

OIL AND GAS SEVERANCE TAX AMENDMENTS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Ronald M. Winterton

House Sponsor: _____

LONG TITLE

General Description:

This bill modifies provisions related to oil and gas severance tax.

Highlighted Provisions:

This bill:

- ▶ creates the Impact Projects Restricted Account (restricted account) to fund loans and grants to local governments impacted by mineral resource development;
- ▶ funds the restricted account with above-trend revenue from the oil and gas severance tax;
- ▶ directs the Permanent Community Impact Fund Board to award loans and grants from the restricted account for infrastructure projects intended to address the impacts of mineral resource development; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

This bill appropriates in fiscal year 2024:

- ▶ to Department of Government Operations -- Long-Term Capital Projects Fund as a one-time appropriation:
 - from the General Fund, One-time, \$20,000,000; and
- ▶ to Department of Workforce Services -- Permanent Community Impact Loan Fund as a one-time appropriation:
 - from Long-Term Capital Projects Fund, One-time, \$20,000,000.



28 **Other Special Clauses:**

29 None

30 **Utah Code Sections Affected:**

31 AMENDS:

32 **35A-8-305**, as last amended by Laws of Utah 2021, Chapter 339

33 **59-5-115**, as last amended by Laws of Utah 2021, Chapter 401

34 ENACTS:

35 **35A-8-311**, Utah Code Annotated 1953



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

38 Section 1. Section **35A-8-305** is amended to read:

39 **35A-8-305. Duties -- Loans -- Interest.**

40 (1) The impact board shall:

41 (a) make grants and loans from the amounts appropriated by the Legislature out of the
42 impact fund to state agencies, subdivisions, and interlocal agencies that are or may be socially
43 or economically impacted, directly or indirectly, by mineral resource development for:

44 (i) planning;

45 (ii) construction and maintenance of public facilities; and

46 (iii) provision of public services;

47 (b) establish the criteria by which the loans and grants will be made;

48 (c) determine the order in which projects will be funded;

49 (d) in conjunction with other agencies of the state, subdivisions, or interlocal agencies,
50 conduct studies, investigations, and research into the effects of proposed mineral resource
51 development projects upon local communities;

52 (e) sue and be sued in accordance with applicable law;

53 (f) qualify for, accept, and administer grants, gifts, loans, or other funds from:

54 (i) the federal government; and

55 (ii) other sources, public or private; and

56 (g) perform other duties assigned to it under this part and Sections **11-13-306** and
57 **11-13-307**.

58 (2) Money, including all loan repayments and interest, in the impact fund derived from

59 bonus payments may be used for any of the purposes set forth in Subsection (1)(a) but may
60 only be given in the form of interest bearing loans to be paid back into the impact fund by the
61 agency, subdivision, or interlocal agency.

62 (3) The impact board may make a grant or loan under Subsection (1) regardless of
63 whether the activity results in more than one impact or outcome, including an increase in
64 natural resource development or an increase in economic development.

65 (4) If the public service described in Subsection (1)(a) is a contract with a public
66 postsecondary institution described in Subsection 35A-8-302(9)(b)(iii), the contract shall be:

- 67 (a) based on an application to the impact board from the impacted county; and
- 68 (b) approved by the county legislative body.

69 Section 2. Section 35A-8-311 is enacted to read:

70 **35A-8-311. Impact Projects Restricted Account - Administration and uses.**

71 (1) As used in this section:

72 (a) "Account" means the Impact Projects Restricted Account created in this section.

73 (b) "Impacted subdivision" means a political subdivision that:

74 (i) is economically impacted, directly or indirectly, by oil and gas severance; and

75 (ii) is a county or is located within a county in which a person described in Subsection

76 59-5-102(2)(a) owns an interest for which the person pays severance tax under Section

77 59-5-102.

78 (c) "Political subdivision" means a county, city, town, local district, or special service
79 district.

80 (2) (a) There is created in the General Fund a restricted account known as the "Impact
81 Projects Restricted Account."

82 (b) The account consists of:

83 (i) money deposited into the account in accordance with Section 59-5-115; and

84 (ii) appropriations made by the Legislature.

85 (c) Upon appropriation by the Legislature, the impact board may expend money from
86 the account in accordance with this section.

87 (3) The impact board shall:

88 (a) use money in the account to provide loans and grants to one or more impacted

89 subdivisions for infrastructure projects intended to address the impacts of mineral resource

90 development within the impacted subdivision; and

91 (b) for a loan or grant described in this Subsection (3), establish:

92 (i) eligibility requirements;

93 (ii) criteria for awarding the loan or grant; and

94 (iii) terms for repayment.

95 Section 3. Section **59-5-115** is amended to read:

96 **59-5-115. Disposition of taxes collected -- Credit to General Fund.**

97 (1) As used in this section, "above-trend revenue" means the amount by which the
98 actual revenue from the oil and gas severance tax deposited into the General Fund under
99 Subsection (2) exceeds the oil and gas severance tax revenue the Office of the Legislative
100 Fiscal Analyst forecast to be deposited into the General Fund in the long-term forecast.

101 (2) Except as provided in Section 51-9-305, 51-9-306, 51-9-307, 59-5-116, or
102 59-5-119, a tax imposed and collected under Section 59-5-102 shall be paid to the commission
103 [, promptly remitted to the state treasurer, and credited to] and the commission shall deposit the
104 revenue into the General Fund.

105 (3) Notwithstanding Subsection (2), once the total amount of above-trend revenue
106 deposited into the General Fund since July 1, 2023 has reached \$20,000,000, the commission
107 shall deposit any above-trend revenue that exceeds \$20,000,000 into the Impact Projects
108 Restricted Account created in Section 35A-8-311.

109 **Section 4. Appropriation.**

110 The following sums of money are appropriated for the fiscal year beginning July 1,
111 2023, and ending June 30, 2024. These are additions to amount previously appropriated for
112 fiscal year 2024. Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures
113 Act, the Legislature appropriates the following sums of money from the funds or accounts
114 indicated for the use and support of the government of the state of Utah.

115 ITEM 1

116	<u>To Department of Government Operations -- Long-Term Capital Projects Fund</u>	
117	<u>From General Fund, One-time</u>	<u>\$20,000,000</u>
118	<u>Schedule of Programs:</u>	
119	<u>Long-Term Capital Projects Fund</u>	<u>\$20,000,000</u>

120 ITEM 2

121 To Department of Workforce Services -- Permanent Community Impact Loan Fund
122 From Long-Term Capital Projects Fund, One-time \$20,000,000
123 Schedule of Programs:
124 Permanent Community Impact Loan Fund \$20,000,000
125 The Legislature intends that the appropriation to the Permanent Community Impact
126 Loan Fund is repayment for that fund's loan to the Duchesne Special Service District Number
127 2.