

Senator Ronald M. Winterton proposes the following substitute bill:

OIL AND GAS SEVERANCE TAX AMENDMENTS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Ronald M. Winterton

House Sponsor: Keven J. Stratton

LONG TITLE

General Description:

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

Highlighted Provisions:

This bill:

- ▶ creates the Severance Mitigation Projects Fund to fund loans and grants to local governments impacted by mineral resource development;
- ▶ funds the Severance Mitigation Projects Fund 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 Severance Mitigation Projects Fund 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 Workforce Services -- Severance Mitigation Projects Fund as a one-time appropriation:
 - from the General Fund, One-time, \$20,000,000.

Other Special Clauses:



26 None

27 **Utah Code Sections Affected:**

28 AMENDS:

29 **35A-8-305**, as last amended by Laws of Utah 2021, Chapter 339

30 **59-5-115**, as last amended by Laws of Utah 2021, Chapter 401

31 ENACTS:

32 **35A-8-311**, Utah Code Annotated 1953



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

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

36 **35A-8-305. Duties -- Loans -- Interest.**

37 (1) The impact board shall:

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

41 (i) planning;

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

43 (iii) provision of public services;

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

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

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

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

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

51 (i) the federal government; and

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

53 (g) perform other duties assigned to it under this part and Sections **11-13-306** and
54 **11-13-307**.

55 (2) Money, including all loan repayments and interest, in the impact fund derived from
56 bonus payments may be used for any of the purposes set forth in Subsection (1)(a) but may

57 only be given in the form of interest bearing loans to be paid back into the impact fund by the
58 agency, subdivision, or interlocal agency.

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

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

64 (a) based on an application to the impact board from the impacted county; and

65 (b) approved by the county legislative body.

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

67 **35A-8-311. Severance Mitigation Projects Fund -- Administration and uses.**

68 (1) As used in this section:

69 (a) "Fund" means the Severance Mitigation Projects Fund created in this section.

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

71 (i) is economically impacted, directly or indirectly, by oil and gas extraction; and

72 (ii) is a county or is located within a county in which a person described in Subsection
73 59-5-102(2)(a) owns an interest for which the person pays severance tax under Section
74 59-5-102.

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

77 (2) (a) There is created an enterprise fund entitled the "Severance Mitigation Projects
78 Fund."

79 (b) The fund consists of:

80 (i) money deposited into the fund in accordance with Section 59-5-115;

81 (ii) all amounts received for the repayment of loans made by the impact board under
82 this section; and

83 (iii) all other money appropriated or otherwise made available to the fund by the
84 Legislature.

85 (3) The impact board shall:

86 (a) use money in the fund to provide loans and grants to one or more impacted
87 subdivisions for infrastructure projects intended to address the impacts of oil and gas extraction

88 within the impacted subdivision; and

89 (b) establish:

90 (i) eligibility requirements for a loan or grant;

91 (ii) criteria for awarding a loan or grant; and

92 (iii) terms for repayment of a loan.

93 (4) The impact board shall allocate from the fund an amount, not to exceed 2% of the
94 annual receipts of the fund, to the department for the administration of the fund.

95 (5) The state treasurer shall:

96 (a) invest the money in the fund by following the procedures and requirements of Title
97 51, Chapter 7, State Money Management Act; and

98 (b) deposit all interest or other earnings derived from those investments into the fund.

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

100 **59-5-115. Disposition of taxes collected -- Credit to General Fund.**

101 (1) As used in this section, "above-trend revenue" means the amount by which the
102 actual revenue from the oil and gas severance tax deposited into the General Fund under
103 Subsection (2) exceeds the long-term trend of oil and gas severance tax revenue to the General
104 Fund as determined by the Governor's Office of Planning and Budget and the Office of the
105 Legislative Fiscal Analyst.

106 (2) Except as provided in Section 51-9-305, 51-9-306, 51-9-307, 59-5-116, or
107 59-5-119, a tax imposed and collected under Section 59-5-102 shall be paid to the commission,
108 promptly remitted to the state treasurer, and credited to the General Fund.

109 (3) Notwithstanding Subsection (2), once the total amount of above-trend revenue
110 deposited into the General Fund since July 1, 2023 has reached \$20,000,000, the Division of
111 Finance shall transfer additional above-trend revenue from the General Fund into the Severance
112 Mitigation Projects Fund created in Section 35A-8-311.

113 Section 4. **Appropriation.**

114 The following sums of money are appropriated for the fiscal year beginning July 1,
115 2023, and ending June 30, 2024. These are additions to amounts previously appropriated for
116 fiscal year 2024. Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures
117 Act, the Legislature appropriates the following sums of money from the funds or accounts
118 indicated for the use and support of the government of the state of Utah.

119 ITEM 1

120 To Department of Workforce Services -- Severance Mitigation Projects Fund

121 From General Fund, One-time 20,000,000

122 Schedule of Programs:

123 Severance Mitigation Projects Fund 20,000,000

124 The Legislature intends that the appropriation to the Severance Mitigation Projects

125 Fund is repayment for any loan made to the Duchesne Special Service District Number 2.