

**Representative Scott H. Chew** proposes the following substitute bill:

**MINERAL LEASE FUNDS AMENDMENTS**

2019 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Ronald Winterton**

House Sponsor: Scott H. Chew

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**LONG TITLE**

**General Description:**

This bill modifies provisions related to the use of mineral lease funds.

**Highlighted Provisions:**

This bill:

▶ directs a portion of the deposits in the Mineral Lease Account to be appropriated to the Seven County Infrastructure Coalition; and

▶ makes technical changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill provides a special effective date.

**Utah Code Sections Affected:**

AMENDS:

**11-14-308**, as last amended by Laws of Utah 2011, Second Special Session, Chapter 1

**59-21-2**, as last amended by Laws of Utah 2018, Chapter 28

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

Section 1. Section **11-14-308** is amended to read:



26           **11-14-308. Special service district bonds secured by federal mineral lease**  
27 **payments -- Use of bond proceeds -- Bond resolution -- Nonimpairment of appropriation**  
28 **formula -- Issuance of bonds.**

29           (1) Special service districts may:

30           (a) issue bonds payable, in whole or in part, from federal mineral lease payments which  
31 are to be deposited into the Mineral Lease Account under Section 59-21-1 and distributed to  
32 special service districts under Subsection 59-21-2(2)(~~h~~)(i); or

33           (b) pledge all or any part of the mineral lease payments described in Subsection (1)(a)  
34 as an additional source of payment for their general obligation bonds.

35           (2) The proceeds of these bonds may be used:

36           (a) to construct, repair, and maintain streets and roads;

37           (b) to fund any reserves and costs incidental to the issuance of the bonds and pay any  
38 associated administrative costs; and

39           (c) for capital projects of the special service district.

40           (3) (a) The special service district board shall enact a resolution authorizing the  
41 issuance of bonds which, until the bonds have been paid in full:

42           (i) shall be irrevocable; and

43           (ii) may not be amended in any manner that would:

44           (A) impair the rights of the bond holders; or

45           (B) jeopardize the timely payment of principal or interest when due.

46           (b) Notwithstanding any other provision of this chapter, the resolution described in  
47 Subsection (3)(a) may contain covenants with the bond holder regarding:

48           (i) mineral lease payments, or their disposition;

49           (ii) the issuance of future bonds; or

50           (iii) other pertinent matters considered necessary by the governing body to:

51           (A) assure the marketability of the bonds; or

52           (B) insure the enforcement, collection, and proper application of mineral lease  
53 payments.

54           (4) (a) Except as provided in Subsection (4)(b), the state may not alter, impair, or limit  
55 the statutory appropriation formula provided in Subsection 59-21-2(2)(~~h~~)(i), in a manner that  
56 reduces the amounts to be distributed to the special service district until the bonds and the

57 interest on the bonds are fully met and discharged. Each special service district may include  
58 this pledge and undertaking of the state in these bonds.

59 (b) Nothing in this section:

60 (i) may preclude the alteration, impairment, or limitation of these bonds if adequate  
61 provision is made by law for the protection of the bond holders; or

62 (ii) shall be construed:

63 (A) as a pledge guaranteeing the actual dollar amount ultimately received by individual  
64 special service districts;

65 (B) to require the Department of Transportation to allocate the mineral lease payments  
66 in a manner contrary to the general allocation method described in Subsection

67 [59-21-2\(2\)\(~~h~~\)\(i\)](#); or

68 (C) to limit the Department of Transportation in making rules or procedures allocating  
69 mineral lease payments pursuant to Subsection [59-21-2\(2\)\(~~h~~\)\(i\)](#).

70 (5) (a) The average annual installments of principal and interest on bonds to which  
71 mineral lease payments have been pledged as the sole source of payment may not at any one  
72 time exceed:

73 (i) 80% of the total mineral lease payments received by the issuing entity during the  
74 fiscal year of the issuing entity immediately preceding the fiscal year in which the resolution  
75 authorizing the issuance of bonds is adopted; or

76 (ii) if the bonds are issued during the first fiscal year the issuing entity is eligible to  
77 receive funds, 60% of the amount estimated by the Department of Transportation to be  
78 appropriated to the issuing entity in that fiscal year.

79 (b) The Department of Transportation is not liable for any loss or damage resulting  
80 from reliance on the estimates.

