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Carbon Credit Amendments
2026 GENERAL SESSION
STATE OF UTAH
Chief Sponsor: Troy Shelley
Senate Sponsor: Derrin R. Owens

LONG TITLE

General Description:

This bill addresses requirements related to the sale of a carbon credit.

Highlighted Provisions:

This bill:

- defines and modifies terms;
- creates the Carbon Credit Litigation Fund and specifies the purpose of the fund;
- establishes reporting requirements for a state entity that sells or exchanges a carbon credit;
- requires the state auditor to report on the sale of carbon credits by state entities to the

Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee; and

- makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

67-3-1, as last amended by Laws of Utah 2025, First Special Session, Chapter 17

79-6-1301, as enacted by Laws of Utah 2025, Chapters 146, 375

79-6-1302, as enacted by Laws of Utah 2025, Chapters 146, 375

79-6-1303, as enacted by Laws of Utah 2025, Chapters 146, 375

ENACTS:

67-5-41, Utah Code Annotated 1953

28 *Be it enacted by the Legislature of the state of Utah:*

29 Section 1. Section **67-3-1** is amended to read:

30 **67-3-1 . Functions and duties.**

31 (1)(a) The state auditor is the auditor of public accounts and is independent of any
32 executive or administrative officers of the state.

33 (b) The state auditor is not limited in the selection of personnel or in the determination
34 of the reasonable and necessary expenses of the state auditor's office.

35 (2) The state auditor shall examine and certify annually in respect to each fiscal year,
36 financial statements showing:

37 (a) the condition of the state's finances;

38 (b) the revenues received or accrued;

39 (c) expenditures paid or accrued;

40 (d) the amount of unexpended or unencumbered balances of the appropriations to the
41 agencies, departments, divisions, commissions, and institutions; and

42 (e) the cash balances of the funds in the custody of the state treasurer.

43 (3)(a) The state auditor shall:

44 (i) audit each permanent fund, each special fund, the General Fund, and the accounts
45 of any department of state government or any independent agency or public
46 corporation as the law requires, as the auditor determines is necessary, or upon
47 request of the governor or the Legislature;

48 (ii) perform the audits in accordance with generally accepted auditing standards and
49 other auditing procedures as promulgated by recognized authoritative bodies; and

50 (iii) as the auditor determines is necessary, conduct the audits to determine:

51 (A) honesty and integrity in fiscal affairs;

52 (B) accuracy and reliability of financial statements;

53 (C) effectiveness and adequacy of financial controls; and

54 (D) compliance with the law.

55 (b) If any state entity receives federal funding, the state auditor shall ensure that the
56 audit is performed in accordance with federal audit requirements.

57 (c)(i) The costs of the federal compliance portion of the audit may be paid from an
58 appropriation to the state auditor from the General Fund.

59 (ii) If an appropriation is not provided, or if the federal government does not
60 specifically provide for payment of audit costs, the costs of the federal compliance
61 portions of the audit shall be allocated on the basis of the percentage that each

62 state entity's federal funding bears to the total federal funds received by the state.

63 (iii) The allocation shall be adjusted to reflect any reduced audit time required to
64 audit funds passed through the state to local governments and to reflect any
65 reduction in audit time obtained through the use of internal auditors working
66 under the direction of the state auditor.

67 (4)(a) Except as provided in Subsection (4)(b), the state auditor shall, in addition to
68 financial audits, and as the auditor determines is necessary, conduct performance and
69 special purpose audits, examinations, and reviews of any entity that receives public
70 funds, including a determination of any or all of the following:

- 71 (i) the honesty and integrity of all the entity's fiscal affairs;
- 72 (ii) whether the entity's administrators have faithfully complied with legislative intent;
- 73 (iii) whether the entity's operations have been conducted in an efficient, effective, and
74 cost-efficient manner;
- 75 (iv) whether the entity's programs have been effective in accomplishing the intended
76 objectives; and
- 77 (v) whether the entity's management, control, and information systems are adequate,
78 effective, and secure.

79 (b) The auditor may not conduct performance and special purpose audits, examinations,
80 and reviews of any entity that receives public funds if the entity:

- 81 (i) has an elected auditor; and
- 82 (ii) has, within the entity's last budget year, had the entity's financial statements or
83 performance formally reviewed by another outside auditor.

