

Office of the
Legislative Fiscal Analyst

FY 2004 Budget Recommendations

Joint Appropriations Subcommittee for
Transportation, Environmental Quality, and National Guard

Utah Department of Transportation
Mineral Lease/Payment in Lieu

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1.0 Department of Transportation - Mineral Lease/Payment in Lieu

Summary

Title 59-21-2(f) of the Utah Code Annotated requires the Department of Transportation to distribute 40 percent of all deposits made to the Mineral Lease Account to special service districts organized throughout the State for areas impacted by mineral development. Title 59-21-2h of the Utah Code Annotated further requires the Department to distribute Mineral Lease Funds to each county in which school or institutional trust lands are located, or lands owned by the Division of Parks and Recreation, and or lands owned by the Division of Wildlife Resources that are not under an in lieu of taxes contract, an amount equal to the number of acres of those lands in the county multiplied by \$.52.

	Analyst FY 2004 Base	Analyst FY 2004 Changes	Analyst FY 2004 Total
Financing			
Federal Mineral Lease	16,329,200		16,329,200
Total	<u>\$16,329,200</u>	<u>\$0</u>	<u>\$16,329,200</u>
Programs			
Mineral Lease Payments	13,900,000		13,900,000
Payment in Lieu	2,429,200		2,429,200
Total	<u>\$16,329,200</u>	<u>\$0</u>	<u>\$16,329,200</u>

3.1 Programs: Mineral Lease

Recommendation

The Analyst recommends \$13,900,000 be appropriated from the Mineral Lease Account to the Mineral Lease Program for FY 2004. This money is to improve or reconstruct roads that have been impacted by the development of the State's natural and energy resources. Much of this development is off the State highway system. It is therefore, recommended that the following intent language be included in the appropriation for Mineral Lease:

It is the intent of the Legislature that the funds appropriated from the Federal Mineral Lease Account shall be used for improvement or reconstruction of highways not on the State Highway System that have been heavily impacted by energy development. It is also the intent of the Legislature that private industries engaged in developing the State's natural resources be encouraged to participate in the construction of highways leading to their facilities.

The funds appropriated for improvement or reconstruction of energy impacted highways that are not on the State Highway System are nonlapsing.

This intent statement was also included in last year's appropriation act. The Department of Transportation followed the intent when they disbursed the funds to local governments. It is difficult to determine if private industry with mineral extraction projects participated in developing roadways to their facilities.

	2002	2003	2004	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Federal Mineral Lease	12,110,200	18,720,000	13,900,000	(4,820,000)
Beginning Nonlapsing		255,400		(255,400)
Closing Nonlapsing	(255,400)			
Total	\$11,854,800	\$18,975,400	\$13,900,000	(\$5,075,400)
Expenditures				
Other Charges/Pass Thru	11,854,800	18,975,400	13,900,000	(5,075,400)
Total	\$11,854,800	\$18,975,400	\$13,900,000	(\$5,075,400)

*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

Purpose

Title 59-21-2(f) of the Utah Code Annotated requires the Department of Transportation to distribute Mineral Lease Funds to special service districts organized throughout the State for areas impacted by mineral development.

3.2 Programs: Payment In Lieu

Recommendation The Analyst recommends an appropriation of \$2,429,200 to the Payment in Lieu program for FY 2004. It is pointed out that the Department of Transportation acts as a pass-through agent to distribute these funds and does not use any of them for Department expenditures.

	2002	2003	2004	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Federal Mineral Lease	2,487,900	2,429,200	2,429,200	
Total	\$2,487,900	\$2,429,200	\$2,429,200	\$0
Expenditures				
Other Charges/Pass Thru	2,487,900	2,429,200	2,429,200	
Total	\$2,487,900	\$2,429,200	\$2,429,200	\$0

*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

Purpose Title 59-21-2h of the Utah Code Annotated states the following:

(i) an amount equal to 52 cents multiplied by the number of acres of school or institutional trust lands, lands owned by the Division of Parks and Recreation, and lands owned by the Division of Wildlife Resources that are not under an in lieu of taxes contract, to each county in which those lands are located;

(ii) to each county in which school or institutional trust lands are transferred to the federal government after December 31, 1992, an amount equal to the number of transferred acres in the county multiplied by a payment per acre equal to the difference between 52 cents per acre and the per acre payment made to that county in the most recent payment under the federal payment in lieu of taxes program, 31 U.S.C. Sec. 6901 or P.L. 97-258 as amended, unless the federal payment was equal to or exceeded the 52 cents per acre, in which case no payment shall be made for the transferred lands; and

(iii) to each county in which federal lands, which are entitlement lands under the federal in lieu of taxes program, are transferred to the school or institutional trust, an amount equal to the number of transferred acres in the county multiplied by a payment per acre equal to the difference between the most recent per acre payment made under the federal payment in lieu of taxes program and 52 cents per acre, unless the federal payment was equal to or less than 52 cents per acre, in which case no payment shall be made for the transferred land.

The acreage that is required to be considered under this statute for FY 2004 is 4,671,538 acres.

4.0 Tables: Mineral Lease/Payment in Lieu

	2000	2001	2002	2003	2004
Financing	Actual	Actual	Actual	Estimated*	Analyst
Federal Mineral Lease	13,989,300	22,304,500	14,598,100	21,149,200	16,329,200
Beginning Nonlapsing	15,100			255,400	
Closing Nonlapsing			(255,400)		
Total	\$14,004,400	\$22,304,500	\$14,342,700	\$21,404,600	\$16,329,200
Programs					
Mineral Lease Payments	11,595,500	19,875,300	11,854,800	18,975,400	13,900,000
Payment in Lieu	2,408,900	2,429,200	2,487,900	2,429,200	2,429,200
Total	\$14,004,400	\$22,304,500	\$14,342,700	\$21,404,600	\$16,329,200
Expenditures					
Other Charges/Pass Thru	14,004,400	22,304,500	14,342,700	21,404,600	16,329,200
Total	\$14,004,400	\$22,304,500	\$14,342,700	\$21,404,600	\$16,329,200

*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.