

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1142 Session of 2015

INTRODUCED BY DAVIDSON, KINSEY, YOUNGBLOOD, SCHREIBER, THOMAS, MURT, DERMODY, HANNA, FRANKEL, MARKOSEK, V. BROWN, GOODMAN, STURLA, COHEN, BROWNLEE, DONATUCCI, PASHINSKI, O'BRIEN, DEAN, WATERS, M. DALEY, KIM, SCHLOSSBERG, DeLISSIO, McNEILL, CARROLL, FABRIZIO, KAVULICH, DAVIS AND ROZZI, MAY 12, 2015

REFERRED TO COMMITTEE ON ENVIRONMENTAL RESOURCES AND ENERGY, MAY 12, 2015

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," providing for education reinvestment by the
11 imposition of a severance tax and for distribution of an
12 impact fee.

13 The General Assembly of the Commonwealth of Pennsylvania
14 hereby enacts as follows:

15 Section 1. The act of March 4, 1971 (P.L.6, No.2), known as
16 the Tax Reform Code of 1971, is amended by adding an article to
17 read:

18 ARTICLE XI-E

19 EDUCATION REINVESTMENT

20 PART I

21 SEVERANCE TAX

1 Section 1101-E. Definitions.

2 The following words and phrases when used in this article
3 shall have the meanings given to them in this section unless the
4 context clearly indicates otherwise:

5 "Association." A partnership, limited partnership or any
6 other form of unincorporated enterprise owned or conducted by
7 two or more persons.

8 "Barrel." Forty-two United States gallons at an atmospheric
9 pressure of 231 cubic inches of liquid at a standard temperature
10 of 60 degrees Fahrenheit.

11 "Coal bed methane." Gas which can be produced from coal
12 beds, coal seams, mined-out areas or gob wells.

13 "Corporation." A corporation, joint stock association,
14 limited liability company, business trust or any other
15 incorporated enterprise organized under the laws of the United
16 States, this Commonwealth or any other state, territory or
17 foreign country or dependency.

18 "Department." The Department of Revenue of the Commonwealth.

19 "Dry natural gas." Hydrocarbon gases, consisting mostly of
20 methane, that remain after the natural gas liquid portion of the
21 natural gas stream has been removed and any volume of
22 nonhydrocarbon gases have been removed in sufficient quantity to
23 render the gas marketable. The term includes consumer-grade
24 natural gas or pipeline-quality natural gas.

25 "Gross proceeds." The value, whether in money or other
26 property, actually proceeding from the sale of property, without
27 a deduction for the cost of property sold or expenses of any
28 kind.

29 "Gross value." The gross proceeds received or receivable for
30 property transferred, except as follows:

1 (1) In a transaction involving related parties, gross
2 proceeds of the property transferred may not be less than the
3 fair market value of similar grade and quality property.

4 (2) In the absence of a sale, gross proceeds of the
5 property transferred may not be less than the fair market
6 value of similar grade and quality property.

7 (3) In a transaction where property is transferred for
8 the purpose of processing and resale, gross proceeds of the
9 property transferred may not be less than the fair market
10 value of similar grade and quality property.

11 (4) Under no circumstance shall the gross proceeds be
12 less than \$20 per barrel.

13 "Meter." A device to measure the passage of volumes of gases
14 or liquids past a certain point.

15 "Natural gas." A fossil fuel consisting of a mixture of
16 hydrocarbon gases, including methane, ethane, propane, butane,
17 carbon dioxide, oxygen, nitrogen and hydrogen sulfide and other
18 gas species. The term includes natural gas from oil fields known
19 as associated gas or casing head gas, natural gas fields known
20 as nonassociated gas, shale beds and other formations. The term
21 does not include coal bed methane.

22 "Natural gas liquids." Hydrocarbons including ethane,
23 propane, butane, isobutane and pentane that are separated from
24 natural gas as liquids through the process of absorption,
25 condensation, adsorption, cooling in gas separators, gas
26 processing or cycling plants.

27 "Person." Includes a corporation, partnership, limited
28 liability company, business trust, other association, a
29 government entity other than the Commonwealth, estate, trust,
30 foundation or natural person.

1 "Producer." A person who engages or continues within this
2 Commonwealth in the business of severing natural gas from
3 unconventional formations for sale, profit or commercial use.

4 "Producing site." A point of severance, including a well and
5 its associated zones and multilateral well bores, that is
6 capable of producing natural gas from an unconventional
7 formation.