84 (5) The state auditor:

- 85 (a) shall administer any oath or affirmation necessary to the performance of the duties of
86 the auditor's office; and
- 87 (b) may:
 - 88 (i) subpoena witnesses and documents, whether electronic or otherwise; and
 - 89 (ii) examine into any matter that the auditor considers necessary.

90 (6) The state auditor may require all persons who have had the disposition or management
91 of any property of this state or its political subdivisions to submit statements regarding
92 the property at the time and in the form that the auditor requires.

93 (7) The state auditor shall:

- 94 (a) except where otherwise provided by law, institute suits in Salt Lake County in
95 relation to the assessment, collection, and payment of revenues against:

- 96 (i) persons who by any means have become entrusted with public money or property
97 and have failed to pay over or deliver the money or property; and
98 (ii) all debtors of the state;
- 99 (b) collect and pay into the state treasury all fees received by the state auditor;
- 100 (c) perform the duties of a member of all boards of which the state auditor is a member
101 by the constitution or laws of the state, and any other duties that are prescribed by the
102 constitution and by law;
- 103 (d) stop the payment of the salary of any state official or state employee who:
104 (i) refuses to settle accounts or provide required statements about the custody and
105 disposition of public funds or other state property;
106 (ii) refuses, neglects, or ignores the instruction of the state auditor or any controlling
107 board or department head with respect to the manner of keeping prescribed
108 accounts or funds; or
109 (iii) fails to correct any delinquencies, improper procedures, and errors brought to the
110 official's or employee's attention;
- 111 (e) establish accounting systems, methods, and forms for public accounts in all taxing or
112 fee-assessing units of the state in the interest of uniformity, efficiency, and economy;
- 113 (f) superintend the contractual auditing of all state accounts;
- 114 (g) subject to Subsection (8)(a), withhold state allocated funds or the disbursement of
115 property taxes from a state or local taxing or fee-assessing unit, if necessary, to
116 ensure that officials and employees in those taxing units comply with state laws and
117 procedures in the budgeting, expenditures, and financial reporting of public funds;
- 118 (h) subject to Subsection (9), withhold the disbursement of tax money from any county,
119 if necessary, to ensure that officials and employees in the county comply with
120 Section 59-2-303.1; and
- 121 (i) withhold state allocated funds or the disbursement of property taxes from a local
122 government entity or a limited purpose entity, as those terms are defined in Section
123 67-1a-15 if the state auditor finds the withholding necessary to ensure that the entity
124 registers and maintains the entity's registration with the lieutenant governor, in
125 accordance with Section 67-1a-15.
- 126 (8)(a) Except as otherwise provided by law, the state auditor may not withhold funds
127 under Subsection (7)(g) until a state or local taxing or fee-assessing unit has received
128 formal written notice of noncompliance from the auditor and has been given 60 days
129 to make the specified corrections.

- 130 (b) If, after receiving notice under Subsection (8)(a), a state or independent local
131 fee-assessing unit that exclusively assesses fees has not made corrections to comply
132 with state laws and procedures in the budgeting, expenditures, and financial reporting
133 of public funds, the state auditor:
- 134 (i) shall provide a recommended timeline for corrective actions;
 - 135 (ii) may prohibit the state or local fee-assessing unit from accessing money held by
136 the state; and
 - 137 (iii) may prohibit a state or local fee-assessing unit from accessing money held in an
138 account of a financial institution by filing an action in a court with jurisdiction
139 under Title 78A, Judiciary and Judicial Administration, requesting an order of the
140 court to prohibit a financial institution from providing the fee-assessing unit
141 access to an account.
- 142 (c) The state auditor shall remove a limitation on accessing funds under Subsection (8)(b)
143 upon compliance with state laws and procedures in the budgeting, expenditures, and
144 financial reporting of public funds.
- 145 (d) If a local taxing or fee-assessing unit has not adopted a budget in compliance with
146 state law, the state auditor:
- 147 (i) shall provide notice to the taxing or fee-assessing unit of the unit's failure to
148 comply;
 - 149 (ii) may prohibit the taxing or fee-assessing unit from accessing money held by the
150 state; and
 - 151 (iii) may prohibit a taxing or fee-assessing unit from accessing money held in an
152 account of a financial institution by:
 - 153 (A) contacting the taxing or fee-assessing unit's financial institution and
154 requesting that the institution prohibit access to the account; or
 - 155 (B) filing an action in a court with jurisdiction under Title 78A, Judiciary and
156 Judicial Administration, requesting an order of the court to prohibit a financial
157 institution from providing the taxing or fee-assessing unit access to an account.
- 158 (e) If the local taxing or fee-assessing unit adopts a budget in compliance with state law,
159 the state auditor shall eliminate a limitation on accessing funds described in
160 Subsection (8)(d).
- 161 (9) The state auditor may not withhold funds under Subsection (7)(h) until a county has
162 received formal written notice of noncompliance from the auditor and has been given 60
163 days to make the specified corrections.

