

Representative Wayne A. Harper proposes the following substitute bill:

USE OF SEVERANCE TAX REVENUES

2007 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Lyle W. Hillyard

House Sponsor: Wayne A. Harper

LONG TITLE

General Description:

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

Highlighted Provisions:

This bill:

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

Monies Appropriated in this Bill:

This bill appropriates:

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

Other Special Clauses:

This bill takes effect on July 1, 2007.



26 **Utah Code Sections Affected:**

27 AMENDS:

28 **63-97-301**, as last amended by Chapter 275, Laws of Utah 2005

29 ENACTS:

30 **63-97a-101**, Utah Code Annotated 1953

31 **63-97a-102**, Utah Code Annotated 1953

32 **63-97a-201**, Utah Code Annotated 1953

33 **63-97a-202**, Utah Code Annotated 1953



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

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

37 **63-97-301. Permanent state trust fund.**

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

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

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

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

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

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

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

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

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

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

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

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

74 **CHAPTER 97a. INFRASTRUCTURE AND ECONOMIC DIVERSIFICATION**
75 **INVESTMENT ACCOUNT AND SEVERANCE TAX HOLDING ACCOUNT**
76 **Part 1. General Provisions**

77 **63-97a-101. Title.**

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

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

81 **63-97a-102. Definitions.**

82 As used in this chapter:

83 (1) "Infrastructure and Economic Diversification Investment Account" means the
84 Infrastructure and Economic Diversification Investment Account created in Section
85 63-97a-201.

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

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

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

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

92 **63-97a-201. Creation of Infrastructure and Economic Diversification Investment**
93 **Account.**

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

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

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

99 (ii) appropriations from the Legislature;

100 (iii) grants from private foundations; and

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

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

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

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

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

111 **63-97a-202. Creation of Severance Tax Holding Account.**

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

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

115 (i) appropriations from the Legislature;

116 (ii) grants from private foundations; and

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

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

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

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

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

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

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

131 Section 6. **Appropriation.**

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

134 Section 7. **Effective date.**

135 This bill takes effect on July 1, 2007.

S.B. 18 4th Sub. (Pumpkin) - Use of Severance Tax Revenues

Fiscal Note

2007 General Session
State of Utah

State Impact

Enactment of this bill will appropriate \$20,000,000 in one-time General Fund revenues in FY 2008 to the new General Fund Restricted Severance Tax Holding Account created in this bill.

	<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	\$20,000,000	\$0	\$0	\$0	\$0
General Fund Restricted	\$0	\$0	\$0	\$0	\$20,000,000	\$0
Total	\$0	\$20,000,000	\$0	\$0	\$20,000,000	\$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.