8 "Related parties." Two or more people, organizations or
9 businesses owned or controlled directly or indirectly by the
10 same interests. Control exists if a contract or lease, either
11 written or oral, is entered into where one party severs or
12 processes natural gas owned or held by another party and the
13 owner or lessor participates in the severing, processing or
14 marketing of the natural gas or receives any value other than an
15 arm's-length passive royalty interest.

16 "Reporting period." A calendar month in which natural gas is
17 severed.

18 "Sales meter." A meter at the point where natural gas is
19 sold or transported to a purchaser or the market.

20 "Sever." The extraction or other removal of natural gas from
21 an unconventional formation in this Commonwealth.

22 "Storage field." A natural formation or other site that is
23 used to store natural gas that did not originate from and has
24 been transplanted into such formation or site.

25 "Stripper well." A producing site that produced an average
26 of less than 50 units of natural gas per day during the calendar
27 year immediately preceding a reporting period.

28 "Tax." The tax imposed under this article.

29 "Taxpayer." A person subject to the tax imposed by this
30 article.

1 "Unconventional formation." A geological shale formation
2 existing below the base of the Elk Sandstone or its geologic
3 equivalent stratigraphic interval where natural gas generally
4 cannot be produced at economic flow rates or in economic volumes
5 except by vertical or horizontal well bores stimulated by
6 hydraulic fracture treatments or using multilateral well bores
7 or other techniques to expose more of the formation to the well
8 bore.

9 "Unit." A thousand cubic feet (Mcf) of natural gas at a
10 temperature of 60 degrees Fahrenheit and an absolute pressure of
11 14.73 pounds per square inch, in accordance with American Gas
12 Association (AGA) standards and according to Boyle's law for the
13 measurement of gas under varying pressures with deviations
14 therefrom as follows:

15 (1) The average absolute atmospheric pressure shall be
16 assumed to be 14.4 pounds to the square inch, regardless of
17 actual elevation or location of point of delivery above sea
18 level or variations in such atmospheric pressure from time to
19 time.

20 (2) The temperature of the gas passing the meters shall
21 be determined by the continuous use of a recording
22 thermometer installed so that the thermometer may properly
23 record the temperature of the gas flowing through the meters.
24 The arithmetic average of the temperature recorded each 24-
25 hour day shall be used in computing gas volumes. If a
26 recording thermometer is not installed, or if installed and
27 not operating properly, an average flowing temperature of 60
28 degrees Fahrenheit shall be used in computing gas volume.

29 (3) The specific gravity of the gas shall be determined
30 by tests made by the use of an Edwards or Acme gravity

1 balance, annually, or at intervals as are found necessary in
2 practice. Specific gravity shall be used in computing gas
3 volumes.

4 (4) The deviation of the natural gas from Boyle's law
5 shall be determined by tests annually or at other shorter
6 intervals as are found necessary in practice. The apparatus
7 and the method to be used in making the tests shall be in
8 accordance with recommendations of the Natural Bureau of
9 Standards of the Department of Commerce, or Report No. 3 of
10 the Gas Measurement Committee of the American Gas
11 Association, or any amendments thereof. The results of the
12 tests shall be used in computing the volume of gas delivered.

13 "Wellhead meter." A meter placed at a producing site to
14 measure the actual volume of natural gas severed.

15 Section 1102-E. Imposition of tax.

16 (a) Imposition.--There is hereby levied a privilege tax on
17 every producer.

18 (b) Rate.--The tax imposed under subsection (a) shall be the
19 sum of the following:

20 (1) Four and seven tenths cents for each unit of natural
21 gas severed measured at the wellhead meter.

22 (2) Five percent of the average market price as
23 calculated under section 1103-E of each unit of the dry
24 natural gas derived from the natural gas severed.

25 (3) Five percent of the gross value of the natural gas
26 liquids derived from the natural gas severed as shown by the
27 gross proceeds derived from the sale by the producer.

28 (c) Exemptions.--The tax imposed under subsection (a) shall
29 not be imposed upon the following:

30 (1) Natural gas, dry natural gas or natural gas liquids

1 severed under a natural gas lease and provided to a lessor
2 for no consideration for the lessor's own use.

3 (2) Natural gas, dry natural gas or natural gas liquids
4 severed from a stripper well.

5 (3) Natural gas, dry natural gas or natural gas liquids
6 severed from a storage field.

7 Section 1103-E. Calculation and publication of average market
8 price.

9 The department shall calculate the average market price per
10 unit of dry natural gas for each calendar quarter. The average
11 market price shall be the weighted average price per unit for
12 all major Commonwealth distribution hubs on the interstate
13 natural gas pipeline system for the three months prior to the
14 calendar quarter. The department shall publish a notice of the
15 average market price which shall be at least \$2.97 per unit for
16 each calendar quarter in the Pennsylvania Bulletin not later
17 than within 30 days of the beginning of each calendar quarter.