- 164 (10)(a) The state auditor may not withhold funds under Subsection (7)(i) until the state
165 auditor receives a notice of non-registration, as that term is defined in Section
166 67-1a-15.
- 167 (b) If the state auditor receives a notice of non-registration, the state auditor may
168 prohibit the local government entity or limited purpose entity, as those terms are
169 defined in Section 67-1a-15, from accessing:
- 170 (i) money held by the state; and
171 (ii) money held in an account of a financial institution by:
- 172 (A) contacting the entity's financial institution and requesting that the institution
173 prohibit access to the account; or
174 (B) filing an action in a court with jurisdiction under Title 78A, Judiciary and
175 Judicial Administration, requesting an order of the court to prohibit a financial
176 institution from providing the entity access to an account.
- 177 (c) The state auditor shall remove the prohibition on accessing funds described in
178 Subsection (10)(b) if the state auditor received a notice of registration, as that term is
179 defined in Section 67-1a-15, from the lieutenant governor.
- 180 (11) Notwithstanding Subsection (7)(g), (7)(h), (7)(i), (8)(b), (8)(d), or (10)(b), the state
181 auditor:
- 182 (a) shall authorize a disbursement by a local government entity or limited purpose entity,
183 as those terms are defined in Section 67-1a-15, or a state or local taxing or
184 fee-assessing unit if the disbursement is necessary to:
- 185 (i) avoid a major disruption in the operations of the local government entity, limited
186 purpose entity, or state or local taxing or fee-assessing unit; or
187 (ii) meet debt service obligations; and
- 188 (b) may authorize a disbursement by a local government entity, limited purpose entity,
189 or state or local taxing or fee-assessing unit as the state auditor determines is
190 appropriate.
- 191 (12)(a) The state auditor may seek relief under the Utah Rules of Civil Procedure to take
192 temporary custody of public funds if an action is necessary to protect public funds
193 from being improperly diverted from their intended public purpose.
- 194 (b) If the state auditor seeks relief under Subsection (12)(a):
- 195 (i) the state auditor is not required to exhaust the procedures in Subsection (7) or (8);
196 and
197 (ii) the state treasurer may hold the public funds in accordance with Section 67-4-1 if

198 a court orders the public funds to be protected from improper diversion from their
199 public purpose.

200 (13) The state auditor shall:

- 201 (a) establish audit guidelines and procedures for audits of local mental health and
202 substance abuse authorities and their contract providers, conducted [~~pursuant to~~] in
203 accordance with Title 17, Chapter 77, Local Health and Human [Services] Service,
204 Title 26B, Chapter 5, Health Care - Substance Use and Mental Health, and Title 51,
205 Chapter 2a, Accounting Reports from Political Subdivisions, Interlocal
206 Organizations, and Other Local Entities Act; and
- 207 (b) ensure that those guidelines and procedures provide assurances to the state that:
- 208 (i) state and federal funds appropriated to local mental health authorities are used for
209 mental health purposes;
- 210 (ii) a private provider under an annual or otherwise ongoing contract to provide
211 comprehensive mental health programs or services for a local mental health
212 authority is in compliance with state and local contract requirements and state and
213 federal law;
- 214 (iii) state and federal funds appropriated to local substance abuse authorities are used
215 for substance abuse programs and services; and
- 216 (iv) a private provider under an annual or otherwise ongoing contract to provide
217 comprehensive substance abuse programs or services for a local substance abuse
218 authority is in compliance with state and local contract requirements, and state and
219 federal law.

220 (14)(a) The state auditor may, in accordance with the auditor's responsibilities for
221 political subdivisions of the state as provided in Title 51, Chapter 2a, Accounting
222 Reports from Political Subdivisions, Interlocal Organizations, and Other Local
223 Entities Act, initiate audits or investigations of any political subdivision that are
224 necessary to determine honesty and integrity in fiscal affairs, accuracy and reliability
225 of financial statements, effectiveness, and adequacy of financial controls and
226 compliance with the law.

