

**BILL SUMMARY**  
1<sup>st</sup> Session of the 56<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>HB 1401</b>
<b>Version:</b>	<b>INT</b>
<b>Request Number:</b>	<b>5151</b>
<b>Author:</b>	<b>Rep. Montgomery</b>
<b>Date:</b>	<b>2/22/2017</b>
<b>Impact:</b>	<b>Gross Production Apportionment Change</b>

**No Impact in FY-18**

**Apportionment Change (20%)  
FY-19 and Beyond**

**Establishment of Endowment Structure**

**Research Analysis**

HB1401, as introduced, creates the Oklahoma Legacy Act. The measure establishes the Oklahoma Legacy Fund which allows for investment of funds from the following sources:

- 20 percent of the collection from severance tax on oil;
- 20 percent of the collection from severance tax on gas;
- any funds appropriated by the Legislature; and
- any amount accruing in the Higher Education Legacy Fund or the Common Schools Legacy Fund, which are newly created subfunds of the Oklahoma Legacy Fund.

At least 90 percent of the investment earnings from the Oklahoma Legacy Fund are to be retained and reinvested 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 gross production taxes. The measure also establishes apportionment structures for the Oklahoma Higher Education Legacy Fund and Common Schools Legacy Fund, which will benefit higher education and common education respectively, when the earning triggers outlined in the bill are met. Lastly, the measure directs the state auditor to conduct an audit of the Legacy Fund and its subfunds every two years.

Prepared By: Quyen Do

**Fiscal Analysis**

The measure includes several provisions related to the apportionment of gross production revenue, investment of the revenue, distribution of investment earnings.

***Apportionment of Gross Production Revenue***

Beginning July 1, 2018 twenty percent (20%) of total gross production actual revenue is to be deposited in the newly created Oklahoma Legacy Fund. While no reliable estimates of gross product revenue are available for FY-19 and subsequent years, the modified apportionment would reduce revenue otherwise accruing to several funds in varying amounts, including:

General Revenue Fund

Circuit Engineering Districts Revolving Fund  
Common Education Technology Revolving Fund  
Higher Education Capital Revolving Fund  
Higher Education Student Aid Revolving Fund  
Counties for Bridge and Road Improvement Fund (CBRI)  
Community Water Infrastructure Development Revolving Fund  
Conservation Commission Infrastructure Revolving Fund  
Tourism and Recreation Capital Expenditure Revolving Fund  
Counties for Roads  
School Districts

### ***Utilization of the Oklahoma Legacy Fund***

Gross production revenue deposited in the Oklahoma Legacy Fund is to be invested to develop and build an endowment that, over time, will be allocated to the State Aid Formula, the Higher Education Research and Development Fund and for tuition assistance grants within the institutions of higher education. The Provision is made for the allocation of two percent of investment earnings to the State Treasurer for asset management.

Within the Legacy Fund two subfunds are established for the accumulation and allocation of funds for common education and higher education, the Common Schools Legacy Fund and the Higher Education Legacy Fund.

Prepared By: Mark Tygret

### **Other Considerations**

The objective of the measure is to utilize certain gross production revenue to contribute to the building of significant endowment structures the earnings from which will provide sustained funding for the education-related funding areas previously described. The number of years of deposits and investment necessary to accomplish endowment size will depend on the amounts of gross production revenue available each fiscal year and the performance of the invested funds.