81 (6) The final maturity date of the bonds may not exceed 15 years from the date of their  
82 issuance.

83 (7) Bonds may not be issued under this section after December 31, 2020.

84 (8) Bonds which are payable solely from a special fund into which mineral lease  
85 payments are deposited constitute a borrowing based solely upon the credit of the mineral lease  
86 payments received or to be received by the special service district and do not constitute an  
87 indebtedness or pledge of the general credit of the special service district or the state.

88 Section 2. Section 59-21-2 is amended to read:

89 **59-21-2. Mineral Bonus Account created -- Contents -- Use of Mineral Bonus**  
90 **Account money -- Mineral Lease Account created -- Contents -- Appropriation of money**  
91 **from Mineral Lease Account.**

92 (1) (a) There is created a restricted account within the General Fund known as the  
93 "Mineral Bonus Account."

94 (b) The Mineral Bonus Account consists of federal mineral lease bonus payments  
95 deposited pursuant to Subsection 59-21-1(3).

96 (c) The Legislature shall make appropriations from the Mineral Bonus Account in  
97 accordance with Section 35 of the Mineral Lands Leasing Act of 1920, 30 U.S.C. Sec. 191.

98 (d) The state treasurer shall:

99 (i) invest the money in the Mineral Bonus Account by following the procedures and  
100 requirements of Title 51, Chapter 7, State Money Management Act; and

101 (ii) deposit all interest or other earnings derived from the account into the Mineral  
102 Bonus Account.

103 (e) The Division of Finance shall, beginning on July 1, 2017, annually deposit 30% of  
104 mineral lease bonus payments deposited under Subsection (1)(b) from the previous fiscal year  
105 into the Wildland Fire Suppression Fund created in Section 65A-8-204, up to \$2,000,000 but  
106 not to exceed 20% of the amount expended in the previous fiscal year from the Wildland Fire  
107 Suppression Fund.

108 (2) (a) There is created a restricted account within the General Fund known as the  
109 "Mineral Lease Account."

110 (b) The Mineral Lease Account consists of federal mineral lease money deposited  
111 pursuant to Subsection 59-21-1(1).

112 (c) The Legislature shall make appropriations from the Mineral Lease Account as  
113 provided in Subsection 59-21-1(1) and this Subsection (2).

114 (d) (i) Except as provided in Subsections (2)(d)(ii) and (iii), the Legislature shall  
115 annually appropriate 32.5% of all deposits made to the Mineral Lease Account to the  
116 Permanent Community Impact Fund established by Section 35A-8-303.

117 (ii) For fiscal year 2016-17 only and from the amount required to be deposited under  
118 Subsection (2)(d)(i), the Legislature shall appropriate \$26,000,000 of the deposits made to the

119 Mineral Lease Account to the Impacted Communities Transportation Development Restricted  
120 Account established by Section 72-2-128.

121 (iii) For fiscal year 2017-18 only and from the amount required to be deposited under  
122 Subsection (2)(d)(i), the Legislature shall appropriate \$27,000,000 of the deposits made to the  
123 Mineral Lease Account to the Impacted Communities Transportation Development Restricted  
124 Account established by Section 72-2-128.

125 (e) The Legislature shall annually appropriate 2.25% of all deposits made to the  
126 Mineral Lease Account to the State Board of Education, to be used for education research and  
127 experimentation in the use of staff and facilities designed to improve the quality of education in  
128 Utah.

129 (f) The Legislature shall annually appropriate 2.25% of all deposits made to the  
130 Mineral Lease Account to the Utah Geological Survey, to be used for activities carried on by  
131 the survey having as a purpose the development and exploitation of natural resources in the  
132 state.

133 (g) The Legislature shall annually appropriate 2.25% of all deposits made to the  
134 Mineral Lease Account to the Water Research Laboratory at Utah State University, to be used  
135 for activities carried on by the laboratory having as a purpose the development and exploitation  
136 of water resources in the state.

137 (h) The Legislature shall annually appropriate 1% of all deposits made to the Mineral  
138 Lease Account to the Seven County Infrastructure Coalition to be used for activities carried on  
139 by the coalition to address and alleviate the social, economic, and public finance impacts from  
140 the development of natural resources in the state.