227 (b) If the state auditor receives notice under Subsection 11-41-104(7) from the
228 Governor's Office of Economic Opportunity on or after July 1, 2024, the state auditor
229 may initiate an audit or investigation of the public entity subject to the notice to
230 determine compliance with Section 11-41-103.

231 (15)(a) The state auditor may not audit work that the state auditor performed before

- 232 becoming state auditor.
- 233 (b) If the state auditor has previously been a responsible official in state government
234 whose work has not yet been audited, the Legislature shall:
- 235 (i) designate how that work shall be audited; and
236 (ii) provide additional funding for those audits, if necessary.
- 237 (16) The state auditor shall:
- 238 (a) with the assistance, advice, and recommendations of an advisory committee
239 appointed by the state auditor from among special district boards of trustees, officers,
240 and employees and special service district boards, officers, and employees:
- 241 (i) prepare a Uniform Accounting Manual for Special Districts that:
- 242 (A) prescribes a uniform system of accounting and uniform budgeting and
243 reporting procedures for special districts under Title 17B, Limited Purpose
244 Local Government Entities - Special Districts, and special service districts
245 under Title 17D, Chapter 1, Special Service District Act;
- 246 (B) conforms with generally accepted accounting principles; and
247 (C) prescribes reasonable exceptions and modifications for smaller districts to the
248 uniform system of accounting, budgeting, and reporting;
- 249 (ii) maintain the manual under this Subsection (16)(a) so that the manual continues to
250 reflect generally accepted accounting principles;
- 251 (iii) conduct a continuing review and modification of procedures in order to improve
252 them;
- 253 (iv) prepare and supply each district with suitable budget and reporting forms; and
254 (v)(A) prepare instructional materials, conduct training programs, and render other
255 services considered necessary to assist special districts and special service
256 districts in implementing the uniform accounting, budgeting, and reporting
257 procedures; and
258 (B) ensure that any training described in Subsection (16)(a)(v)(A) complies with
259 Title 63G, Chapter 22, State Training and Certification Requirements; and
- 260 (b) continually analyze and evaluate the accounting, budgeting, and reporting practices
261 and experiences of specific special districts and special service districts selected by
262 the state auditor and make the information available to all districts.
- 263 (17)(a) The following records in the custody or control of the state auditor are protected
264 records under Title 63G, Chapter 2, Government Records Access and Management
265 Act:

- 266 (i) records that would disclose information relating to allegations of personal
267 misconduct, gross mismanagement, or illegal activity of a past or present
268 governmental employee if the information or allegation cannot be corroborated by
269 the state auditor through other documents or evidence, and the records relating to
270 the allegation are not relied upon by the state auditor in preparing a final audit
271 report;
- 272 (ii) records and audit workpapers to the extent the workpapers would disclose the
273 identity of an individual who during the course of an audit, communicated the
274 existence of any waste of public funds, property, or manpower, or a violation or
275 suspected violation of a law, rule, or regulation adopted under the laws of this
276 state, a political subdivision of the state, or any recognized entity of the United
277 States, if the information was disclosed on the condition that the identity of the
278 individual be protected;
- 279 (iii) before an audit is completed and the final audit report is released, records or
280 drafts circulated to an individual who is not an employee or head of a
281 governmental entity for the individual's response or information;
- 282 (iv) records that would disclose an outline or part of any audit survey plans or audit
283 program; and
- 284 (v) requests for audits, if disclosure would risk circumvention of an audit.
- 285 (b) The provisions of Subsections (17)(a)(i), (ii), and (iii) do not prohibit the disclosure
286 of records or information that relate to a violation of the law by a governmental entity
287 or employee to a government prosecutor or peace officer.
- 288 (c) The provisions of this Subsection (17) do not limit the authority otherwise given to
289 the state auditor to classify a document as public, private, controlled, or protected
290 under Title 63G, Chapter 2, Government Records Access and Management Act.
- 291 (d)(i) As used in this Subsection (17)(d), "record dispute" means a dispute between
292 the state auditor and the subject of an audit performed by the state auditor as to
293 whether the state auditor may release a record, as defined in Section 63G-2-103,
294 to the public that the state auditor gained access to in the course of the state
295 auditor's audit but which the subject of the audit claims is not subject to disclosure
296 under Title 63G, Chapter 2, Government Records Access and Management Act.
- 297 (ii) The state auditor may submit a record dispute to the director of the Government
298 Records Office, created in Section 63A-12-202, for a determination of whether the
299 state auditor may, in conjunction with the state auditor's release of an audit report,

