

1 **USE OF OIL AND GAS TAX REVENUES**

2 2006 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Lyle W. Hillyard**

5 House Sponsor: Wayne A. Harper

7 **LONG TITLE**

8 **General Description:**

9 This bill provides for the disposition of certain revenues from severance taxes imposed
10 on oil and gas.

11 **Highlighted Provisions:**

12 This bill:

- 13 ▶ creates the Capital and Infrastructure Investment Account;
- 14 ▶ provides that oil and gas severance tax revenues that exceed a base amount are
15 deposited in the permanent state trust fund; and
- 16 ▶ provides that certain earnings are credited to the Capital and Infrastructure
17 Investment Account.

18 **Monies Appropriated in this Bill:**

19 None

20 **Other Special Clauses:**

21 This bill takes effect on July 1, 2006.

22 **Utah Code Sections Affected:**

23 AMENDS:

24 **59-5-115**, as last amended by Chapter 135, Laws of Utah 1996

25 **63-97-301**, as last amended by Chapter 275, Laws of Utah 2005

26 ENACTS:

27 **63-97a-101**, Utah Code Annotated 1953



28 **63-97a-102**, Utah Code Annotated 1953
 29 **63-97a-103**, Utah Code Annotated 1953
 30 **63-97a-104**, Utah Code Annotated 1953



31
 32 *Be it enacted by the Legislature of the state of Utah:*

33 Section 1. Section **59-5-115** is amended to read:

34 **59-5-115. Disposition of taxes collected -- Credit to General Fund.**

35 [~~Alt~~] (1) Except as provided in Subsection (2), all taxes imposed and collected under
 36 Section 59-5-102 shall be paid to the commission, and promptly remitted to the state
 37 treasurer[;] and [~~except those taxes otherwise allocated under Section 59-5-116 or 59-5-119;~~]
 38 credited to the General Fund.

39 (2) Subsection (1) does not apply to:

- 40 (a) those taxes otherwise allocated under Section 59-5-116 or 59-5-119; or
- 41 (b) those taxes credited to the permanent state trust fund under Section 63-97a-105.

42 Section 2. Section **63-97-301** is amended to read:

43 **63-97-301. Permanent state trust fund.**

44 (1) Until July 1, 2003, 50% of all funds of every kind that are received by the state that
 45 are related to the settlement agreement that the state entered into with leading tobacco
 46 manufacturers on November 23, 1998, shall be deposited into the permanent state trust fund
 47 created by and operated under Utah Constitution Article XXII, Section 4.

48 (2) On and after July 1, 2003 and until July 1, 2004 20% of the funds of any kind
 49 received by the state that are related to the settlement agreement that the state entered into with
 50 leading tobacco manufacturers shall be deposited into the permanent state trust fund created by
 51 and operated under Utah Constitution Article XXII, Section 4.

52 (3) On and after July 1, 2004 and until July 1, 2005, 30% of all funds of any kind
 53 received by the state that are related to the settlement agreement that the state entered into with
 54 leading tobacco manufacturers shall be deposited into the General Fund Budget Reserve
 55 Account created in Section 63-38-2.5.

56 (4) On and after July 1, 2005 and until July 1, 2007, 25% of all funds of any kind
 57 received by the state that are related to the settlement agreement that the state entered into with
 58 leading tobacco manufacturers shall be deposited into the permanent state trust fund created by

59 and operated under Utah Constitution Article XXII, Section 4.

60 (5) On and after July 1, 2007, 40% of all funds of every kind that are received by the
61 state that are related to the settlement agreement that the state entered into with leading tobacco
62 manufacturers on November 23, 1998, shall be deposited into the permanent state trust fund
63 created by and operated under Utah Constitution Article XXII, Section 4.

64 (6) Funds in the permanent state trust fund shall be deposited or invested pursuant to
65 Section 51-7-12.1.

66 (7) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and
67 dividends earned annually from the permanent state trust fund shall be deposited in the General
68 Fund. There shall be transferred on an ongoing basis from the General Fund to the permanent
69 state trust fund created under Utah Constitution Article XXII, Section 4, an amount equal to
70 50% of the interest and dividends earned annually from the permanent state trust fund. The
71 amount transferred into the fund under this Subsection (7)(a) shall be treated as principal.