141 ~~(i)~~ (i) The Legislature shall annually appropriate to the Division of Finance 40%  
142 of all deposits made to the Mineral Lease Account to be distributed as provided in Subsection  
143 (2)~~(i)~~(i)(ii) to:

- 144 (A) counties;
- 145 (B) special service districts established:
  - 146 (I) by counties;
  - 147 (II) under Title 17D, Chapter 1, Special Service District Act; and
  - 148 (III) for the purpose of constructing, repairing, or maintaining roads; or
- 149 (C) special service districts established:

150 (I) by counties;  
151 (II) under Title 17D, Chapter 1, Special Service District Act; and  
152 (III) for other purposes authorized by statute.  
153 (ii) The Division of Finance shall allocate the funds specified in Subsection  
154 (2)[~~(h)~~](i)(i):  
155 (A) in amounts proportionate to the amount of mineral lease money generated by each  
156 county; and  
157 (B) to a county or special service district established by a county under Title 17D,  
158 Chapter 1, Special Service District Act, as determined by the county legislative body.  
159 [~~(f)~~] (j) (i) The Legislature shall annually appropriate 5% of all deposits made to the  
160 Mineral Lease Account to the Department of Workforce Services to be distributed to:  
161 (A) special service districts established:  
162 (I) by counties;  
163 (II) under Title 17D, Chapter 1, Special Service District Act; and  
164 (III) for the purpose of constructing, repairing, or maintaining roads; or  
165 (B) special service districts established:  
166 (I) by counties;  
167 (II) under Title 17D, Chapter 1, Special Service District Act; and  
168 (III) for other purposes authorized by statute.  
169 (ii) The Department of Workforce Services may distribute the amounts described in  
170 Subsection (2)[~~(f)~~](j)(i) only to special service districts established under Title 17D, Chapter 1,  
171 Special Service District Act, by counties:  
172 (A) of the third, fourth, fifth, or sixth class;  
173 (B) in which 4.5% or less of the mineral lease money within the state is generated; and  
174 (C) that are significantly socially or economically impacted as provided in Subsection  
175 (2)[~~(f)~~](j)(iii) by the development of minerals under the Mineral Lands Leasing Act, 30 U.S.C.  
176 Sec. 181 et seq.  
177 (iii) The significant social or economic impact required under Subsection  
178 (2)[~~(f)~~](j)(ii)(C) shall be as a result of:  
179 (A) the transportation within the county of hydrocarbons, including solid hydrocarbons  
180 as defined in Section 59-5-101;

181 (B) the employment of persons residing within the county in hydrocarbon extraction,  
182 including the extraction of solid hydrocarbons as defined in Section 59-5-101; or

183 (C) a combination of Subsections (2)[(†)](j)(iii)(A) and (B).

184 (iv) For purposes of distributing the appropriations under this Subsection (2)[(†)](j) to  
185 special service districts established by counties under Title 17D, Chapter 1, Special Service  
186 District Act, the Department of Workforce Services shall:

187 (A) (I) allocate 50% of the appropriations equally among the counties meeting the  
188 requirements of Subsections (2)[(†)](j)(ii) and (iii); and

189 (II) allocate 50% of the appropriations based on the ratio that the population of each  
190 county meeting the requirements of Subsections (2)[(†)](j)(ii) and (iii) bears to the total  
191 population of all of the counties meeting the requirements of Subsections (2)[(†)](j)(ii) and (iii);  
192 and

193 (B) after making the allocations described in Subsection (2)[(†)](j)(iv)(A), distribute the  
194 allocated revenues to special service districts established by the counties under Title 17D,  
195 Chapter 1, Special Service District Act, as determined by the executive director of the  
196 Department of Workforce Services after consulting with the county legislative bodies of the  
197 counties meeting the requirements of Subsections (2)[(†)](j)(ii) and (iii).

198 (v) The executive director of the Department of Workforce Services:

199 (A) shall determine whether a county meets the requirements of Subsections  
200 (2)[(†)](j)(ii) and (iii);

201 (B) shall distribute the appropriations under Subsection (2)[(†)](j)(i) to special service  
202 districts established by counties under Title 17D, Chapter 1, Special Service District Act, that  
203 meet the requirements of Subsections (2)[(†)](j)(ii) and (iii); and

204 (C) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,  
205 may make rules:

206 (I) providing a procedure for making the distributions under this Subsection (2)[(†)](j)  
207 to special service districts; and

208 (II) defining the term "population" for purposes of Subsection (2)[(†)](j)(iv).