- 300 release to the public the record that is the subject of the record dispute.
- 301 (iii) The state auditor or the subject of the audit may seek judicial review of the
302 director's determination, described in Subsection (17)(d)(ii), as provided in
303 Section 63G-2-404.
- 304 (18) If the state auditor conducts an audit of an entity that the state auditor has previously
305 audited and finds that the entity has not implemented a recommendation made by the
306 state auditor in a previous audit, the state auditor shall notify the Legislative
307 Management Committee through the Legislative Management Committee's Audit
308 Subcommittee that the entity has not implemented that recommendation.
- 309 (19) The state auditor shall, with the advice and consent of the Senate, appoint the state
310 privacy auditor described in Section 67-3-13.
- 311 (20) Except as provided in Subsection (21), the state auditor shall report, or ensure that
312 another government entity reports, on the financial, operational, and performance
313 metrics for the state system of higher education and the state system of public education,
314 including metrics in relation to students, programs, and schools within those systems.
- 315 (21)(a) Notwithstanding Subsection (20), the state auditor shall conduct regular audits of:
- 316 (i) the scholarship granting organization for the Carson Smith Opportunity
317 Scholarship Program, created in Section 53E-7-402;
- 318 (ii) the State Board of Education for the Carson Smith Scholarship Program, created
319 in Section 53F-4-302; and
- 320 (iii) the scholarship program manager for the Utah Fits All Scholarship Program,
321 created in Section 53F-6-402, including an analysis of the cost effectiveness of the
322 program, taking into consideration the amount of the scholarship and the amount
323 of state and local funds dedicated on a per-student basis within the traditional
324 public education system.
- 325 (b) Nothing in this subsection limits or impairs the authority of the State Board of
326 Education to administer the programs described in Subsection (21)(a).
- 327 (22) The state auditor shall, based on the information posted by the Office of Legislative
328 Research and General Counsel under Subsection 36-12-12.1(2), for each policy, track
329 and post the following information on the state auditor's website:
- 330 (a) the information posted under Subsections 36-12-12.1(2)(a) through (e);
331 (b) an indication regarding whether the policy is timely adopted, adopted late, or not
332 adopted;
- 333 (c) an indication regarding whether the policy complies with the requirements

- 334 established by law for the policy; and
- 335 (d) a link to the policy.
- 336 (23)(a) A legislator may request that the state auditor conduct an inquiry to determine
- 337 whether a government entity, government official, or government employee has
- 338 complied with a legal obligation directly imposed, by statute, on the government
- 339 entity, government official, or government employee.
- 340 (b) The state auditor may, upon receiving a request under Subsection (23)(a), conduct
- 341 the inquiry requested.
- 342 (c) If the state auditor conducts the inquiry described in Subsection (23)(b), the state
- 343 auditor shall post the results of the inquiry on the state auditor's website.
- 344 (d) The state auditor may limit the inquiry described in this Subsection (23) to a simple
- 345 determination, without conducting an audit, regarding whether the obligation was
- 346 fulfilled.
- 347 (24) The state auditor shall:
- 348 (a) ensure compliance with Title 63G, Chapter 31, Distinctions on the Basis of Sex, in
- 349 accordance with Section 63G-31-401; and
- 350 (b) report to the Legislative Management Committee, upon request, regarding the state
- 351 auditor's actions under this Subsection (24).
- 352 (25) The state auditor shall report compliance with Sections 67-27-107, 67-27-108, and
- 353 67-27-109 by:
- 354 (a) establishing a process to receive and audit each alleged violation; and
- 355 (b) reporting to the Legislative Management Committee, upon request, regarding the
- 356 state auditor's findings and recommendations under this Subsection (25).
- 357 (26) The state auditor shall ensure compliance with Section 63G-1-704 regarding the
- 358 display of flags in or on government property.
- 359 (27)(a) On or before January 31 each year, the state auditor shall prepare a report that
- 360 states, for each entity that holds public funds as defined in Section 51-7-3, the entity's
- 361 total balance, as of the last day of the immediately preceding fiscal year, of cash, cash
- 362 equivalents, and investments, as those terms are defined under the standards
- 363 established by the Governmental Accounting Standards Board.
- 364 (b) The state auditor shall make the report described in Subsection (27)(a) publicly
- 365 available on a website that the state auditor maintains.
- 366 (28) The state auditor shall:
- 367 (a) maintain a list of carbon credit transaction information reported to the state auditor

368 under Subsection 79-6-1302(1); and
369 (b) report carbon credit transaction information to the Natural Resources, Agriculture,
370 and Environmental Quality Appropriations Subcommittee in accordance with
371 Subsection 79-6-1302(2).