18 Section 1104-E. Prohibition.

19 A producer may not make the tax imposed under section 1102-E
20 on natural gas severed under a natural gas lease, an obligation,
21 indebtedness or liability of a landowner, leaseholder or other
22 person in possession of real property upon which the removal or
23 extraction occurs and shall not otherwise require the landowner
24 to pay or reimburse the producer for the amount of the tax.

25 Section 1104.1-E. Existing agreements.

26 A provision of an agreement, which is in existence prior to
27 the effective date of this section, which violates section 1104-
28 E is declared to be illegal, contrary to public policy and null
29 and void.

30 Section 1104.2-E. Future agreements.

1 On or after the effective date of this section, a provision
2 of an agreement in violation of section 1104-E is declared to be
3 illegal, contrary to public policy and null and void.

4 Section 1105-E. Return and payment.

5 (a) Return.--Each producer is required to file a return with
6 the department, on a form to be prescribed by the department,
7 reporting all severed natural gas per reporting period and the
8 tax due as imposed under section 1102-E.

9 (b) Filing.--The return required by subsection (a) must be
10 filed with the department on or before the 20th day of the
11 fourth calendar month after a reporting period.

12 (c) Due date.--The tax imposed under section 1102-E is due
13 on the day the return is required to be filed and becomes
14 delinquent if not remitted to the department by that date.

15 Section 1106-E. Natural gas severance tax licensing.

16 (a) License required.--Each producer subject to tax under
17 this part must apply to the department for a severance tax
18 license before severing natural gas from this Commonwealth.
19 Producers who have been severing natural gas from this
20 Commonwealth prior to the effective date of this part must
21 obtain a license from the department within six months from the
22 effective date of this section. All other producers must obtain
23 a license before severing natural gas from this Commonwealth. A
24 producer is liable for the tax imposed by this article without
25 regard to whether the producer obtains or is required to obtain
26 a license.

27 (b) Fee.--The department may charge an application fee to
28 cover the administrative costs associated with the application
29 and licensing process. If the department charges an application
30 fee, the department may not issue a license until the producer

1 has paid the application fee.

2 (c) Declaration.--As part of the application for a license,
3 the producer shall provide a declaration of all sites in this
4 Commonwealth used by the producer for the severance of natural
5 gas. The declaration shall include all producing sites and sites
6 which are stripper wells. The producer shall update the
7 declaration when the producer adds or removes a producing site
8 in this Commonwealth or when there is a change in the status of
9 a producing site. The producer shall update the declaration
10 within 30 days after any calendar month in which a change in the
11 information contained in the declaration occurs.

12 (d) Department duties.--The department shall, after the
13 receipt of an application, issue the license applied for under
14 subsection (a), if the applicant filed all required State tax
15 reports and paid any State taxes not subject to a timely
16 perfected administrative or judicial appeal or subject to a duly
17 authorized deferred payment plan. The license shall be
18 nonassignable. Each producer shall be required to renew the
19 license on a staggered renewal system established by the
20 department. After the initial staggered period, a license issued
21 shall be valid for a period of five years.

22 (e) State taxes.--If an applicant for a license or a person
23 holding a license has not filed all required State tax reports
24 and paid any State taxes not subject to a timely perfected
25 administrative or judicial appeal or subject to a duly
26 authorized deferred payment plan, the department may refuse to
27 issue, suspend or revoke the license. The department shall
28 notify the applicant or licensee of a refusal, suspension or
29 revocation. The notice shall contain a statement that the
30 refusal, suspension or revocation may be made public. The notice

1 shall be made by first class mail. An applicant or licensee
2 aggrieved by the determination of the department may file an
3 appeal of the determination in the same manner as provided for
4 reassessments of tax under section 1108-E. In the case of a
5 suspension or revocation which is appealed, the license shall
6 remain valid pending a final outcome of the appeal.
7 Notwithstanding any other provision of law to the contrary, if
8 no appeal is taken or if an appeal is taken and denied at the
9 conclusion of the appeal process, the department may disclose,
10 by publication or otherwise, the identity of a person whose
11 license has been refused, suspended or revoked under this
12 subsection. Disclosure may include the basis for refusal,
13 suspension or revocation.

