation or as provided in this Subsection (3)(b), the Division of Finance shall transfer up to 25% more of the Income Tax Fund revenue surplus to the Income Tax Fund Budget Reserve Account to replace the amounts appropriated, until direct legislative appropriations, if any, and transfers from the Income Tax Fund revenue surplus under this Subsection (3)(b) have replaced the appropriations from the account.

(ii) If the transfer under Subsection (3)(b)(i) would cause the balance in the account to exceed 11% of Income Tax Fund appropriations for the fiscal year in which the Income Tax Fund revenue surplus occurred, the Division of Finance shall transfer only those funds necessary to ensure that the balance in the account equals 11% of Income Tax Fund appropriations for the fiscal year in which the revenue surplus occurred.

(iii) The Division of Finance shall calculate the amount to be transferred under this Subsection (3)(b):

(A) before transferring from the Income Tax Fund revenue surplus any other year-end contingency appropriations, year-end set-asides, or other year-end transfers required by law; and

(B) excluding any direct legislative appropriation made to the Income Tax Fund Budget Reserve Account for the fiscal year.

(c) For appropriations made by the Legislature to the Income Tax Fund Budget Reserve Account, the Division of Finance shall treat those appropriations, unless specified otherwise in the appropriation, as replacement funds for appropriations made from the account if funds were appropriated from the account within the past 10 years and have not yet been replaced.

(4) Notwithstanding Subsection (3), if, at the end of a fiscal year, the Division of Finance determines that an operating deficit exists, the Division of Finance may reduce the transfer to the Income Tax Fund Budget Reserve Account by the amount necessary to eliminate the operating deficit.

(5) The Legislature may appropriate money from the Income Tax Fund Budget Reserve Account only to resolve an Income Tax Fund budget deficit.

(6) Interest generated from investments of money in the Income Tax Fund Budget Reserve Account shall be deposited into the Income Tax Fund.

**Section 7. Effective Date.**

This bill takes effect on May 7, 2025.