72 (b) Any annual interest or dividends earned from the permanent state trust fund that
73 remain in the General Fund after Subsection (7)(a) may be appropriated by the Legislature.

74 (c) Any realized or unrealized gains or losses on investments in the permanent state
75 trust fund shall remain in the permanent state trust fund.

76 (8) This section does not apply to funds deposited into the permanent state trust fund
77 under Chapter 97a, Capital and Infrastructure Investment Account.

78 Section 3. Section **63-97a-101** is enacted to read:

79 **CHAPTER 97a. CAPITAL AND INFRASTRUCTURE INVESTMENT ACCOUNT**

80 **63-97a-101. Title.**

81 This chapter is known as the "Capital and Infrastructure Investment Account."

82 Section 4. Section **63-97a-102** is enacted to read:

83 **63-97a-102. Definitions.**

84 As used in this section:

85 (1) "Account" means the Capital and Infrastructure Investment Account created in
86 Section 63-97a-103.

87 (2) "Base amount" means:

88 (a) \$28,000,000 in fiscal year 2007-08; and

89 (b) in fiscal years beginning on or after July 1, 2008, the amount determined by the

90 Division of Finance under Section 63-97a-104.

91 (3) "Permanent state trust fund" means the permanent state trust fund created under
92 Utah Constitution Article XXII, Section 4.

93 Section 5. Section **63-97a-103** is enacted to read:

94 **63-97a-103. Creation of Capital and Infrastructure Investment Account.**

95 (1) (a) There is created a restricted account within the General Fund known as the
96 "Capital and Infrastructure Investment Account."

97 (b) The account shall consist of:

98 (i) all monies credited to the account under Section 63-97a-105;

99 (ii) grants or appropriations from the state;

100 (iii) grants from private foundations; and

101 (iv) interest and investment earnings on account monies.

102 (2) (a) The account shall earn interest.

103 (b) All interest earned on monies in the account shall be deposited into the account.

104 (3) The Legislature may appropriate monies from the account for capital and
105 infrastructure investment projects.

106 Section 6. Section **63-97a-104** is enacted to read:

107 **63-97a-104. Crediting of certain oil and gas severance tax revenues to the**
108 **Permanent State Trust Fund.**

109 (1) Before July 1 of each year, the Division of Finance shall increase or decrease
110 \$28,000,000 by a percentage equal to the percentage difference between the consumer price
111 index for the month of May of the current year and the consumer price index for the month of
112 May 2007.

113 (2) Except as provided in Subsection (3) and beginning in the fiscal year that begins on
114 July 1, 2007, the Division of Finance shall credit to the permanent state trust fund all revenue
115 from severance taxes on oil and gas imposed under Title 59, Chapter 5, Severance Tax on Oil,
116 Gas, and Mining collected in a fiscal year that exceed the base amount.

117 (3) The requirements of Subsection (2) do not apply to the uses of oil and gas
118 severance tax revenue required under Sections 59-5-116 and 59-5-119.

119 (4) The state treasurer shall invest and separately account for the earnings on funds that
120 are deposited into the permanent state trust fund under this section.

121 (5) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and
122 dividends earned annually on revenue from severance taxes on oil and gas that are deposited
123 into the permanent state trust fund shall be deposited in the General Fund.

124 (b) Interest and dividends earned on revenue from severance taxes on oil and gas that
125 are deposited in the General Fund shall be credited to the Capital and Infrastructure Investment
126 Account created in Section 63-97a-103.

127 Section 7. **Effective date.**

128 This bill takes effect on July 1, 2006.

Legislative Review Note

as of 2-6-06 10:27 AM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

Office of Legislative Research and General Counsel

State Impact

Passage of this bill could decrease the General Fund by \$39,000,000 annually and increase restricted revenues by a corresponding amount.

	<u>FY 2007</u> <u>Approp.</u>	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2007</u> <u>Revenue</u>	<u>FY 2008</u> <u>Revenue</u>
General Fund	\$0	\$0	(\$39,000,000)	(\$39,000,000)
Restricted Funds	\$0	\$0	\$39,000,000	\$39,000,000
TOTAL	\$0	\$0	\$0	\$0

Individual and Business Impact

No fiscal impact.