209 [(†)] (k) (i) The Legislature shall annually make the following appropriations from the  
210 Mineral Lease Account:

211 (A) an amount equal to 52 cents multiplied by the number of acres of school or

212 institutional trust lands, lands owned by the Division of Parks and Recreation, and lands owned  
213 by the Division of Wildlife Resources that are not under an in lieu of taxes contract, to each  
214 county in which those lands are located;

215 (B) to each county in which school or institutional trust lands are transferred to the  
216 federal government after December 31, 1992, an amount equal to the number of transferred  
217 acres in the county multiplied by a payment per acre equal to the difference between 52 cents  
218 per acre and the per acre payment made to that county in the most recent payment under the  
219 federal payment in lieu of taxes program, 31 U.S.C. Sec. 6901 et seq., unless the federal  
220 payment was equal to or exceeded the 52 cents per acre, in which case a payment under this  
221 Subsection (2)[(f)](k)(i)(B) may not be made for the transferred lands;

222 (C) to each county in which federal lands, which are entitlement lands under the federal  
223 in lieu of taxes program, are transferred to the school or institutional trust, an amount equal to  
224 the number of transferred acres in the county multiplied by a payment per acre equal to the  
225 difference between the most recent per acre payment made under the federal payment in lieu of  
226 taxes program and 52 cents per acre, unless the federal payment was equal to or less than 52  
227 cents per acre, in which case a payment under this Subsection (2)[(f)](k)(i)(C) may not be made  
228 for the transferred land; and

229 (D) to a county of the fifth or sixth class, an amount equal to the product of:

230 (I) \$1,000; and

231 (II) the number of residences described in Subsection (2)[(f)](k)(iv) that are located  
232 within the county.

233 (ii) A county receiving money under Subsection (2)[(f)](k)(i) may, as determined by  
234 the county legislative body, distribute the money or a portion of the money to:

235 (A) special service districts established by the county under Title 17D, Chapter 1,  
236 Special Service District Act;

237 (B) school districts; or

238 (C) public institutions of higher education.

239 (iii) (A) Beginning in fiscal year 1994-95 and in each year after fiscal year 1994-95, the  
240 Division of Finance shall increase or decrease the amounts per acre provided for in Subsections  
241 (2)[(f)](k)(i)(A) through (C) by the average annual change in the Consumer Price Index for all  
242 urban consumers published by the Department of Labor.



243 (B) For fiscal years beginning on or after fiscal year 2001-02, the Division of Finance  
244 shall increase or decrease the amount described in Subsection (2)(~~(j)~~)(k)(i)(D)(I) by the average  
245 annual change in the Consumer Price Index for all urban consumers published by the  
246 Department of Labor.

247 (iv) Residences for purposes of Subsection (2)(~~(j)~~)(k)(i)(D)(II) are residences that are:

248 (A) owned by:

249 (I) the Division of Parks and Recreation; or

250 (II) the Division of Wildlife Resources;

251 (B) located on lands that are owned by:

252 (I) the Division of Parks and Recreation; or

253 (II) the Division of Wildlife Resources; and

254 (C) are not subject to taxation under:

255 (I) Chapter 2, Property Tax Act; or

256 (II) Chapter 4, Privilege Tax.

257 (k) The Legislature shall annually appropriate to the Permanent Community Impact  
258 Fund all deposits remaining in the Mineral Lease Account after making the appropriations  
259 provided for in Subsections (2)(d) through (~~(j)~~) (k).

260 (3) (a) Each agency, board, institution of higher education, and political subdivision  
261 receiving money under this chapter shall provide the Legislature, through the Office of the  
262 Legislative Fiscal Analyst, with a complete accounting of the use of that money on an annual  
263 basis.

264 (b) The accounting required under Subsection (3)(a) shall:

265 (i) include actual expenditures for the prior fiscal year, budgeted expenditures for the  
266 current fiscal year, and planned expenditures for the following fiscal year; and

267 (ii) be reviewed by the Business, Economic Development, and Labor Appropriations  
268 Subcommittee as part of its normal budgetary process under Title 63J, Chapter 1, Budgetary  
269 Procedures Act.

270 Section 3. **Effective date.**

271 This bill takes effect on July 1, 2019.