

BILL SUMMARY
1st Session of the 56th Legislature

Bill No.:	HB 1400
Version:	INT
Request Number:	5152
Author:	Rep. Montgomery
Date:	2/8/2017
Impact:	Dependent on Available Prior Year Cash And Amount of Revenue to the General Revenue Fund

Research Analysis

HB1400, as introduced, creates the Oklahoma Vision Act. The measure establishes the Oklahoma Vision Fund which allows for investment of funds from the following sources:

- 50 percent of the balance of the Cash-flow Reserve Fund;
- .25 percent of the actual annual revenue credited to the General Revenue for a single fiscal year;
- any funds appropriated by the Legislature; and
- any amount accruing in the Higher Education Research and Development Fund or the Education Vision Fund.

At least 80 percent of the investment earnings from the Vision Fund are to be retained until the ten-year moving average of the total investment earnings for the previous fiscal year equals the ten-year moving average of the collections from the personal and corporate income tax. The remaining 20 percent is to be apportioned as follows:

- 2 percent for administrative expenses relating to fund management;
- 1 percent to the Oklahoma Center for the Advancement of Science and Technology;
- 5 percent to the Higher Education Research and Development Fund; and
- 10 percent to the Common Schools Vision Fund.

When the ten-year moving average of total investment earnings from the previous fiscal year equals the ten-year moving average of the collections from personal and corporate income tax, a new apportionment structure takes effect.

Prepared By: Quyen Do

Fiscal Analysis

The measure includes several provisions related to the disposition of revenue at the close of each fiscal year. Certain revenues are directed to the newly created Oklahoma Visions Fund, including:

1. Fifty percent of the balance derived from the Cash-Flow Reserve Fund
2. One quarter of one percent (0.25%) of revenue accruing to the General Revenue Fund
3. Legislative appropriations
4. Amounts accruing to newly created education sub-funds

The measure creates a funding structure which is designed to grow the Oklahoma Vision Fund to size that the earnings from the fund will provide funds to replace the individual and corporate income tax while providing funds for a higher education research and development fund, a

Common Schools Vision Fund and the Oklahoma Center for the Advancement of Science and Technology (OCAST).

At the time where the ten year moving average of investment earnings equals the ten year moving average of income tax collections fund earnings are to be allocated to the State Treasurer for fund management (1.0%), re-invested in the Oklahoma Vision Fund (5.0%), utilized as a replacement for income tax (25.0%) and paid to taxpayers in an equal amount to all individual income tax filers (50.0%). Any residual funds would be paid to corporate income tax filers.

The amount of revenue to be deposited resulting from the year-end determination of General Revenue Fund cash will vary depending on the collection amounts in each year. The amount deposited resulting from the 0.25% measurement of General Revenue Fund collections will also vary (for example, were the provisions in effect for FY-16 the deposit would have exceeded \$13 million). Additionally, the amount of time, in years, for a sufficient balance to be reached where the amount reaches the amount of income tax will also depend on the velocity and amount of deposits into the Oklahoma Vision Fund.

Prepared By: Mark Tygret

Other Considerations

Pending continued analysis of the elements of the revenue and earnings flow.