14 (f) Severing without a license.--A person that severs
15 natural gas in this Commonwealth without holding a valid license
16 under this section shall be guilty of a summary offense and,
17 upon conviction thereof, be sentenced to pay a fine of not less
18 than \$300 nor more than \$1,500 and, in default thereof, to
19 undergo imprisonment of not less than five days nor more than 30
20 days. The penalties imposed by this subsection shall be in
21 addition to any other penalties imposed by law. For purposes of
22 this subsection, the severing of natural gas during any calendar
23 day shall constitute a separate violation. The Secretary of
24 Revenue may designate employees of the department to enforce the
25 provisions of this subsection. The employees shall exhibit proof
26 of and be within the scope of the designation when instituting
27 proceedings as provided by the Pennsylvania Rules of Criminal
28 Procedure.

29 (g) Liability.--Failure to obtain a license does not relieve
30 a person from liability for the tax imposed by this part.

1 (h) Civil penalty.--In addition to any tax, interest or
2 other penalty due under this article, the department shall
3 impose a civil penalty of 10¢ per unit severed during the period
4 a producer is required to and does not have a license. The
5 penalty shall be assessed and collected under this part.

6 Section 1107-E. Meters.

7 A producer shall provide for and maintain discrete wellhead
8 and sales meters. A producer shall ensure that all meters are
9 maintained according to industry standards.

10 Section 1108-E. Administration of tax.

11 Unless otherwise noted to the contrary, Chapters IV, V, VI,
12 VII and VIII of Part VI of Article II shall apply to this
13 article.

14 Section 1109-E. Records.

15 A producer shall maintain the following records:

16 (1) Wellhead and sales meter charts for each reporting
17 period and the meter calibration and maintenance records. If
18 turbine meters are in use, the maintenance records will be
19 made available to the department upon request.

20 (2) All records, statements, and other instruments
21 furnished to a producer by any person to whom the producer
22 delivers for sale, transport or other delivery of any natural
23 gas.

24 (3) Records, statements and other instruments as the
25 department may prescribe by regulation.

26 Section 1110-E. Enforcement of article.

27 The department and the Department of Environmental Protection
28 shall have the ability to inspect records and locations to
29 ensure compliance with this article.

30 Section 1111-E. Use of revenue.

1 Following the transfers and distributions in Part II, revenue
2 collected under this part shall be used for education.

3 PART II

4 IMPACT FEE

5 Section 1121-E. Definitions.

6 The following words and phrases when used in this part shall
7 have the meanings given to them in this section unless the
8 context clearly indicates otherwise:

9 "Commission." The Pennsylvania Public Utility Commission.

10 "Department." The Department of Revenue of the Commonwealth.

11 "Fund." The Unconventional Gas Well Fund established in 58
12 Pa.C.S. § 2314 (relating to distribution of fee).

13 "Highway mileage." The number of miles of public roads and
14 streets most recently certified by the Department of
15 Transportation as eligible for distribution of liquid fuels
16 funds under the act of June 1, 1956 (1955 P.L.1944, No.655),
17 referred to as the Liquid Fuels Tax Municipal Allocation Law.

18 "Municipality." A borough, city, town or township.

19 "Number of spud unconventional gas wells." The most recent
20 numerical count of spud unconventional gas wells on the
21 inventory maintained and provided to the commission by the
22 Department of Environmental Protection as of the last day of
23 each month.

24 "Population." As follows:

25 (1) Population of this Commonwealth and population of a
26 county shall be determined using the United States Census
27 Bureau's most recently released Annual Estimates of the
28 Resident Population for Counties of Pennsylvania.

29 (2) Population of a municipality shall be determined
30 using the United States Census Bureau's most recently

1 released Annual Estimates for the Resident Population for
2 Incorporated Places in Pennsylvania.

3 (3) Population of municipalities not included in the
4 report referenced under paragraph (2) shall be determined
5 using the United States Census Bureau's most recently
6 released Annual Estimates of the Resident Population for
7 Minor Civil Divisions in Pennsylvania.

8 "Spud." The actual start of drilling an unconventional gas
9 well.

10 "Unconventional gas well." A bore hole drilled or being
11 drilled for the purpose of or to be used for the production of
12 natural gas from an unconventional formation.

13 Section 1122-E. Powers of commission.

14 The commission may make inquiries and determinations
15 necessary to make distributions under this part.

16 Section 1123-E. Well information.

17 (a) List of wells.--The Department of Environmental
18 Protection shall provide the commission and, upon request, a
19 county with a list of all spud unconventional gas wells for
20 which the Department of Environmental Protection has issued
21 permits. The Department of Environmental Protection shall update
22 the list and provide it to the commission on a monthly basis.

