

1 **CREATION OF SEVERANCE TAX AND INFRASTRUCTURE**
2 **AND ECONOMIC DIVERSIFICATION ACCOUNTS**

3 2007 GENERAL SESSION

4 STATE OF UTAH

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

6 House Sponsor: Wayne A. Harper

8 **LONG TITLE**

9 **General Description:**

10 This bill appropriates \$20,000,000 to the Severance Tax Holding Account and creates
11 two restricted accounts.

12 **Highlighted Provisions:**

13 This bill:

- 14 ▶ creates the Infrastructure and Economic Diversification Investment Account;
- 15 ▶ creates the Severance Tax Holding Account;
- 16 ▶ appropriates \$20,000,000 to the Severance Tax Holding Account;
- 17 ▶ provides that monies in the Severance Tax Holding Account be transferred to the
18 permanent state trust fund under certain circumstances;
- 19 ▶ provides that certain earnings are credited to the Infrastructure and Economic
20 Diversification Investment Account; and
- 21 ▶ makes technical changes.

22 **Monies Appropriated in this Bill:**

23 This bill appropriates:

- 24 ▶ \$20,000,000 to the Severance Tax Holding Account.

25 **Other Special Clauses:**

26 This bill takes effect on July 1, 2007.

27 **Utah Code Sections Affected:**

28 AMENDS:

29 **63-97-301**, as last amended by Chapter 275, Laws of Utah 2005

30 ENACTS:

31 **63-97a-101**, Utah Code Annotated 1953

32 **63-97a-102**, Utah Code Annotated 1953

33 **63-97a-201**, Utah Code Annotated 1953

34 **63-97a-202**, Utah Code Annotated 1953

35

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

37 Section 1. Section **63-97-301** is amended to read:

38 **63-97-301. Permanent state trust fund.**

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

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

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

51 (4) On and after July 1, 2005 and until July 1, 2007, 25% of all funds of any kind
52 received by the state that are related to the settlement agreement that the state entered into with
53 leading tobacco manufacturers shall be deposited into the permanent state trust fund created by
54 and operated under Utah Constitution Article XXII, Section 4.

55 (5) On and after July 1, 2007, 40% of all funds of every kind that are received by the
56 state that are related to the settlement agreement that the state entered into with leading tobacco
57 manufacturers on November 23, 1998, shall be deposited into the permanent state trust fund

58 created by and operated under Utah Constitution Article XXII, Section 4.

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

61 (7) (a) In accordance with Utah Constitution Article XXII, Section 4, the interest and
62 dividends earned annually from the permanent state trust fund shall be deposited in the General
63 Fund. There shall be transferred on an ongoing basis from the General Fund to the permanent
64 state trust fund created under Utah Constitution Article XXII, Section 4, an amount equal to
65 50% of the interest and dividends earned annually from the permanent state trust fund. The
66 amount transferred into the fund under this Subsection (7)(a) shall be treated as principal.

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

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

71 (8) This section does not apply to funds deposited under Chapter 97a, Infrastructure
72 and Economic Diversification Investment Account and Severance Tax Holding Account into
73 the permanent state trust fund.

74 Section 2. Section **63-97a-101** is enacted to read:

75 **CHAPTER 97a. INFRASTRUCTURE AND ECONOMIC DIVERSIFICATION**
76 **INVESTMENT ACCOUNT AND SEVERANCE TAX HOLDING ACCOUNT**

77 **Part 1. General Provisions**

78 **63-97a-101. Title.**

79 This chapter is known as the "Infrastructure and Economic Diversification Investment
80 Account and Severance Tax Holding Account."

81 Section 3. Section **63-97a-102** is enacted to read:

82 **63-97a-102. Definitions.**

83 As used in this chapter:

84 (1) "Infrastructure and Economic Diversification Investment Account" means the
85 Infrastructure and Economic Diversification Investment Account created in Section

86 63-97a-201.

87 (2) "Permanent state trust fund" means the permanent state trust fund created under
88 Utah Constitution Article XXII, Section 4.

89 (3) "Severance Tax Holding Account" means the Severance Tax Holding Account
90 created in Section 63-97a-202.

91 Section 4. Section **63-97a-201** is enacted to read:

92 **Part 2. Creation of Restricted Accounts**

93 **63-97a-201. Creation of Infrastructure and Economic Diversification Investment**
94 **Account.**

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

97 (b) The Infrastructure and Economic Diversification Investment Account shall consist
98 of:

99 (i) all monies credited to the account under Section 63-97a-202;

100 (ii) appropriations from the Legislature;

101 (iii) grants from private foundations; and

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

103 (2) (a) The Infrastructure and Economic Diversification Investment Account shall earn
104 interest.

105 (b) All interest earned on monies in the Infrastructure and Economic Diversification
106 Investment Account shall be deposited into the Infrastructure and Economic Diversification
107 Investment Account.

108 (3) The Legislature may appropriate monies from the Infrastructure and Economic
109 Diversification Investment Account for infrastructure and economic diversification investment
110 projects.

111 Section 5. Section **63-97a-202** is enacted to read:

112 **63-97a-202. Creation of Severance Tax Holding Account -- Distribution of funds**
113 **in the account.**

114 (1) (a) There is created a restricted account within the General Fund known as the
115 "Severance Tax Holding Account."

116 (b) The Severance Tax Holding Account shall consist of:

117 (i) appropriations from the Legislature;

118 (ii) grants from private foundations; and

119 (iii) interest and investment earnings on Severance Tax Holding Account monies.

120 (2) (a) The Severance Tax Holding Account shall earn interest.

121 (b) All interest earned on monies in the Severance Tax Holding Account shall be
122 deposited into the Severance Tax Holding Account.

123 (3) If authorized by law the Division of Finance shall deposit all of the monies in the
124 Severance Tax Holding Account as of June 30, 2009, into the permanent state trust fund.

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

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

130 (b) Interest and dividends earned on revenue from severance taxes that are deposited in
131 the General Fund pursuant to Subsection (5)(a) shall be credited to the Infrastructure and
132 Economic Diversification Investment Account created in Section 63-97a-201.

133 **Section 6. Appropriation.**

134 For fiscal year 2007-08 only, there is appropriated \$20,000,000 from the General Fund
135 to the Severance Tax Holding Account created in Section 63-97a-202.

136 **Section 7. Effective date.**

137 This bill takes effect on July 1, 2007.