



2018 FACT SHEET SQ 800: NEW RESERVE FUND FOR OIL AND GAS REVENUE

THE GIST

State Question 800 would amend Oklahoma's constitution to create a trust fund known as the Oklahoma Vision Fund. SQ 800 was put on the ballot by the Legislature with Senate Joint Resolution 35 in 2018.

Under this state question, beginning July 1, 2020 (FY 2021) five percent of the collections from the gross production tax on oil and gas would be deposited in the Oklahoma Vision Fund.

The percentage of the gross production tax directed to the Vision Fund would increase by two-tenths of a percentage point every year. The fund would also include any investment and income returns and any other appropriations made by the Legislature.

As of July 1, 2020, 4 percent of the average annual principal amount of the Fund over the preceding five years would be deposited to the General Revenue Fund. Up to five percent of the monies in the Fund could also be used to pay for debt obligations of the State of Oklahoma or local government entities.

The State Treasurer would invest monies in the Fund according to the prudent investment standard, which aims to ensure a diversified portfolio and minimize the risk of large losses. The Fund would be exempt from the constitution's general prohibition on the state owning stock.

State Question 800

would amend the state constitution to require 5% of the collections from the gross production tax on oil and gas to be deposited in a trust fund known as the Oklahoma Vision Fund.

BACKGROUND INFORMATION

SJR 35, authored by Sen. John Sparks and Rep. Charles McCall, passed the House 94-3 and the Senate 42-0 in 2018. A companion measure, HB 1401, that mostly replicated the constitutional language of SJR 35 as a change to state statutes, passed the Legislature but was vetoed by Governor Mary Fallin.

If SQ 800 is approved by the voters, the Oklahoma Vision Fund would become the state's third budget reserve fund, along with the Constitutional Reserve Fund (Rainy Day Fund) created in 1985 and the Revenue Stabilization Fund, a statutory (non-constitutional) fund created in 2016.

Whereas deposits to the Vision Fund would be made every year, deposits to the other funds are made only in years when actual revenue collections exceed projections in the case of the Rainy Day Fund or when anticipated collections from certain taxes (gross production taxes and the corporate income tax) exceed recent historical averages in the case of the Revenue Stabilization Fund. A set amount of the Vision Fund would be spent every year, while the other two reserve funds are available to be tapped only when revenues fall short of projections or prior collections.

Oil and gas tax collections can fluctuate dramatically from year to year. The state collected \$411 million in gross production taxes in FY 2017, which would have produced a \$20.5 million deposit to the Oklahoma Vision Fund. With higher tax rates on oil and gas approved by the Legislature in 2017 and 2018, and depending on energy prices, the Fund could receive \$50 to \$60 million annually in future years.

...OVER

SUPPORTERS SAY...



Oil and gas is a depleting resource. We should take the opportunity now to prepare for future declines in oil and gas production by saving a portion of current collections for future needs.



By building an oil and gas trust fund, the state is taking a prudent long-term approach to ensuring that its budget needs can be met.



With prudent financial management, the balance of the Vision Fund is guaranteed to grow over time, creating a growing revenue stream to help address our long-term needs.

OPPONENTS SAY...



Oklahoma already has two reserve funds, including one, the Revenue Stabilization Fund, that receives a portion of gross production tax collections. We could end up diverting too much into reserve funds at the expense of our current needs.



The measure would allow a portion of the Fund (5 percent) to be used for debt payments for counties, municipalities, and other local entities. But SQ 799 doesn't specify who decides to make this kind of payment or how it will be made. In her veto of HB 1401, the companion bill to SJR 35, Gov. Fallin stated that to the state should not be paying obligations that belong to local governments.

BALLOT LANGUAGE

“ This measure would add a provision to the Oklahoma Constitution creating a new trust fund. This fund would consist of (i) legislative appropriations, (ii) deposits from other sources, and (iii) investment income. Beginning July 1, 2020, 5% of revenues from the gross production tax on oil and gas will be deposited into the fund as well. The percentage of gross production tax revenues deposited into the fund will then increase by 0.2 per year.

Monies in the fund will be invested by the State Treasurer. The fund is exempt from constitutional restrictions on the State owning stock. The State Treasurer is required to make prudent investment decisions and diversify the Fund investments to minimize risk.

After July 1, 2020, 4% of the fund's principal will be deposited each year into the State's General Revenue Fund. Principal will be calculated by using an average of the fund's annual principal for the five years before the deposit. No more than 5% of the Fund may be used to pay interest on bonds issued by the State or local governments. This Fund will be called the Oklahoma Vision Fund.