372 Section 2. Section **67-5-41** is enacted to read:

373 **67-5-41 . Carbon Credit Litigation Fund -- Report.**

374 (1) As used in this section:

375 (a) "Carbon credit" means the same as that term is defined in Section 79-6-1301.

376 (b) "Fund" means the Carbon Credit Litigation Fund created in Subsection (2).

377 (c) "Greenhouse gas" means the same as that term is defined in Section 79-6-1301.

378 (2) There is created an expendable special revenue account called the Carbon Credit
379 Litigation Fund.

380 (3) The fund consists of:

381 (a) money deposited into the fund as a result of any judgment, settlement, or
382 compromise of claims under Subsection (5);

383 (b) interest and dividends earned on money in the fund; and

384 (c) money appropriated to the fund by the Legislature.

385 (4) The state treasurer shall:

386 (a) invest money in the fund in accordance with Title 51, Chapter 7, State Money
387 Management Act; and

388 (b) deposit interest or other earnings derived from investment of fund money into the
389 fund.

390 (5) Notwithstanding Section 67-5-40, the following shall be deposited into the fund after
391 reimbursement to the attorney general for expenses related to the litigation described in
392 Subsection (5)(a) or (b):

393 (a) all money received by the attorney general as a result of any judgment, settlement, or
394 compromise of claims pertaining to alleged violations of law related to the sale or
395 marketing of carbon credits; and

396 (b) all money received by the attorney general as a result of any judgment, settlement, or
397 compromise of claims pertaining to alleged violations of law under Title 79, Chapter
398 6, Part 13, Carbon Credit Transactions.

399 (6)(a) The attorney general or the attorney general's designee shall authorize the
400 expenditure of fund money in accordance with this section.

401 (b) The money in the fund may not be used for an administrative expense of the Office

402 of the Attorney General, unless the administrative expense is directly related to a
 403 purpose described in Subsection (7).

404 (7) The attorney general may use money in the fund to:

405 (a) prevent a federal requirement for the state to adopt or participate in:

406 (i) a cap and trade program for carbon credits;

407 (ii) mandatory carbon emissions reporting;

408 (iii) a claim against the state related to greenhouse gas emissions; or

409 (iv) a climate remediation program; and

410 (b) recover a carbon credit or the profit of a carbon credit transferred out of the state in a
 411 fraudulent sale.

412 (8)(a) By November 30 of each year, the attorney general shall submit an annual report
 413 to the Natural Resources, Agriculture, and Environmental Quality Appropriations
 414 Subcommittee regarding the status of the fund.

415 (b) The report shall include:

416 (i) contributions received, expenditures made, and programs and services funded; and

417 (ii) if the attorney general establishes a task force to study an issue related to this
 418 section, activities and programs initiated through the task force.

419 Section 3. Section **79-6-1301** is amended to read:

420 **Part 13. Carbon Credit Transactions**

421 **79-6-1301 . Definitions.**

422 As used in this part:

423 (1)(a) "Carbon credit" means a payment or offer of payment, or other financial
 424 compensation or benefit, for a carbon emission offset.

425 (b) "Carbon credit" includes a natural asset credit.

426 (c) "Carbon credit" does not include a payment or offer of payment related to:

427 (i) a right or interest associated with a regulated pollutant, as that term is defined in
 428 Title V of the 1990 Clean Air Act; or

429 (ii) an industrial or commercial use of liquefied carbon dioxide.

430 (2) "Carbon emission offset" means:

431 (a) a reduction in the amount of greenhouse gas present in the atmosphere; or

432 (b) an amount of greenhouse gas prevented from entering the atmosphere.

433 [(4)] (3) "Digital identification number" means an identification number assigned to [an
 434 environmental commodity] a carbon credit by a governmental or accredited third-party
 435 verification entity that certifies or registers [an environmental commodity] a carbon credit

436 for sale or exchange.

437 [~~(2)~~(a) "Environmental commodity" means a representation of the financial value of:]

438 [(i) a reduction in the amount of greenhouse gas present in the atmosphere; or]

439 [(ii) an amount of greenhouse gas prevented from entering the atmosphere.]