23 (b) Notification to commission.--A producer shall notify the
24 commission of the following within 30 days after a calendar
25 month in which the change occurs:

26 (1) The spudding of an unconventional gas well.

27 (2) The initiation of production at an unconventional
28 gas well.

29 (3) The removal of an unconventional gas well from
30 production.

1 (c) Notification to department.--The commission shall notify
2 the department each month of the information collected under
3 subsection (b).

4 Section 1124-E. Unconventional Gas Well Fund.

5 (a) Expiration of fee.--Notwithstanding provisions of 58
6 Pa.C.S. § 2318 (relating to expiration) and except as provided
7 in subsection (b), the provisions of 58 Pa.C.S. Ch. § 23
8 (relating to unconventional gas well fee) shall continue in full
9 force and effect until the day immediately prior to the
10 effective date of this section. The unconventional gas well fee
11 based upon activity in calendar year 2015 shall be due and
12 payable by April 1, 2016, and shall be deposited into the fund.

13 (b) Unconventional Gas Well Fund.--The fund shall continue
14 beyond the expiration of the unconventional gas well fee
15 provided in subsection (a) and shall continue to be administered
16 by the commission. All funds in the fund following the deposit
17 provided in subsection (a) shall remain in the fund and be
18 distributed as provided in this part.

19 Section 1125-E. Distribution to conservation districts and
20 State agencies.

21 (a) Transfer.--From revenue collected under this article for
22 each calendar year or from other money in the fund, the
23 department shall transfer to the fund, to the extent available,
24 the following amounts which shall be distributed by the
25 commission in the following order of priority:

26 (1) To county conservation districts, \$7,880,000 as
27 follows:

28 (i) The amount of \$3,940,000 shall be divided
29 equally among conservation districts for uses consistent
30 with the act of May 15, 1945 (P.L.547, No.217), known as

1 the Conservation District Law.

2 (ii) The amount of \$3,940,000 shall be distributed
3 by the State Conservation Commission in a manner
4 consistent with the Conservation District Law and the
5 provisions of 25 Pa. Code Ch. 83 Subch. B (relating to
6 Conservation District Fund Allocation Program-Statement
7 of Policy).

8 (2) To the Pennsylvania Fish and Boat Commission,
9 \$1,000,000 for costs relating to the review of applications
10 for permits to drill unconventional gas wells.

11 (3) To the Department of Environmental Protection,
12 \$6,000,000 for the administration of this article and the
13 enforcement of acts relating to clean air and clean water.

14 (4) To the Pennsylvania Emergency Management Agency,
15 \$750,000 for emergency response planning, training and
16 coordination related to natural gas production from
17 unconventional gas wells.

18 (5) To the Office of the State Fire Commissioner,
19 \$750,000 for the development, delivery and sustainment of
20 training and grant programs for first responders and the
21 acquisition of specialized equipment for response to
22 emergencies relating to natural gas production from
23 unconventional gas wells.

24 (6) To the Department of Transportation, \$1,000,000 for
25 rail freight assistance.

26 (7) To the commission, \$1,000,000 for costs associated
27 with implementing this chapter.

28 (b) Report.--An agency or organization that receives money
29 under this section shall, by October 31, 2016, and October 31 of
30 each year thereafter, submit to the Secretary of the Budget and

1 the Appropriations Committee of the Senate and the
2 Appropriations Committee of the House of Representatives a
3 report itemizing and explaining the use of the money.
4 Section 1126-E. Appropriation and distribution to counties and
5 municipalities.

6 (a) Transfer.--Beginning June 1, 2016, after the transfer of
7 the amount under section 1125-E from revenue collected under
8 this article for each calendar year or from other money in the
9 fund, the department shall transfer to the fund, to the extent
10 available, \$113,504,000, which amount is appropriated to
11 counties and municipalities for purposes authorized under
12 subsection (d). The commission shall distribute the funds
13 appropriated in this subsection as follows by July 1, 2016, and
14 each July 1 thereafter:

15 (1) Thirty-six percent shall be distributed to counties
16 in which a spud unconventional gas well is located. The
17 amount distributed to each county shall be determined under
18 the following formula:

19 (i) Divide:

20 (A) the number of spud unconventional gas wells
21 in the county; by

22 (B) the number of spud unconventional gas wells
23 in this Commonwealth.

24 (ii) Multiply:

25 (A) the quotient under subparagraph (i); by

26 (B) the amount available for distribution under
27 this paragraph.

28 (2) Thirty-seven percent shall be distributed to
29 municipalities in which a spud unconventional gas well is
30 located. The amount distributed to each municipality shall be

1 determined under the following formula:

2 (i) Divide:

3 (A) the number of spud unconventional gas wells
4 in the municipality; by

5 (B) the number of spud unconventional gas wells
6 in this Commonwealth.

