
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1363 Session of
2015

INTRODUCED BY DiGIROLAMO, MURT, DeLISSIO, READSHAW, McNEILL,
O'BRIEN, DAVIS, THOMAS, D. COSTA, DEAN, DEASY, ROZZI,
SCHREIBER, CALTAGIRONE AND GAINNEY, JUNE 29, 2015

REFERRED TO COMMITTEE ON ENVIRONMENTAL RESOURCES AND ENERGY,
JUNE 29, 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 natural gas drilling tax
11 investment.

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

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

17 ARTICLE XI-E

18 NATURAL GAS DRILLING TAX INVESTMENT

19 PART I

20 NATURAL GAS DRILLING TAX

21 Section 1101-E. Definitions.

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

4 "Account." The Natural Gas Drilling Tax Restricted Account.

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 is produced from coal beds,
12 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 "Meter." A device to measure the passage of volumes of gases
12 or liquids past a certain point.

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

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

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

29 "Producer." A person who engages or continues within this
30 Commonwealth in the business of severing natural gas from

1 unconventional formations for sale, profit or commercial use.

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

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

14 "Reporting period." A calendar month in which natural gas is
15 severed.

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

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

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

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

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

27 "Taxpayer." A person subject to the tax imposed by this
28 article.

29 "Unconventional formation." A geological shale formation
30 existing below the base of the Elk Sandstone or its geologic

1 equivalent stratigraphic interval where natural gas generally
2 cannot be produced at economic flow rates or in economic volumes
3 except by vertical or horizontal well bores stimulated by
4 hydraulic fracture treatments or using multilateral well bores
5 or other techniques to expose more of the formation to the well
6 bore.

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

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

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

27 (3) The specific gravity of the gas shall be determined
28 by tests made by the use of an Edwards or Acme gravity
29 balance, annually, or at intervals as are found necessary in
30 practice. Specific gravity shall be used in computing gas

1 volumes.

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

13 Section 1102-E. Imposition of tax.

14 (a) Imposition.--There is hereby levied a privilege tax on
15 every producer.

16 (b) Rate.--The tax imposed under subsection (a) shall be the
17 following:

18 (1) Three and two-tenths percent of the gross value of
19 the dry natural gas derived from the natural gas severed as
20 shown by the gross proceeds derived from the sale by the
21 producer.

22 (2) Three and two-tenths percent of the gross value of
23 the natural gas liquids derived from the natural gas severed
24 as shown by the gross proceeds derived from the sale by the
25 producer.

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

28 (1) Natural gas, dry natural gas or natural gas liquids
29 severed under a natural gas lease and provided to a lessor
30 for no consideration for the lessor's own use.

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

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

5 Section 1103-E. Calculation and publication of average market
6 price.

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

16 Section 1104-E. Prohibition.

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

23 Section 1104.1-E. Existing agreements.

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

28 Section 1104.2-E. Future agreements.

29 On or after the effective date of this section, a provision
30 of an agreement in violation of section 1104-E is declared to be

1 illegal, contrary to public policy and null and void.

2 Section 1105-E. Return and payment.

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

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

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

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

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

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

30 (c) Declaration.--As part of the application for a license,

1 the producer shall provide a declaration of all sites in this
2 Commonwealth used by the producer for the severance of natural
3 gas. The declaration shall include all producing sites and sites
4 which are stripper wells. The producer shall update the
5 declaration when the producer adds or removes a producing site
6 in this Commonwealth or when there is a change in the status of
7 a producing site. The producer shall update the declaration
8 within 30 days after any calendar month in which a change to the
9 declaration occurs.

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

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

1 appeal of the determination in the same manner as provided for
2 reassessments of tax under section 1108-E. In the case of a
3 suspension or revocation which is appealed, the license shall
4 remain valid pending a final outcome of the appeal.

5 Notwithstanding any other provision of law to the contrary, if
6 no appeal is taken or if an appeal is taken and denied at the
7 conclusion of the appeal process, the department may disclose,
8 by publication or otherwise, the identity of a person and
9 evidence that the person's license has been refused, suspended
10 or revoked under this subsection. Disclosure may include the
11 basis for refusal, suspension or revocation.

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

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

29 (h) Civil penalty.--In addition to any tax, interest or
30 other penalty due under this article, the department shall

1 impose a civil penalty of 10¢ per unit severed during the period
2 a producer is required to and does not have a license. The
3 penalty shall be assessed and collected under this part.

