

SEVERANCE TAX AMENDMENTS

2007 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: David Clark

Senate Sponsor: _____

LONG TITLE

General Description:

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

Highlighted Provisions:

This bill:

- ▶ creates the Land and Water Reinvestment Account;
- ▶ provides that the greater of 9% of the revenues collected from oil and gas severance taxes or \$5,000,000 be deposited into the Land and Water Reinvestment Account;
- ▶ provides that the greater of 9% of the revenues collected from mining severance taxes or \$1,000,000 be deposited into the Land and Water Reinvestment Account;
- ▶ provides that the funds in the Land and Water Reinvestment Account may not exceed \$15,000,000;
- ▶ provides that the monies in the Land and Water Reinvestment Account be distributed equally to the following:
 - the LeRay McAllister Critical Land Conservation Fund;
 - the Rangeland Improvement Fund; and
 - the Department of Natural Resources for watershed rehabilitation or restoration;
- ▶ allows the LeRay McAllister Critical Land Conservation Fund and the Rangeland Improvement Fund to receive distributions from the Land and Water Reinvestment Account;



- 28 ▶ exempts monies transferred into or out of the Land and Water Reinvestment
- 29 Account from the State Appropriations and Tax Limitation Act;
- 30 ▶ exempts appropriations made from the Land and Water Reinvestment Account from
- 31 the State Appropriations and Tax Limitation Act;
- 32 ▶ defines terms; and
- 33 ▶ makes technical changes.

34 **Monies Appropriated in this Bill:**

35 None

36 **Other Special Clauses:**

37 This bill takes effect on July 1, 2007.

38 **Utah Code Sections Affected:**

39 AMENDS:

- 40 **4-20-2**, as last amended by Chapter 294, Laws of Utah 2006
- 41 **4-20-3**, as last amended by Chapter 294, Laws of Utah 2006
- 42 **11-38-301**, as last amended by Chapter 278, Laws of Utah 2006
- 43 **59-5-115**, as last amended by Chapter 135, Laws of Utah 1996
- 44 **59-5-215**, as enacted by Chapter 4, Laws of Utah 1988
- 45 **63-38c-103**, as last amended by Chapter 1, Laws of Utah 2005, First Special Session

46 ENACTS:

- 47 **63-97a-101**, Utah Code Annotated 1953
- 48 **63-97a-102**, Utah Code Annotated 1953
- 49 **63-97a-103**, Utah Code Annotated 1953
- 50 **63-97a-104**, Utah Code Annotated 1953



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

53 Section 1. Section **4-20-2** is amended to read:

54 **4-20-2. Rangeland Improvement Fund -- Administered by department.**

55 (1) (a) There is created a restricted special revenue fund known as the "Rangeland
56 Improvement Fund."

57 (b) The fund shall consist of:

58 (i) all monies received by the state from the United States Secretary of Interior under

59 the Taylor Grazing Act, 43 U.S.C. Section 315 et seq., for sales, leases, and fees;

60 (ii) grants or appropriations from the state or federal government;

61 (iii) grants from private foundations; [~~and~~]

62 (iv) money received from the Land and Water Reinvestment Account in accordance

63 with Section 63-97a-104; and

64 [~~(iv)~~] (v) interest on fund monies.

65 (2) Any unallocated balance in the fund at the end of a fiscal year is nonlapsing.

66 (3) The department shall:

67 (a) administer the fund;

68 (b) obtain from the United States Department of Interior the receipts collected from:

69 (i) fees in each grazing district; and

70 (ii) the receipts collected from the sale or lease of public lands; and

71 (c) distribute fund monies in accordance with Section 4-20-3.

72 Section 2. Section **4-20-3** is amended to read:

73 **4-20-3. Rangeland Improvement Fund distribution.**

74 (1) The department shall distribute fund monies as provided in this section.

