

Joseph Elison proposes the following substitute bill:

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State Sovereignty Fund
2025 GENERAL SESSION
STATE OF UTAH
Chief Sponsor: Joseph Elison
Senate Sponsor:

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

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.

- 29 (1) Except as provided in Subsection (2), the following funds are exempt from this chapter:
- 30 (a) funds invested in accordance with the participating employees' designation or
- 31 direction pursuant to a public employees' deferred compensation plan established and
- 32 operated in compliance with Section 457 of the Internal Revenue Code of 1986, as
- 33 amended;
- 34 (b) funds of the Utah State Retirement Board;
- 35 (c) funds of the Utah Housing Corporation;
- 36 (d) endowment funds of higher education institutions, including funds of the Higher
- 37 Education Student Success Endowment, created in Section 53B-7-802;
- 38 (e) permanent and other land grant trust funds established pursuant to the Utah Enabling
- 39 Act and the Utah Constitution;
- 40 (f) the State Post-Retirement Benefits Trust Fund;
- 41 (g) the funds of the Utah Educational Savings Plan;
- 42 (h) funds of the permanent state trust fund created by and operated under Utah
- 43 Constitution, Article XXII, Section 4;
- 44 (i) the funds in the Navajo Trust Fund;
- 45 (j) the funds in the Radioactive Waste Perpetual Care and Maintenance Account;
- 46 (k) the funds in the Employers' Reinsurance Fund;
- 47 (l) the funds in the Uninsured Employers' Fund;
- 48 (m) the Utah State Developmental Center Long-Term Sustainability Fund, created in
- 49 Section 26B-1-331;
- 50 (n) the funds in the Risk Management Fund created in Section 63A-4-201;
- 51 (o) the Utah fund of funds created in Section 63N-6-401;
- 52 (p) the funds deposited into the Utah Homes Investment Program from the
- 53 Transportation Infrastructure General Fund Support Subfund created in Section
- 54 72-2-134; [~~and~~]
- 55 (q) subject to Subsection 67-4-19(2), the portion of the funds in the following accounts
- 56 invested by the state treasurer in precious metals:
- 57 (i) the State Disaster Recovery Restricted Account, created in Section 53-2a-603;
- 58 (ii) the General Fund Budget Reserve Account, created in Section 63J-1-312;
- 59 (iii) the Income Tax Fund Budget Reserve Account, created in Section 63J-1-313; and
- 60 (iv) the Medicaid Growth Reduction and Budget Stabilization Account, created in
- 61 Section [~~63J-1-315.~~] 63J-1-315; and
- 62 (r) the State Sovereignty Fund created in Section 51-13-201.

- 63 (2) Except for the funds of the Utah State Retirement Board and the Utah Educational
 64 Savings Plan, the funds described in Subsection (1) are not exempt from Subsections
 65 51-7-14(2) and (3).
- 66 (3) Notwithstanding Title 52, Chapter 4, Open and Public Meetings Act, a public body that
 67 administers a fund described in Subsection (1) may hold a closed meeting to discuss the
 68 sale or purchase of identifiable securities, investment funds, or investment contracts.
- 69 (4) A paper, electronic, or other depiction or record of information relating to investment
 70 activities of a fund described in Subsection (1) is not subject to Title 63G, Chapter 2,
 71 Government Records Access and Management Act.

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

73 **CHAPTER 13. STATE SOVEREIGNTY FUND**

74 **Part 1. General Provisions**

75 **51-13-101 . Definitions.**

76 As used in this chapter:

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

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

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

95 **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 25% 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;

- 130 (b) invest and manage fund assets as a prudent investor would by:
 131 (i) considering the purpose, terms, distribution requirements, and other circumstances
 132 of the fund; and
 133 (ii) exercising reasonable care, skill, and caution in order to meet the standard of care
 134 of a prudent investor; and
 135 (c) deposit into the fund the interest, dividends, or other earnings attributable to the fund.
 136 (2) The state treasurer may deduct any administrative costs incurred by managing the fund
 137 from earnings generated by investments in the fund.