7 (ii) Multiply:

8 (A) the quotient under subparagraph (i) by

9 (B) the amount available for distribution under
10 this paragraph.

11 (3) Twenty-seven percent shall be distributed to
12 municipalities located in a county in which a spud
13 unconventional gas well is located. The amount distributed to
14 each municipality shall be made as follows:

15 (i) Divide:

16 (A) the number of spud unconventional gas wells
17 in the county; by

18 (B) the number of spud unconventional gas wells
19 in this Commonwealth.

20 (ii) Multiply:

21 (A) the quotient under subparagraph (i); by

22 (B) the amount available for distribution under
23 this paragraph.

24 (iii) Fifty percent of the product under
25 subparagraph (ii) shall be distributed to each
26 municipality in which a spud unconventional gas well is
27 located, that is contiguous with a municipality in which
28 a spud unconventional gas well is located or that is
29 located within five linear miles of a spud unconventional
30 gas well. The distribution shall be made as follows:

1 (A) Fifty percent of the amount available under
2 this subparagraph to each municipality under the
3 following formula:

4 (I) Divide:

5 (a) the population of the eligible
6 municipality within the county; by

7 (b) the total population of the eligible
8 municipalities within the county.

9 (II) Multiply:

10 (a) the quotient under subclause (I); by

11 (b) the amount allocated to the county
12 under this subparagraph.

13 (B) Fifty percent of the amount available under
14 this subparagraph shall be distributed to each
15 municipality under the following formula:

16 (I) Divide:

17 (a) the highway mileage of the eligible
18 municipality within the county; by

19 (b) the total highway mileage of the
20 eligible municipalities within the county.

21 (II) Multiply:

22 (a) the quotient under subclause (I); by

23 (b) the amount allocated to the county
24 under this subparagraph.

25 (iv) Fifty percent of the product under subparagraph
26 (ii) shall be distributed to each municipality in the
27 county regardless of whether an unconventional gas well
28 is located in the municipality. The distribution shall be
29 made as follows:

30 (A) Fifty percent of the amount available under

1 this subparagraph shall be distributed to each
2 municipality under the following formula:

3 (I) Divide:

4 (a) the population of the municipality
5 within the county; by

6 (b) the total population of the county.

7 (II) Multiply:

8 (a) the quotient under subclause (I); by

9 (b) the amount allocated to the county
10 under this paragraph.

11 (B) Fifty percent of the amount available under
12 this subparagraph shall be distributed to each
13 municipality under the following formula:

14 (I) Divide:

15 (a) the highway mileage of the
16 municipality within the county; by

17 (b) the total highway mileage of the
18 county.

19 (II) Multiply:

20 (a) the quotient under subclause (I); by

21 (b) the amount allocated to the county
22 under this subparagraph.

23 (b) Restriction.--The following shall apply:

24 (1) The amount allocated to each municipality under
25 subsection (a) may not exceed the greater of \$500,000 or 50%
26 of the total budget for the prior fiscal year beginning with
27 the 2010 budget year and continuing every year thereafter,
28 adjusted to reflect any upward changes in the Consumer Price
29 Index for All Urban Consumers for the Pennsylvania, New
30 Jersey, Delaware and Maryland area in the preceding 12

1 months. The remaining money after allocation under subsection
2 (a) shall be retained by the commission and transferred to
3 the Commonwealth Financing Authority.

4 (2) The funds transferred to the Commonwealth Financing
5 Authority under paragraph (1) shall be used for grants to
6 schools, hospitals and small businesses to obtain access to
7 natural gas. The following shall apply:

8 (i) The Commonwealth Financing Authority shall give
9 priority to applications that will result in adjoining
10 properties obtaining natural gas.

11 (ii) Grants may provide for up to 50% of the cost of
12 the project.

13 (c) Use of funds.--Counties and municipalities where
14 appropriate may jointly fund projects that cross jurisdictional
15 lines. A county or municipality receiving funds under subsection
16 (a) shall use the funds received only for the following purposes
17 associated with natural gas production from unconventional gas
18 wells within the county or municipality:

19 (1) Construction, reconstruction, maintenance and repair
20 of roadways, bridges and public infrastructure.

21 (2) Water, storm water and sewer systems including
22 construction, reconstruction, maintenance and repair.

23 (3) Emergency preparedness and public safety, including
24 law enforcement and fire services, hazardous material
25 response, 911 service operations, equipment acquisition and
26 other services.