75 (a) The department shall:

76 (i) distribute pro rata to each school district the monies received by the state under

77 Subsection 4-20-2(1)(b)(i) from the sale or lease of public lands based upon the amount of
78 revenue generated from the sale or lease of public lands within the district; and

79 (ii) ensure that all monies generated from the sale or lease of public lands within a
80 school district are credited and deposited to the general school fund of that school district.

81 (b) (i) After the commissioner approves a request from a regional board, the
82 department shall distribute pro rata to each regional board monies received by the state under
83 Subsection 4-20-2(1)(b)(i) from fees based upon the amount of revenue generated from the
84 imposition of fees within that grazing district.

85 (ii) The regional board shall expend monies received in accordance with Subsection
86 (2).

87 (c) (i) The department shall distribute or expend monies received by the state under
88 Subsections 4-20-2(1)(b)(ii) through [~~(iv)~~] (v) for the purposes outlined in Subsection (2).

89 (ii) The department may require entities seeking funding from sources outlined in

90 Subsections 4-20-2(1)(b)(ii) through [~~(iv)~~] (v) to provide matching funds.

91 (2) The department shall ensure that fund distributions or expenditures under

92 Subsections (1)(b) and (c) are used for:

93 (a) range improvement and maintenance;

94 (b) the control of predatory and depredating animals;

95 (c) the control, management, or extermination of invading species, range damaging
96 organisms, and poisonous or noxious weeds;

97 (d) the purchase or lease of lands for the benefit of a grazing district;

98 (e) watershed protection, development, distribution, and improvement; and

99 (f) the general welfare of livestock grazing within a grazing district.

100 Section 3. Section **11-38-301** is amended to read:

101 **11-38-301. LeRay McAllister Critical Land Conservation Fund.**

102 (1) There is created a restricted special revenue fund entitled the "LeRay McAllister
103 Critical Land Conservation Fund," consisting of:

104 (a) money appropriated or otherwise made available by the Legislature;

105 (b) contributions of money, property, or equipment from federal agencies, political
106 subdivisions of the state, persons, or corporations; [~~and~~]

107 (c) money received from the Land and Water Reinvestment Account in accordance
108 with Section 63-97a-104; and

109 [~~(e)~~] (d) proceeds that a department chooses to place into the fund from the sale of
110 surplus land under Subsection (2).

111 (2) The Department of Administrative Services, the Department of Agriculture and
112 Food, the Department of Natural Resources, and the Department of Transportation may place
113 proceeds from the sale of surplus land into the fund.

114 (3) The total amount of money in the fund may not exceed \$6,000,000.

115 Section 4. Section **59-5-115** is amended to read:

116 **59-5-115. Disposition of taxes collected -- Credit to General Fund.**

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

121 (2) Taxes imposed and collected under Section 59-5-102 shall not be credited to the
122 General Fund if:

- 123 (a) those taxes are otherwise allocated under Section 59-5-116 or 59-5-119; or
124 (b) those taxes are credited to the Land and Water Reinvestment Account under
125 Section 63-97a-104.

126 Section 5. Section **59-5-215** is amended to read:

127 **59-5-215. Disposition of taxes collected -- Credit to General Fund.**

128 [~~AH~~] (1) Except as provided in Subsection (2), all taxes imposed and collected under
129 Section 59-5-202 shall be paid to the commission, and promptly remitted to the state treasurer,
130 to be credited to the General Fund.

131 (2) Taxes imposed and collected under Section 59-5-202 shall not be credited to the
132 General Fund if those taxes are credited to the Land and Water Reinvestment Account under
133 Section 63-97a-104.

134 Section 6. Section **63-38c-103** is amended to read:

135 **63-38c-103. Definitions.**

136 As used in this chapter:

137 (1) (a) "Appropriations" means actual unrestricted capital and operating appropriations
138 from unrestricted General Fund sources and from non-Uniform School Fund income tax
139 revenues as presented in the governor's executive budgets.

140 (b) "Appropriation" includes appropriations that are contingent upon available
141 surpluses in the General Fund.