4 Section 1107-E. Meters.

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

8 Section 1108-E. Administration of tax.

9 Unless otherwise noted to the contrary, Article II, Part VI,
10 Chapters IV-VIII shall apply to this act.

11 Section 1109-E. Records.

12 A producer shall maintain the following records:

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

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

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

23 Section 1110-E. Enforcement of article.

24 The department and the Department of Environmental Protection
25 shall have the ability to inspect records and locations to
26 ensure compliance with this article.

27 PART II

28 IMPACT FEE

29 Section 1121-E. Definitions.

30 The following words and phrases when used in this part shall

1 have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 "Commission." The Pennsylvania Public Utility Commission.

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

5 "Fund." The Unconventional Gas Well Fund established under
6 58 Pa.C.S. § 2314 (relating to distribution of fee).

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

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

13 "Number of spud unconventional gas wells." The most recent
14 numerical count of spud unconventional gas wells on the
15 inventory maintained and provided to the commission by the
16 Department of Environmental Protection as of the last day of
17 each month.

18 "Population." As follows:

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

23 (2) Population of a municipality shall be determined
24 using the United States Census Bureau's most recently
25 released Annual Estimates for the Resident Population for
26 Incorporated Places in Pennsylvania.

27 (3) Population of municipalities not included in the
28 report referenced under paragraph (2) shall be determined
29 using the United States Census Bureau's most recently
30 released Annual Estimates of the Resident Population for

1 Minor Civil Divisions in Pennsylvania.

2 "Spud." The actual start of drilling an unconventional gas
3 well.

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

7 Section 1122-E. Powers of commission.

8 The commission may make inquiries and determinations
9 necessary to make distributions under this part.

10 Section 1123-E. Well information.

11 (a) List of wells.--The Department of Environmental
12 Protection shall provide the commission and, upon request, a
13 county with a list of all spud unconventional gas wells for
14 which the department has issued permits. The Department of
15 Environmental Protection shall update the list and provide it to
16 the commission on a monthly basis.

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

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

21 (2) The initiation of production at an unconventional
22 gas well.

23 (3) The removal of an unconventional gas well from
24 production.

25 (c) Notification to department.--The commission shall notify
26 the department each month of the information collected under
27 subsection (b).

28 Section 1124-E. Unconventional Gas Well Fund.

29 (a) Expiration of fee.--Notwithstanding provisions of 58
30 Pa.C.S. § 2318 (relating to expiration) and except as provided

1 in subsection (b), the provisions of 58 Pa.C.S. Ch. 23 (relating
2 to unconventional gas well fee) shall continue in full force and
3 effect until the day immediately prior to the effective date of
4 this section. The unconventional gas well fee based upon
5 activity in calendar year 2015 shall be due and payable by April
6 1, 2016, and shall be deposited into the fund.

7 (b) Unconventional Gas Well Fund.--The fund shall continue
8 beyond the expiration of the unconventional gas well fee
9 provided in subsection (a) and shall continue to be administered
10 by the commission. All funds in the fund following the deposit
11 provided in subsection (a) shall remain in the fund and be
12 distributed as provided in this part.

13 Section 1125-E. Distribution to conservation districts and
14 State agencies.

15 (a) Transfer.--From revenue collected under this article for
16 each calendar year, the department shall transfer to the fund,
17 to the extent available, the following amounts which are
18 appropriated and shall be distributed by the commission in the
19 following order of priority:

20 (1) To county conservation districts, \$8,000,000 as
21 follows:

22 (i) The amount of \$4,000,000 shall be distributed by
23 dividing the amount equally among conservation districts
24 for uses consistent with the act of May 15, 1945
25 (P.L.547, No.217), known as the Conservation District
26 Law.

27 (ii) The amount of \$4,000,000 shall be distributed
28 by the State Conservation Commission in a manner
29 consistent with the Conservation District Law and the
30 provisions of 25 Pa. Code Ch. 83 Subch. B (relating to

1 Conservation District Fund Allocation Program-Statement
2 of Policy).

3 (2) To the Pennsylvania Fish and Boat Commission,
4 \$1,200,000 for costs relating to the review of applications
5 for permits to drill unconventional gas wells.

6 (3) To the Department of Environmental Protection,
7 \$6,200,000 for the administration of this article and the
8 enforcement of acts relating to clean air and clean water.

9 (4) To the Pennsylvania Emergency Management Agency,
10 \$950,000 for emergency response planning, training and
11 coordination related to natural gas production from
12 unconventional gas wells.

13 (5) To the Office of the State Fire Commissioner,
14 \$950,000 for the development, delivery and sustainment of
15 training and grant programs for first responders and the
16 acquisition of specialized equipment for response to
17 emergencies relating to natural gas production from
18 unconventional gas wells.

