

Representative Jim Nielson proposes the following substitute bill:

JOINT RESOLUTION ON SEVERANCE TAX

2012 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jim Nielson

Senate Sponsor: Lyle W. Hillyard

LONG TITLE

General Description:

This joint resolution of the Legislature proposes to amend the Utah Constitution to require certain severance tax revenue to be deposited into the permanent state trust fund.

Highlighted Provisions:

This resolution proposes to amend the Utah Constitution to:

- ▶ require specified percentages of annual severance tax revenue, except revenue that by statute is used for purposes related to the Ute Indian Tribe and the Navajo Nation, to be deposited into the permanent state trust fund; and
- ▶ require deposits to be phased in.

Special Clauses:

This resolution directs the lieutenant governor to submit this proposal to voters.
This resolution provides a contingent effective date of January 1, 2013 for this proposal.

Utah Constitution Sections Affected:

AMENDS:

- ARTICLE XIII, SECTION 5**
- ARTICLE XXII, SECTION 4**



26 *Be it resolved by the Legislature of the state of Utah, two-thirds of all members elected to each*
27 *of the two houses voting in favor thereof:*

28 Section 1. It is proposed to amend Utah Constitution Article XIII, Section 5, to read:

29 **Article XIII, Section 5. [Use and amount of taxes and expenditures.]**

30 (1) The Legislature shall provide by statute for an annual tax sufficient, with other
31 revenues, to defray the estimated ordinary expenses of the State for each fiscal year.

32 (2) (a) For any fiscal year, the Legislature may not make an appropriation or authorize
33 an expenditure if the State's expenditure exceeds the total tax provided for by statute and
34 applicable to the particular appropriation or expenditure.

35 (b) Subsection (2)(a) does not apply to an appropriation or expenditure to suppress
36 insurrection, defend the State, or assist in defending the United States in time of war.

37 (3) For any debt of the State, the Legislature shall provide by statute for an annual tax
38 sufficient to pay:

39 (a) the annual interest; and

40 (b) the principal within 20 years after the final passage of the statute creating the debt.

41 (4) Except as provided in Article X, Section 5, Subsection (5)(a), the Legislature may
42 not impose a tax for the purpose of a political subdivision of the State, but may by statute
43 authorize political subdivisions of the State to assess and collect taxes for their own purposes.

44 (5) All revenue from taxes on intangible property or from a tax on income shall be used
45 to support the systems of public education and higher education as defined in Article X,
46 Section 2.

47 (6) Proceeds from fees, taxes, and other charges related to the operation of motor
48 vehicles on public highways and proceeds from an excise tax on liquid motor fuel used to
49 propel those motor vehicles shall be used for:

50 (a) statutory refunds and adjustments and costs of collection and administration;

51 (b) the construction, maintenance, and repair of State and local roads, including
52 payment for property taken for or damaged by rights-of-way and for associated administrative
53 costs;

54 (c) driver education;

55 (d) enforcement of state motor vehicle and traffic laws; and

56 (e) the payment of the principal of and interest on any obligation of the State or a city

57 or county, issued for any of the purposes set forth in Subsection (6)(b) and to which any of the
 58 fees, taxes, or other charges described in this Subsection (6) have been pledged, including any
 59 paid to the State or a city or county, as provided by statute.

60 (7) Fees and taxes on tangible personal property imposed under Section 2, Subsection
 61 (6) of this article are not subject to Subsection (6) of this Section 5 and shall be distributed to
 62 the taxing districts in which the property is located in the same proportion as that in which the
 63 revenue collected from real property tax is distributed.

64 (8) A political subdivision of the State may share its tax and other revenues with
 65 another political subdivision of the State as provided by statute.

66 (9) (a) Revenue from each severance tax provided by statute, except revenue that by
 67 statute is used for purposes related to the Ute Indian Tribe or the Navajo Nation, shall be
 68 deposited into the permanent state trust fund under Article XXII, Section 4, as provided in
 69 Subsections (9)(b) and (c).

70 (b) Beginning July 1, 2016, severance tax revenue described in Subsection (9)(a) shall
 71 be deposited into the permanent state trust fund as follows:

- 72 (i) 25% of the first \$50,000,000 of annual revenue;
 73 (ii) 50% of the next \$50,000,000 of annual revenue; and
 74 (iii) 75% of the annual revenue that exceeds \$100,000,000.

75 (c) The ~~H→~~ [annual] ~~←H~~ amount of ~~H→~~ [deposits of] ~~←H~~ severance tax revenue
 75a described in Subsection
 76 (9)(a) ~~H→~~ that is deposited ~~←H~~ into the permanent state trust fund ~~H→~~ during each fiscal year
 76a before the fiscal year beginning July 1, 2016 ~~←H~~ shall increase ~~H→~~ [over time] each year ~~←H~~
 76b until July 1, 2016, when
 77 revenue shall thereafter be deposited into the permanent state trust fund as provided in
 78 Subsection (9)(b).

79 Section 2. It is proposed to amend Utah Constitution Article XXII, Section 4, to read:

80 **Article XXII, Section 4. [State trust fund -- Principal to be held in perpetuity --**
 81 **Use of income.]**

- 82 (1) There is established a permanent state trust fund consisting of:
 83 (a) as provided by statute or appropriation, funds that the state receives relating to the
 84 November 1998 settlement agreement with leading tobacco manufacturers;
 85 (b) money or other assets given to the fund under any provision of law; ~~and~~
 86 (c) severance tax revenue, as provided in Article XIII, Section 5, Subsection (9); and
 87 ~~(c)~~ (d) other funds and assets that the trust fund receives by bequest or private

88 donation.

89 (2) Except as provided in Subsection (4), the state treasurer shall, as provided by
90 statute, hold all trust funds and assets in trust and invest them for the benefit of the people of
91 the state in perpetuity.

92 (3) The income from the state trust fund shall be deposited into the General Fund.

93 (4) With the concurrence of the governor and three-fourths of each house of the
94 Legislature, funds or assets in the trust fund may be removed from the fund for deposit into the
95 General Fund.

96 Section 3. **Submittal to voters.**

97 The lieutenant governor is directed to submit this proposed amendment to the voters of
98 the state at the next regular general election in the manner provided by law.

99 Section 4. **Effective date.**

100 If the amendment proposed by this joint resolution is approved by a majority of those
101 voting on it at the next regular general election, the amendment shall take effect on January 1,
102 2013.