142 (c) "Appropriations" does not mean:

143 (i) debt service expenditures;

144 (ii) emergency expenditures;

145 (iii) expenditures from all other fund or subfund sources presented in the executive
146 budgets;

147 (iv) transfers into, or appropriations made to, the General Fund Budget Reserve
148 Account established in Section 63-38-2.5;

149 (v) transfers into, or appropriations made to, the Education Budget Reserve Account
150 established in Section 63-38-2.6;

151 (vi) monies appropriated to fund the total one-time project costs for the construction of

152 capital developments as defined in Section 63A-5-104;

153 (vii) appropriations made to the Centennial Highway Fund Restricted Account created
154 by Section 72-2-118; ~~or~~

155 (viii) appropriations made to the Transportation Investment Fund of 2005 created by
156 Section 72-2-124[-];

157 (ix) transfers into the Land and Water Reinvestment Account created by Section
158 63-97a-103; or

159 (x) transfers or appropriations made from the Land and Water Reinvestment Account
160 created by Section 63-97a-103.

161 (2) "Base year real per capita appropriations" means the result obtained for the state by
162 dividing the fiscal year 1985 actual appropriations of the state less debt monies by:

163 (a) the state's July 1, 1983 population; and

164 (b) the fiscal year 1983 inflation index divided by 100.

165 (3) "Calendar year" means the time period beginning on January 1 of any given year
166 and ending on December 31 of the same year.

167 (4) "Fiscal emergency" means an extraordinary occurrence requiring immediate
168 expenditures and includes the settlement under Chapter 4, Laws of Utah 1988, Fourth Special
169 Session.

170 (5) "Fiscal year" means the time period beginning on July 1 of any given year and
171 ending on June 30 of the subsequent year.

172 (6) "Fiscal year 1985 actual base year appropriations" means fiscal year 1985 actual
173 capital and operations appropriations from General Fund and non-Uniform School Fund
174 income tax revenue sources, less debt monies.

175 (7) "Inflation index" means the change in the general price level of goods and services
176 as measured by the Gross National Product Implicit Price Deflator of the Bureau of Economic
177 Analysis, U.S. Department of Commerce calculated as provided in Section 63-38c-202.

178 (8) (a) "Maximum allowable appropriations limit" means the appropriations that could
179 be, or could have been, spent in any given year under the limitations of this chapter.

180 (b) "Maximum allowable appropriations limit" does not mean actual appropriations
181 spent or actual expenditures.

182 (9) "Most recent fiscal year's inflation index" means the fiscal year inflation index two

183 fiscal years previous to the fiscal year for which the maximum allowable inflation and
184 population appropriations limit is being computed under this chapter.

185 (10) "Most recent fiscal year's population" means the fiscal year population two fiscal
186 years previous to the fiscal year for which the maximum allowable inflation and population
187 appropriations limit is being computed under this chapter.

188 (11) "Population" means the number of residents of the state as of July 1 of each year
189 as calculated by the Governor's Office of Planning and Budget according to the procedures and
190 requirements of Section 63-38c-202.

191 (12) "Revenues" means the revenues of the state from every tax, penalty, receipt, and
192 other monetary exaction and interest connected with it that are recorded as unrestricted revenue
193 of the General Fund and from non-Uniform School Fund income tax revenues, except as
194 specifically exempted by this chapter.

195 (13) "Security" means any bond, note, warrant, or other evidence of indebtedness,
196 whether or not the bond, note, warrant, or other evidence of indebtedness is or constitutes an
197 "indebtedness" within the meaning of any provision of the constitution or laws of this state.

198 Section 7. Section **63-97a-101** is enacted to read:

199 **CHAPTER 97a. LAND AND WATER REINVESTMENT ACCOUNT ACT**

200 **63-97a-101. Title.**

201 This chapter is known as the "Land and Water Reinvestment Account Act."

202 Section 8. Section **63-97a-102** is enacted to read:

203 **63-97a-102. Definitions.**

204 As used in this chapter:

205 (1) "Account" means the Land and Water Reinvestment Account created in Section
206 63-97a-103.

207 (2) "Division" means the Division of Finance.