19 (6) To the Department of Transportation, \$2,000,000 for
20 rail freight assistance.

21 (7) To the commission, \$1,200,000 for costs associated
22 with implementing this chapter.

23 (b) Report.--An agency or organization that receives money
24 under this section shall, by October 31, 2016, and October 31 of
25 each year thereafter, submit to the Secretary of the Budget and
26 the Appropriations Committee of the Senate and the
27 Appropriations Committee of the House of Representatives a
28 report itemizing and explaining the use of the money.

29 (c) Distribution.--Distribution of funds under this section
30 shall be contingent on availability of funds. If sufficient

1 funds are not available, the commission shall disburse funds on
2 a pro rata basis.

3 Section 1126-E. Appropriation and distribution to counties and
4 municipalities.

5 (a) Transfer.--Beginning June 1, 2016, after the transfer of
6 the amount under section 1125-E from revenue collected under
7 this article for each calendar year, the department shall
8 transfer to the fund, to the extent available and before any
9 other funds from the tax are expended in any fiscal year, the
10 funds necessary to satisfy the annual obligations of the
11 Unconventional Gas Well Impact Fund for counties and
12 municipalities for purposes authorized under subsection (d).
13 Counties and municipalities, where appropriate, may jointly fund
14 projects that cross jurisdictional lines. The commission shall
15 distribute the funds appropriated in this subsection as follows
16 by July 1, 2016, and each July 1 thereafter:

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

21 (i) Divide:

22 (A) the number of spud unconventional gas wells
23 in the county; by

24 (B) the number of spud unconventional gas wells
25 in this Commonwealth.

26 (ii) Multiply:

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

28 (B) the amount available for distribution under
29 paragraph (3).

30 (2) Thirty-seven percent shall be distributed to

1 municipalities in which a spud unconventional gas well is
2 located. The amount distributed to each municipality shall be
3 determined under the following formula:

4 (i) Divide:

5 (A) the number of spud unconventional gas wells
6 in the municipality; by

7 (B) the number of spud unconventional gas wells
8 in this Commonwealth.

9 (ii) Multiply:

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

11 (B) the amount available for distribution under
12 this paragraph.

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

17 (i) Divide:

18 (A) the number of spud unconventional gas wells
19 in the county; by

20 (B) the number of spud unconventional gas wells
21 in this Commonwealth.

22 (ii) Multiply:

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

24 (B) the amount available for distribution under
25 this paragraph.

26 (iii) Fifty percent of the product under
27 subparagraph (ii) shall be distributed to each
28 municipality in which a spud unconventional gas well is
29 located, that is contiguous with a municipality in which
30 a spud unconventional gas well is located or that is

1 located within five linear miles of a spud unconventional
2 gas well. The distribution shall be made as follows:

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

6 (I) Divide:

7 (a) the population of the eligible
8 municipality within the county; by

9 (b) the total population of the eligible
10 municipalities within the county.

11 (II) Multiply:

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

13 (b) the amount allocated to the county
14 under this subparagraph.

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

18 (I) Divide:

19 (a) the highway mileage of the eligible
20 municipality within the county; by

21 (b) the total highway mileage of the
22 eligible municipalities with the county.

23 (II) Multiply:

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

25 (b) the amount allocated to the county
26 under this subparagraph.

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

1 made as follows:

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

5 (I) Divide:

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

8 (b) the total population of the county.

9 (II) Multiply:

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

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

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
18 municipality within the county; by

19 (b) the total highway mileage of the
20 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 (b) Restriction.--The following shall apply:

26 (1) The amount allocated to each municipality under
27 subsection (a) may not exceed the greater of \$500,000 or 50%
28 of the total budget for the prior fiscal year beginning with
29 the 2010 budget year and continuing every year thereafter,
30 adjusted to reflect any upward changes in the Consumer Price

1 Index for All Urban Consumers for the Pennsylvania, New
2 Jersey, Delaware and Maryland area in the preceding 12
3 months. The remaining money after allocation under subsection
4 (a) shall be retained by the commission and transferred to
5 the Commonwealth Financing Authority.

6 (2) The remaining funds under paragraph (1) shall be
7 used for grants to schools, hospitals and small businesses to
8 obtain access to natural gas:

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

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

15 (c) Use of funds.--A county or municipality receiving funds
16 under subsection (a) shall use the funds received only for the
17 following purposes associated with natural gas production from
18 unconventional gas wells within the county or municipality and
19 in a manner consistent with the provisions of 58 Pa.C.S. Ch. 33
20 (relating to local ordinances relating to oil and gas
21 operations):

22 (1) Construction, reconstruction, maintenance and repair
23 of roadways, bridges and public infrastructure.