440 [(b) "Environmental commodity" does not include a right or interest associated with a
441 regulated pollutant, as that term is defined in Title V of the 1990 Clean Air Act.]

442 [~~(3)~~] (4) "Greenhouse gas" means:

443 (a) carbon dioxide or a gas emission converted into a carbon dioxide equivalent; or

444 (b) methane.

445 (5) "Natural asset company" means the same as that term is defined in Section 63L-13-101.

446 (6)(a) "Natural asset credit" means a payment or offer of payment, or other financial
447 compensation or benefit:

448 (i) for the preservation of a natural and biological process on a parcel of land; or

449 (ii) by a natural asset company for an activity described in Section 63L-13-203.

450 (b) "Natural asset credit" does not include:

451 (i) the commercial extraction, production, or sale of a natural or agricultural resource;

452 or

453 (ii) a right or interest associated with the beneficial use or appropriation of water.

454 [~~(4)~~] (7) "State entity" means a department, commission, board, council, agency, institution
455 of higher education, officer, corporation, fund, division, office, committee, authority,
456 laboratory, library, unit, bureau, panel, or other administrative unit of the state.

457 [~~(5)~~] (8)(a) "State funds" means:

458 (i) money appropriated by the Legislature[-] ; and

459 (ii) a bond issued by a state entity that creates a carbon emission offset.

460 (b) "State funds" does not include money or financial benefit in the form of:

461 (i) a tax incentive;

462 (ii) a permit or an activity related to the development of a permit issued by a state
463 entity; or

464 (iii) a federal grant administered by a state entity.

465 Section 4. Section **79-6-1302** is amended to read:

466 **79-6-1302 . Requirements for sale by state entity -- Administration by state**
467 **auditor -- Report.**

468 [(1) Except as provided in Subsection (2), before a state entity may sell or exchange an
469 environmental commodity, the state entity shall:]

- 470 [(a) obtain a digital identification number for the environmental commodity;]
 471 [(b) report a digital identification number for the environmental commodity to the office;
 472 and]
 473 [(c) report to the office any state funds that the state entity used for the creation of the
 474 environmental commodity.]
- 475 (1) Before a state entity may sell or exchange a carbon credit, the state entity shall:
 476 (a) obtain a digital identification number for the carbon credit; and
 477 (b) report to the state auditor, in a form and manner approved by the state auditor:
 478 (i) a digital identification number for the carbon credit;
 479 (ii) a description of the carbon emission offset, including the source of the carbon
 480 emission offset, that is the subject of the carbon credit; and
 481 (iii) the terms of a negotiated sale or exchange of the carbon credit with an attempted
 482 buyer.
- 483 (2) Before November 30 of each year, the state auditor shall report to the Natural
 484 Resources, Agriculture, and Environmental Quality Appropriations Subcommittee:
 485 (a) the revenue generated from the sale of carbon credits by state entities reported under
 486 Subsection (1)(b); and
 487 (b) a summary of the carbon credit transactions reported to the state auditor under
 488 Subsection (1)(b).
- 489 [(2) This section does not apply to an environmental commodity created from an activity on
 490 school and institutional trust lands, as that term is defined in Section 53C-1-103.]
- 491 Section 5. Section **79-6-1303** is amended to read:
 492 **79-6-1303 . Management.**
- 493 [(1) If the state or a state entity appropriates or expends state funds for the creation of an
 494 environmental commodity, the state owns a portion of an environmental commodity that
 495 is proportional to the amount of state funds appropriated or expended for the creation of
 496 the environmental commodity.]
- 497 [(2)(a) Except as provided in Subsection (3), the state treasurer may sell, exchange, or
 498 hold an environmental commodity, or any portion thereof, owned by the state in
 499 accordance with Subsection (2)(b).]
- 500 [(b) The state treasurer shall ensure that an environmental commodity owned by the
 501 state is sold, exchanged, or held:]
 502 [(i) for the benefit of the citizens of the state;]
 503 [(ii) to promote energy independence for the state;]

504 [~~(iii) to maximize the natural resources of the state; and]~~
505 [~~(iv) consistent with Part 3, State Energy Policy.~~]
506 [~~(3) An environmental commodity]~~ A carbon credit created or purchased by a state entity
507 shall remain under the control of the state entity.

508 Section 6. **Effective Date.**

509 This bill takes effect on May 6, 2026.