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

139 **63J-1-312 . Establishing a General Fund Budget Reserve Account -- Providing**
 140 **for deposits and expenditures from the account -- Providing for interest generated by the**
 141 **account.**

- 142 (1) As used in this section:
- 143 (a) " Income Tax Fund budget deficit" means a situation where appropriations made by
 144 the Legislature from the Income Tax Fund for a fiscal year exceed the estimated
 145 revenues adopted by the Executive Appropriations Committee of the Legislature for
 146 the Income Tax Fund in that fiscal year.
- 147 (b) "General Fund appropriations" means the sum of the spending authority for a fiscal
 148 year that is:
- 149 (i) granted by the Legislature in all appropriation acts and bills; and
 150 (ii) identified as coming from the General Fund.
- 151 (c) "General Fund budget deficit" means a situation where General Fund appropriations
 152 made by the Legislature for a fiscal year exceed the estimated revenues adopted by
 153 the Executive Appropriations Committee of the Legislature for the General Fund in
 154 that fiscal year.
- 155 (d) "General Fund revenue surplus" means a situation where actual General Fund
 156 revenues collected in a completed fiscal year exceed the estimated revenues for the
 157 General Fund for that fiscal year that were adopted by the Executive Appropriations
 158 Committee of the Legislature.
- 159 (e) "Operating deficit" means that, at the end of the fiscal year, the unassigned fund
 160 balance in the General Fund is less than zero.
- 161 (2) There is created within the General Fund a restricted account to be known as the
 162 General Fund Budget Reserve Account, which is designated to receive the legislative
 163 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

- 198 replace the amounts appropriated, until direct legislative appropriations, if any,
199 and transfers from the General Fund revenue surplus under this Subsection (3)(b)
200 have replaced the appropriations from the account.
- 201 (ii) If the transfer under Subsection (3)(b)(i) would cause the balance in the account
202 to exceed 9% of General Fund appropriations for the fiscal year in which the
203 revenue surplus occurred, the Division of Finance shall transfer only those funds
204 necessary to ensure that the balance in the account equals 9% of General Fund
205 appropriations for the fiscal year in which the revenue surplus occurred.
- 206 (iii) The Division of Finance shall calculate the amount to be transferred under this
207 Subsection (3)(b):
- 208 (A) after making the transfer of General Fund revenue surplus to the Medicaid
209 Growth Reduction and Budget Stabilization Account, as provided in Section
210 63J-1-315;
- 211 (B) before transferring from the General Fund revenue surplus any other year-end
212 contingency appropriations, year-end set-asides, or other year-end transfers
213 required by law; and
- 214 (C) excluding any direct legislative appropriation made to the General Fund
215 Budget Reserve Account for the fiscal year.
- 216 (c) For appropriations made by the Legislature to the General Fund Budget Reserve
217 Account, the Division of Finance shall treat those appropriations, unless otherwise
218 specified in the appropriation, as replacement funds for appropriations made from the
219 account if funds were appropriated from the General Fund Budget Reserve Account
220 within the past 10 years and have not yet been replaced.
- 221 (4) The Legislature may appropriate money from the General Fund Budget Reserve
222 Account only to:
- 223 (a) resolve a General Fund budget deficit, for the fiscal year in which the General Fund
224 budget deficit occurs;
- 225 (b) pay some or all of state settlement agreements approved under Title 63G, Chapter
226 10, State Settlement Agreements Act;
- 227 (c) pay claims approved under Section 63G-9-304;
- 228 (d) pay retroactive tax refunds;
- 229 (e) resolve an Income Tax Fund budget deficit; or
- 230 (f) finance an existing federally funded program or activity when:
- 231 (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.

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

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

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

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

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

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

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

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

- 300 (iii) The Division of Finance shall calculate the amount to be transferred under this
301 Subsection (3)(b):
- 302 (A) before transferring from the Income Tax Fund revenue surplus any other
303 year-end contingency appropriations, year-end set-asides, or other year-end
304 transfers required by law; and
- 305 (B) excluding any direct legislative appropriation made to the Income Tax Fund
306 Budget Reserve Account for the fiscal year.
- 307 (c) For appropriations made by the Legislature to the Income Tax Fund Budget Reserve
308 Account, the Division of Finance shall treat those appropriations, unless specified
309 otherwise in the appropriation, as replacement funds for appropriations made from
310 the account if funds were appropriated from the account within the past 10 years and
311 have not yet been replaced.
- 312 (4) Notwithstanding Subsection (3), if, at the end of a fiscal year, the Division of Finance
313 determines that an operating deficit exists, the Division of Finance may reduce the
314 transfer to the Income Tax Fund Budget Reserve Account by the amount necessary to
315 eliminate the operating deficit.
- 316 (5) The Legislature may appropriate money from the Income Tax Fund Budget Reserve
317 Account only to resolve an Income Tax Fund budget deficit.
- 318 (6) Interest generated from investments of money in the Income Tax Fund Budget Reserve
319 Account shall be deposited into the Income Tax Fund.

320 **Section 7. Effective Date.**

321 This bill takes effect on May 7, 2025.