Office of the
Legislative Fiscal Analyst

FY 2005 Budget Recommendations

Joint Appropriations Subcommittee for
Economic Development and Human Resources

Community Development - Capital

Contents:

1.0 Programs: Department of Community & Economic Development - Community Development Capital Program

Summary

These programs mitigate the impacts of non-metallic mineral extraction and help fund special service districts. The funding sources are the mineral lease royalties returned to the State by the federal government.

Financing	Analyst FY 2005 Base	Analyst FY 2005 Changes	Analyst FY 2005 Total
Federal Mineral Lease	1,698,200		1,698,200
PCIF	17,138,000		17,138,000
Total	$18,836,200	$0	$18,836,200
Programs			
PCIB	17,138,000		17,138,000
Special Service Districts	1,698,200		1,698,200
Total	$18,836,200	$0	$18,836,200

3.0 Programs: Department of Community & Economic Development - Permanent Community Impact Fund

3.1 Department of Community & Economic Development - Permanent Community Impact Fund

Recommendation

The Analyst recommends a budget of $17,138,000.

Financing	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
PCIF	18,290,800	15,243,300	17,138,000	1,894,700
Lapsing Balance	(6,942,200)			
Total	$11,348,600	$15,243,300	$17,138,000	$1,894,700
Expenditures				
Other Charges/Pass Thru	11,348,600	15,243,300	17,138,000	1,894,700
Total	$11,348,600	$15,243,300	$17,138,000	$1,894,700

*Non-state funds as estimated by agency

Purpose

Utah is energy rich in coal, hydroelectric, geothermal, natural gas, uranium and crude oil. The energy industry not only includes production of energy fuels, but the conversion of these resources into other forms of energy such as petroleum and electricity. This energy is used in Utah, shipped to other surrounding states, or exported to overseas markets.

In order to help mitigate local impacts of major energy and mineral development on federal lands, the federal government returns half of the royalty revenues collected back to the State of origin. The royalties collected are called mineral lease funds. Because of the significant extent of federal lands in Utah, these impacts are extensive. Individuals, corporations, associations, private non-profit organizations, and Indian Tribes are not eligible for financing from the Permanent Community Impact Fund.

Utah puts the funds into two General Fund - Restricted Accounts. The Mineral Lease Account is general royalty revenue returned to the State. The Mineral Lease Bonus Account originally came from the Department of Interior oil shale prototype leases known as U-a and U-b, located in eastern Utah. Currently, Bonus Revenue includes revenue from lease renewal fees and leases obtained from new mineral development.

In FY 2003, Federal Mineral Lease Funds were distributed as follows:

Permanent Community Impact Fund	32.50%
Board of Education	2.25%
Utah Geologic Survey	2.25%
Utah State University/Water Research Laboratory	2.25%
Department of Community & Economic Development	5.00%
Department of Transportation for Special Service Districts	40.00%
Payment in Lieu of Taxes (PILT) on State Lands	7.75%
Unallocated balance to the Permanent Community Impact Fund	8.00%
	100.00%

An 11 member board administers the Permanent Community Impact Fund. The board has been granted the authority to make grants and loans to subdivisions of the State for planning, the construction and maintenance of public facilities; or the provision of public services.

State statutes specifically defines a “subdivision” as any county, city, town, school district, housing authority, building authority, special service district, water conservancy district, county service area, special improvement district, water or sewer improvement district, and public post secondary institution.

The Division of Community Development provides staff support to the Permanent Community Impact Fund and its Board. The Division works with programs supporting local governments and sub-state districts.

3.2 Programs: Special Districts

Recommendation

The Analyst recommends a budget of $1,698,200.

Financing	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Federal Mineral Lease	2,024,900	1,728,100	1,698,200	(29,900)
Beginning Nonlapsing	33,000			
Total	$2,057,900	$1,728,100	$1,698,200	($29,900)
Expenditures				
Other Charges/Pass Thru	2,057,900	1,728,100	1,698,200	(29,900)
Total	$2,057,900	$1,728,100	$1,698,200	($29,900)

*Non-state funds as estimated by agency

Purpose

Section 59-21-2(2)(g) directs a portion of the State's Mineral Lease receipts to be appropriated to the Department of Community and Economic Development (DCED) for distribution to special services districts within counties of the third, fourth, fifth or sixth class:

- Which generate 4/5 percent or less of the Mineral Lease receipts;
- That are significantly socially or economically impacted by the development of minerals, as a result of either the transportation of hydrocarbons within the county, the employment of persons involved in hydrocarbon extraction, or both.

Although an amount to be passed through is appropriated to DCED, the distribution is (by statute) based on actual receipts received by the State.

4.0 Additional Information

4.1 Funding History

Financing	2001 Actual	2002 Actual	2003 Actual	2004 Estimated*	2005 Analyst
Federal Mineral Lease	2,479,800	1,477,000	2,024,900	1,728,100	1,698,200
Permanent Community Impact	18,451,500	17,663,000	18,290,800	15,243,300	17,138,000
Repayments	10,300,000				
Beginning Nonlapsing			33,000		
Lapsing Balance	(6,884,400)	(9,624,300)	(6,942,200)		
Total	$24,346,900	$9,515,700	$13,406,500	$16,971,400	$18,836,200
Programs					
PCIB	21,867,100	8,038,700	11,348,600	15,243,300	17,138,000
Special Service Districts	2,479,800	1,477,000	2,057,900	1,728,100	1,698,200
Total	$24,346,900	$9,515,700	$13,406,500	$16,971,400	$18,836,200
Expenditures					
Other Charges/Pass Thru	24,346,900	9,515,700	13,406,500	16,971,400	18,836,200
Total	$24,346,900	$9,515,700	$13,406,500	$16,971,400	$18,836,200
FTE/Other					

*Non-state funds as estimated by agency.