27 (4) Environmental programs, including trails, parks and
28 recreation, open space, flood plain management, conservation
29 districts and agricultural preservation.

30 (5) Preservation and reclamation of surface and

1 subsurface waters and water supplies.

2 (6) Tax reductions, including homestead exclusions.

3 (7) Projects to increase the availability of safe and
4 affordable housing to residents.

5 (8) Records management systems and personnel in the
6 office of recorder of deeds, geographic information systems
7 and information technology.

8 (9) The delivery of social services.

9 (10) Judicial services.

10 (11) For deposit into the county or municipality's
11 capital reserve fund if the funds are used solely for a
12 purpose under this subsection.

13 (12) Career and technical centers for training of
14 workers in the oil and gas industry.

15 (13) Local or regional planning initiatives under the
16 act of July 31, 1968 (P.L.805, No.247), known as the
17 Pennsylvania Municipalities Planning Code.

18 (14) Grants to residential property owners, schools,
19 hospitals and small businesses to obtain access to natural
20 gas.

21 (d) Prohibition.--Funds distributed under subsection (a) may
22 not be used for the purpose of litigation.

23 Section 1127-E. Housing affordability and rehabilitation
24 enhancement fund.

25 (a) Transfer to Housing Affordability and Rehabilitation
26 Fund.--After the transfer of the amount under section 1125-E and
27 section 1126-E, from revenue collected under this article for
28 each calendar year by June 1 or from other money in the fund,
29 the department shall transfer \$9,647,000 to the Housing
30 Affordability and Rehabilitation Enhancement Fund.

1 (b) Purposes.--Funds under subsection (a) shall be used for
2 the following purposes:

3 (1) To provide support to projects in a county in which
4 spud unconventional gas wells are located that increase
5 availability of quality, safe, affordable housing for low-
6 income and moderate-income individuals or families, persons
7 with disabilities or elderly persons.

8 (2) To provide rental assistance in a county in which
9 spud unconventional gas wells are located to persons or
10 families whose household income does not exceed the area
11 median income.

12 (c) Amount.--No less than 50% of the funds available under
13 this section may be used in fifth, sixth, seventh and eighth
14 class counties.

15 Section 1128-E. Projects of Statewide significance.

16 (a) Distribution.--After the transfer of the amount under
17 sections 1125-E, 1126-E and 1127-E by June 1 from revenue
18 collected under this article for each calendar year or from
19 other money in the fund, the department shall transfer, to the
20 extent available, \$83,469,000 to the fund, which shall be
21 distributed by the commission by July 1, as follows:

22 (1) To the Commonwealth Financing Authority, \$16,420,000
23 for grants to eligible applicants for the following:

24 (i) Acid mines, including damage, abatement and
25 cleanup and mine reclamation, with priority given to
26 projects that recycle and treat water for use in drilling
27 operations.

28 (ii) Orphan or abandoned oil and gas well plugging.

29 (iii) Complying with the act of January 24, 1966
30 (1965 P.L.1535, No.537), known as the Pennsylvania Sewage

1 Facilities Act.

2 (iv) Planning acquisition, development,
3 rehabilitation and repair of green ways, recreational
4 trails, open space, parks and beautification projects.

5 (v) Programs to establish baseline water quality
6 data on private water supplies.

7 (vi) Watershed programs and related projects.

8 (vii) Flood control projects. Not more than 25% of
9 the funds distributed to the Commonwealth Financing
10 Authority under this paragraph may be utilized for
11 projects under this subparagraph.

12 (2) To the Environmental Stewardship Fund, \$8,210,000.

13 (3) To the Highway Bridge Improvement Restricted Account
14 within the Motor License Fund, \$20,525,000 to counties to be
15 distributed to fund the cost of the replacement or repair of
16 locally owned at-risk deteriorated bridges. Funds shall be
17 distributed to counties proportionately based on the
18 population of the county as follows:

19 (i) In each county, the distribution shall be
20 according to the following formula:

21 (A) Divide:

22 (I) the total population of the county; by

23 (II) the total population of this

24 Commonwealth;

25 (B) express the quotient under clause (A) as a
26 percentage.

27 (C) Multiply:

28 (I) the percentage under clause (B); by

29 (II) the amount of money to be distributed
30 under this paragraph.

1 (ii) Each county shall receive a minimum of \$40,000,
2 to the extent funds are available.

3 (iii) The Department of Transportation shall release
4 money under this paragraph upon approval of a plan
5 submitted by a county or municipality. The plan must
6 include funding for replacement or repair of an at-risk
7 deteriorated bridge.

