

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:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:



26 **35A-8-305**, as last amended by Laws of Utah 2021, Chapter 339
27 **59-5-115**, as last amended by Laws of Utah 2021, Chapter 401
28 ENACTS:
29 **35A-8-311**, Utah Code Annotated 1953

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

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

33 **35A-8-305. Duties -- Loans -- Interest.**

34 (1) The impact board shall:

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

38 (i) planning;

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

40 (iii) provision of public services;

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

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

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

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

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

48 (i) the federal government; and

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

50 (g) perform other duties assigned to it under this part and Sections **11-13-306** and
51 **11-13-307**.

52 (2) Money, including all loan repayments and interest, in the impact fund derived from
53 bonus payments may be used for any of the purposes set forth in Subsection (1)(a) but may
54 only be given in the form of interest bearing loans to be paid back into the impact fund by the
55 agency, subdivision, or interlocal agency.

56 (3) The impact board may make a grant or loan under Subsection (1) regardless of

whether the activity results in more than one impact or outcome, including an increase in natural resource development or an increase in economic development.

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

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

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

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

(1) As used in this section:

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

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

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

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

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

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

(b) The fund consists of:

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

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

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

(3) The impact board shall:

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

(b) establish:

(i) eligibility requirements for a loan or grant;

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

89 (iii) terms for repayment of a loan.

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

92 (5) The state treasurer shall:

93 (a) invest the money in the fund by following the procedures and requirements of Title
94 51, Chapter 7, State Money Management Act; and

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

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

97 **59-5-115. Disposition of taxes collected -- Credit to General Fund.**

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

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

106 (3) (a) Notwithstanding Subsection (2), the Division of Finance shall transfer all
107 above-trend revenue up to \$20 million from the General Fund into the Transportation
108 Investment Fund each year for five years beginning in the fiscal year 2024, until the amount
109 deposited into the Transportation Investment Fund totals \$88.5 million.

110 (b) If above-trend revenue in the five years beginning in the fiscal year 2024 exceeds
111 \$20 million per year, the amount that exceeds \$20 million in each year shall be deposited into
112 the Severance Mitigation Projects Fund created in Section [35A-8-311](#).

113 (c) After the total amount of above-trend revenue deposited into the Transportation
114 Investment Fund reaches \$88.5 million, all future above-trend revenue shall be deposited into
115 the Severance Mitigation Projects Fund created in Section [35A-8-311](#).