208 (3) "LeRay McAllister Critical Land Conservation Fund" means the LeRay McAllister
209 Critical Land Conservation Fund created in Section 11-38-301.

210 (4) "Rangeland Improvement Fund" means the Rangeland Improvement Fund created
211 in Section 4-20-2.

212 Section 9. Section **63-97a-103** is enacted to read:

213 **63-97a-103. Creation of Land and Water Reinvestment Account.**

214 (1) (a) There is created a restricted account within the General Fund known as the
215 "Land and Water Reinvestment Account."

216 (b) The account shall consist of:

217 (i) all monies credited to the account under Section 63-97a-104;

218 (ii) appropriations from the Legislature; and

219 (iii) interest and investment earnings on account monies.

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

221 (b) All interest shall be deposited as described in Section 63-97a-104.

222 Section 10. Section **63-97a-104** is enacted to read:

223 **63-97a-104. Distribution of certain oil, gas, and mining severance tax revenues**
224 **from the Land and Water Reinvestment Account.**

225 (1) After making the distributions of oil and gas severance tax revenues as required
226 under Sections 59-5-116 and 59-5-119, the division shall make the distributions required under
227 Subsections (2) through (5).

228 (2) Subject to Subsection (4), for fiscal years beginning on or after July 1, 2007, the
229 division shall transfer the following revenues to the Land and Water Reinvestment Account:

230 (a) of revenue collected from severance taxes during a fiscal year on oil and gas
231 imposed under Title 59, Chapter 5, Part 1, Oil and Gas Severance Tax, and not distributed in
232 accordance with Sections 59-5-116 and 59-5-119, an amount equal to the greater of:

233 (i) 9%; or

234 (ii) \$5,000,000; and

235 (b) of all revenue collected from severance taxes during a fiscal year on mining
236 imposed under Title 59, Chapter 5, Part 2, Mining Severance Tax, an amount equal to the
237 greater of:

238 (i) 9%; or

239 (ii) \$1,000,000.

240 (3) The state treasurer shall invest and separately account for the earnings on funds that
241 are deposited into the account.

242 (4) The total amount of money transferred into the account may not exceed
243 \$15,000,000 per calendar year.

244 (5) The division shall distribute the account monies quarterly as follows:

- 245 (a) 1/3 shall be deposited into the LeRay McAllister Critical Land Conservation Fund;
- 246 (b) 1/3 shall be deposited into the Rangeland Improvement Fund; and
- 247 (c) 1/3 shall be:
- 248 (i) transferred to the Department of Natural Resources; and
- 249 (ii) subject to legislative appropriation, expended by the Department of Natural
- 250 Resources for watershed rehabilitation or restoration.
- 251 (6) All monies transferred to the Department of Natural Resources from the account in
- 252 accordance with Subsection (5)(c) shall be continuously available to the department for
- 253 expenditure in accordance with the provisions of this section and shall not lapse at any time or
- 254 be transferred to any other fund.
- 255 Section 11. **Effective date.**
- 256 This bill takes effect on July 1, 2007.

Legislative Review Note
as of 1-5-07 4:21 PM

Office of Legislative Research and General Counsel

H.B. 102 - Severance Tax Amendments

Fiscal Note

2007 General Session
State of Utah

State Impact

It is estimated that enactment of this bill will reduce General Fund revenues by \$8,064,000 per year, which amount is to be deposited in the Land and Water Reinvestment Account.

	<u>FY 2007</u> <u>Approp.</u>	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2009</u> <u>Approp.</u>	<u>FY 2007</u> <u>Revenue</u>	<u>FY 2008</u> <u>Revenue</u>	<u>FY 2009</u> <u>Revenue</u>
General Fund	\$0	\$0	\$0	\$0	(\$8,064,000)	(\$8,064,000)
General Fund Restricted	\$0	\$0	\$0	\$0	\$8,064,000	\$8,064,000
Total	\$0	\$0	\$0	\$0	\$0	\$0

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals, businesses, or local governments.