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

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

30 (4) Environmental programs, including trails, parks and

1 recreation, open space, flood plain management, conservation
2 districts and agricultural preservation.

3 (5) Preservation and reclamation of surface and
4 subsurface waters and water supplies.

5 (6) Tax reductions, including homestead exclusions.

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

8 (8) Records management systems and personnel in the
9 office of recorder of deeds, geographic information systems
10 and information technology.

11 (9) The delivery of social services.

12 (10) Judicial services.

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

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

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

21 (14) Grants to residential property owners, schools,
22 hospitals and small businesses to obtain access to natural
23 gas.

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

26 (e) Availability of funds.--Distribution of funds under this
27 section shall be contingent on availability of funds. If
28 sufficient funds are not available, the commission shall
29 disburse funds on a pro rata basis.

30 Section 1127-E. Housing affordability and rehabilitation

1 enhancement fund.

2 (a) Transfer to Housing Affordability and Rehabilitation
3 Fund.--After the transfer of the amount under section 1125-E and
4 section 1126-E, from revenue collected under this article for
5 each calendar year, the department shall transfer \$9,647,000 to
6 the Housing Affordability and Rehabilitation Enhancement Fund.

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

9 (1) To provide support to projects in a county in which
10 producing unconventional gas wells are located that increase
11 availability of quality, safe, affordable housing for low-
12 income and moderate-income individuals or families, persons
13 with disabilities or elderly persons.

14 (2) To provide rental assistance in a county in which
15 producing unconventional gas wells are located to persons or
16 families whose household income does not exceed the area
17 median income.

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

21 Section 1128-E. Projects of Statewide significance.

22 (a) Distribution.--After the transfer of the amount under
23 sections 1125-E, 1126-E and 1127-E from revenue collected under
24 this article for each calendar year, the department shall
25 transfer, to the extent available, \$83,469,000 to the fund,
26 which amount is appropriated and shall be distributed by the
27 commission by July 1, as follows:

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

30 (i) Acid mines, including damage, abatement and

1 cleanup and mine reclamation, with priority given to
2 projects that recycle and treat water for use in drilling
3 operations.

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

5 (iii) Complying with the act of January 24, 1966
6 (1965 P.L.1535, No.537), known as the Pennsylvania Sewage
7 Facilities Act.

8 (iv) Planning acquisition, development,
9 rehabilitation and repair of green ways, recreational
10 trails, open space, parks and beautification projects.

11 (v) Programs to establish baseline water quality
12 data on private water supplies.

13 (vi) Watershed programs and related projects.

14 (vii) Flood control projects. Up to 25% of the funds
15 distributed to the Commonwealth Financing Authority under
16 this paragraph may be utilized for projects under this
17 subparagraph.

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

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

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

27 (A) Divide:

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

29 (II) the total population of this

30 Commonwealth;

1 (B) express the quotient under clause (A) as a
2 percentage.

3 (C) Multiply:

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

5 (II) the amount of money to be distributed
6 under this paragraph.

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

9 (iii) The Department of Transportation shall release
10 money under this paragraph upon approval of a plan
11 submitted by a county or municipality to repair an at-
12 risk deteriorated bridge. The plan must include funding
13 for replacement or repair.

14 (iv) A county of the first or second class may
15 submit a plan to use the county's funds under this
16 paragraph for at-risk deteriorated bridges owned by a
17 public transportation authority.

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

20 (i) Fifty percent of the amount distributed under
21 this paragraph shall be transferred to the Pennsylvania
22 Infrastructure Investment Authority to be used in
23 accordance with the act of March 1, 1988 (P.L.82, No.16),
24 known as the Pennsylvania Infrastructure Investment
25 Authority Act.

26 (ii) Fifty percent of the amount distributed under
27 this paragraph shall be transferred to the H2O PA program
28 to be used by the Commonwealth Financing Authority in
29 accordance with section 301 of the act of July 9, 2008
30 (P.L.908, No.63), known as the H2O PA Act. The

1 prohibition on grants for projects located in a city or
2 county of the first or second class under section 301 of
3 the H2O PA Act shall not apply to funds distributed to
4 the H2O PA program under this subparagraph.

5 (5) For the planning, acquisition, development,
6 rehabilitation and repair of green ways, recreational trails,
7 open space, natural areas, community conservation and
8 beautification projects, community and heritage parks and
9 water resource management, \$12,316,000. Funds may be used to
10 acquire lands for recreational or conservation purposes and
11 land damaged or prone to drainage by storms or flooding.
12 Funds shall be distributed to counties proportionately based
13 on the population of the county as follows:

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

16 (A) Divide:

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

18 (II) the total population of this

19 Commonwealth.

20 (B) Express the quotient under clause (A) as a
21 percentage.