8 (iv) A county of the first or second class may
9 submit a plan to use the funds available to the county
10 under this paragraph for at-risk deteriorated bridges
11 owned by a public transportation authority.

12 (4) For water and sewer projects, \$20,526,000. The
13 following shall apply:

14 (i) Fifty percent of the amount distributed under
15 this paragraph shall be transferred to the Pennsylvania
16 Infrastructure Investment Authority to be used in
17 accordance with the act of March 1, 1988 (P.L.82, No.16),
18 known as the Pennsylvania Infrastructure Investment
19 Authority Act.

20 (ii) Fifty percent of the amount distributed under
21 this paragraph shall be transferred to the Commonwealth
22 Financing Authority to be used in accordance with section
23 301 of the act of July 9, 2008 (P.L.908, No.63), known as
24 the H2O PA Act. The prohibition on grants for projects
25 located in a city or county of the first or second class
26 under section 301 of the H2O PA Act shall not apply to
27 funds distributed to the Commonwealth Financing Authority
28 under this subparagraph.

29 (5) For the planning, acquisition, development,
30 rehabilitation and repair of green ways, recreational trails,

1 open space, natural areas, community conservation and
2 beautification projects, community and heritage parks and
3 water resource management, \$12,316,000. Funds may be used to
4 acquire lands for recreational or conservation purposes and
5 land damaged or prone to drainage by storms or flooding. The
6 following shall apply:

7 (i) In each county, the distribution shall be
8 calculated according to the following formula:

9 (A) Divide:

10 (I) the total population of the county; by

11 (II) the total population of this

12 Commonwealth.

13 (B) Express the quotient under clause (A) as a
14 percentage.

15 (C) Multiply:

16 (I) the percentage under clause (B); by

17 (II) the amount of funds available under
18 this paragraph.

19 (ii) Each county shall receive a minimum of \$25,000
20 to the extent funds are available.

21 (b) Availability of funds.--Distribution of funds under this
22 section shall be contingent on availability of funds. If
23 sufficient funds are not available, the commission shall
24 disburse funds on a pro rata basis.

25 (c) Restriction on use of proceeds.--

26 (1) Funds distributed under subsection (a) may not be
27 used for the purpose of public relations, outreach not
28 directly related to project implementation, communications,
29 lobbying or litigation.

30 (2) Funds distributed under subsection (a) may not be

1 used by an authorized organization as defined in 27 Pa.C.S. §
2 6103 (relating to definitions) for land acquisition unless
3 the authorized organization has obtained the written consent
4 of the county and municipality in which the land is situated.

5 (d) Coordination.--The Department of Environmental
6 Protection and the Department of Conservation and Natural
7 Resources shall review each application for funding as requested
8 by the Commonwealth Financing Authority and provide
9 recommendations on priority of projects and project approval.

10 (e) Remaining funds.--Any funds remaining after the
11 transfers under this section shall be transferred to the
12 Hazardous Sites Cleanup Fund.

13 Section 1129-E. Projects of Statewide importance.

14 (a) Transfer.--After the transfer of the amounts under
15 sections 1125-E, 1126-E, 1127-E and 1128-E from revenue
16 collected under this article for each calendar year or from
17 other money in the fund, the department shall transfer the
18 following amounts as follows:

19 (1) In fiscal year 2015-2016, and each fiscal year
20 thereafter, the sum of \$10,000,000 to the Department of
21 Environmental Protection, \$5,000,000 deposited in the well
22 plugging fund established in 58 Pa.C.S. § 3271 (relating to
23 well plugging funds) and the remainder to supplement the
24 operations under section 1901-A of the act of April 9, 1929
25 (P.L.177, No.175), known as The Administrative Code of 1929.

26 (2) In fiscal year 2016-2017, an amount up to
27 \$15,000,000 shall be transferred to the economic development
28 restricted account.

29 (3) In fiscal year 2017-2018, an amount up to
30 \$30,000,000 shall be transferred to the economic development

1 restricted account.

2 (4) In fiscal year 2018-2019, and each fiscal year
3 thereafter, an amount up to \$55,000,000 shall be transferred
4 to the economic development restricted account.

5 (b) Account.--There is hereby established the Economic
6 Development Restricted Account in the General Fund. Funds in the
7 account shall be used to fund an economic growth program. The
8 funds in the account are appropriated for that purpose.

9 Section 2. This act shall take effect as follows:

10 (1) The addition of sections 1103-E and 1106-E of the
11 act shall take effect July 1, 2015, or immediately, whichever
12 is later.

13 (2) The remainder of this act shall take effect January
14 1, 2016, or immediately, whichever is later.