22 (C) Multiply:

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

24 (II) the amount of funds available under

25 this paragraph.

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

28 (b) Availability of funds.--Distribution of funds under this
29 section shall be contingent on availability of funds. If
30 sufficient funds are not available, the commission shall

1 disburse funds on a pro rata basis.

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

3 (1) Funds distributed under subsection (a) may not be
4 used for the purpose of public relations, outreach not
5 directly related to project implementation, communications,
6 lobbying or litigation.

7 (2) Funds distributed under subsection (a) may not be
8 used by an authorized organization as defined in 27 Pa.C.S. §
9 6103 (relating to definitions) for land acquisition unless
10 the authorized organization has obtained the written consent
11 of the county and municipality in which the land is situated.

12 (d) Coordination.--The Department of Environmental
13 Protection and the Department of Conservation and Natural
14 Resources shall review each application for funding as requested
15 by the Commonwealth Financing Authority and provide
16 recommendations on priority of projects and project approval.

17 (e) Remaining funds.--Any funds remaining after the
18 transfers under this section shall be transferred to the
19 Hazardous Sites Cleanup Fund.

20 Section 1129-E. Purposes of Statewide importance.

21 (a) Transfer.--After the transfer of the amounts under
22 sections 1125-E, 1126-E, 1127-E and 1128-E from revenue
23 collected under this article for each calendar year, the
24 department shall transfer all remaining money to the Natural Gas
25 Drilling Tax Restricted Account established in subsection (b).

26 (b) Account.--There is established the Natural Gas Drilling
27 Tax Restricted Account in the General Fund.

28 (c) Distribution.--Funds in the account shall be distributed
29 as follows:

30 (1) Thirty percent shall be distributed to the

1 Department of Education for basic education funding of school
2 districts, including supplemental payments for certain
3 distressed school districts.

4 (2) Ten percent shall be distributed to the Department
5 of Education for Accountability Block Grants.

6 (3) Seventeen and five-tenths percent shall be
7 distributed to the State Employees' Retirement Fund for the
8 purpose of reducing accrued unfunded liabilities.

9 (4) Seventeen and five-tenths percent shall be
10 distributed to the Public School Employees' Retirement Fund
11 for the purpose of reducing accrued unfunded liabilities.

12 (5) Three and six-tenths percent shall be distributed to
13 the Department of Drug and Alcohol Programs for drug and
14 alcohol programs.

15 (6) Three and six-tenths percent shall be distributed to
16 the Department of Human Services for intellectual disability
17 programs.

18 (7) Two and thirty-five one-hundredths percent shall be
19 distributed to the Department of Human Services for
20 behavioral health services.

21 (8) Two and thirty-five one-hundredths percent shall be
22 distributed to the Department of Human Services for the Human
23 Services Development Fund.

24 (9) One and three-tenths percent shall be distributed to
25 the Pennsylvania Housing Finance Agency for the Homeowners
26 Emergency Mortgage Assistance Program.

27 (10) Nine-tenths of one percent shall be distributed to
28 the Department of Human Services for use for victims of rape
29 and domestic violence in accordance with section 2333 of the
30 act of April 9, 1929 (P.L.177, No.175), known as The

1 Administrative Code of 1929.

2 (11) Nine-tenths of one percent shall be distributed to
3 the Department of Military and Veterans Affairs for the
4 operation and maintenance of veterans' homes.

5 (12) Three percent shall be distributed to the
6 Environmental Stewardship Fund.

7 (13) Five-tenths of one percent shall be distributed to
8 the Department of Environmental Protection for projects and
9 best management practices that improve local water quality in
10 Pennsylvania's portion of the Chesapeake Bay watershed as
11 outlined in Pennsylvania's Chesapeake Watershed
12 Implementation Plan.

13 (14) Two percent shall be distributed to the Department
14 of Environmental Protection, with half of the money going to
15 the well plugging account and half of the money to supplement
16 the operations under Section 1901-A of The Administrative
17 Code of 1929.

18 (15) Three and five-tenths percent shall be distributed
19 to the Department of Environmental Protection for making low-
20 interest loans to support the development of solar energy.

21 (16) One percent shall be distributed to the Keystone
22 Home Energy Efficiency Loan Program in the Treasury
23 Department to support home energy efficiency loans.

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

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

28 (2) The remainder of this act shall take effect January
29 1, 2016, or immediately, whichever is later.