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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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HOUSE BILL

No. 1401 Session of  
2017

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INTRODUCED BY DiGIROLAMO, DeLISSIO, MURT, READSHAW, DEAN,  
STURLA, O'BRIEN, KINSEY, FREEMAN, McNEILL, CHARLTON, DAVIS,  
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MAY 18, 2017

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REFERRED TO COMMITTEE ON FINANCE, MAY 18, 2017

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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 established under section 1129-E(b).

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

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

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

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

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

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

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

30 "Gross value." The gross proceeds received or receivable for

1 property transferred, except as follows:

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

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

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

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

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

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

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

30 "Producer." A person who engages or continues within this

1 Commonwealth in the business of severing natural gas from  
2 unconventional formations for sale, profit or commercial use.

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

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

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

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

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

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

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

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

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

30 "Unconventional formation." A geological shale formation

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

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

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

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

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

1 practice. Specific gravity shall be used in computing gas  
2 volumes.

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

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

24 (2) Three and two-tenths percent of the gross value of  
25 the natural gas liquids derived from the natural gas severed  
26 as shown by the gross proceeds derived from the sale by the  
27 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 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 for each calendar quarter in the  
16 Pennsylvania Bulletin not later than 30 days of the beginning of  
17 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 part. All other producers must obtain a  
23 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 a calendar month in which a change to the  
11 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 registrant 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 and  
11 evidence that the person's license has been refused, suspended  
12 or revoked under this subsection. Disclosure may include the  
13 basis for refusal, 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 a 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 PART II

1 IMPACT FEE

2 Section 1121-E. Definitions.

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

6 "Commission." The Pennsylvania Public Utility Commission.

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

8 "Fund." The Unconventional Gas Well Fund established under  
9 58 Pa.C.S. § 2314 (relating to distribution of fee).

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

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

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

21 "Population." As follows:

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

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

30 (3) Population of municipalities not included in the

1 report referenced under paragraph (2) shall be determined  
2 using the United States Census Bureau's most recently  
3 released Annual Estimates of the Resident Population for  
4 Minor Civil Divisions in Pennsylvania.

5 "Spud." The actual start of drilling an unconventional gas  
6 well.

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

10 Section 1122-E. Powers of commission.

11 The commission may make inquiries and determinations  
12 necessary to make distributions under this part.

13 Section 1123-E. Well information.

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

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

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

24 (2) The initiation of production at an unconventional  
25 gas well.

26 (3) The removal of an unconventional gas well from  
27 production.

28 (c) Notification to department.--The commission shall notify  
29 the department each month of the information collected under  
30 subsection (b).

1 Section 1124-E. Unconventional Gas Well Fund.

2 (a) Expiration of fee.--Notwithstanding provisions of 58  
3 Pa.C.S. § 2318 (relating to expiration) and except as provided  
4 in subsection (b), the provisions of 58 Pa.C.S. Ch. 23 (relating  
5 to unconventional gas well fee) shall continue in full force and  
6 effect until the day immediately prior to the effective date of  
7 this section. The unconventional gas well fee based upon  
8 activity in calendar year 2017 shall be due and payable by April  
9 1, 2018, and shall be deposited into the fund.

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

16 Section 1125-E. Distribution to conservation districts and  
17 State agencies.

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

23 (1) To county conservation districts, \$8,000,000 as  
24 follows:

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

30 (ii) The amount of \$4,000,000 shall be distributed

1 by the State Conservation Commission in a manner  
2 consistent with the Conservation District Law and the  
3 provisions of 25 Pa. Code Ch. 83 Subch. B (relating to  
4 Conservation District Fund Allocation Program-Statement  
5 of Policy).

6 (2) To the Pennsylvania Fish and Boat Commission,  
7 \$1,200,000 for costs relating to the review of applications  
8 for permits to drill unconventional gas wells.

9 (3) To the Department of Environmental Protection,  
10 \$6,200,000 for the administration of this article and the  
11 enforcement of acts relating to clean air and clean water.

12 (4) To the Pennsylvania Emergency Management Agency,  
13 \$950,000 for emergency response planning, training and  
14 coordination related to natural gas production from  
15 unconventional gas wells.

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

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

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

26 (b) Report.--An agency or organization that receives money  
27 under this section shall, by October 31, 2018, and October 31 of  
28 each year thereafter, submit to the Secretary of the Budget and  
29 the Appropriations Committee of the Senate and the  
30 Appropriations Committee of the House of Representatives a

1 report itemizing and explaining the use of the money.

2 (c) Distribution.--Distribution of funds under this section  
3 shall be contingent on availability of funds. If sufficient  
4 funds are not available, the commission shall disburse funds on  
5 a pro rata basis.

6 Section 1126-E. Appropriation and distribution to counties and  
7 municipalities.

8 (a) Transfer.--Beginning June 1, 2018, after the transfer of  
9 the amount under section 1125-E from revenue collected under  
10 this article for each calendar year, the department shall  
11 transfer to the fund, to the extent available and before any  
12 other funds from the tax are expended in a fiscal year, the  
13 funds necessary to satisfy the annual obligations of the  
14 Unconventional Gas Well Impact Fund for counties and  
15 municipalities for purposes authorized under subsection (d).  
16 Counties and municipalities, where appropriate, may jointly fund  
17 projects that cross jurisdictional lines. The commission shall  
18 distribute the funds appropriated in this subsection as follows  
19 by July 1, 2018, and each July 1 thereafter:

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

24 (i) Divide:

25 (A) the number of spud unconventional gas wells  
26 in the county; by

27 (B) the number of spud unconventional gas wells  
28 in this Commonwealth.

29 (ii) Multiply:

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

1                   (B) the amount available for distribution under  
2                   paragraph (3).

3           (2) Thirty-seven percent shall be distributed to  
4           municipalities in which a spud unconventional gas well is  
5           located. The amount distributed to each municipality shall be  
6           determined under the following formula:

7           (i) Divide:

8                   (A) the number of spud unconventional gas wells  
9                   in the municipality; by

10                   (B) the number of spud unconventional gas wells  
11                   in this Commonwealth.

12           (ii) Multiply:

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

14                   (B) the amount available for distribution under  
15                   this paragraph.

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

20           (i) Divide:

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

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

25           (ii) Multiply:

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

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

29           (iii) Fifty percent of the product under  
30           subparagraph (ii) shall be distributed to each

1 municipality in which a spud unconventional gas well is  
2 located, that is contiguous with a municipality in which  
3 a spud unconventional gas well is located or that is  
4 located within five linear miles of a spud unconventional  
5 gas well. The distribution shall be made as follows:

6 (A) Fifty percent of the amount available under  
7 this subparagraph to each municipality under the  
8 following formula:

9 (I) Divide:

10 (a) the population of the eligible  
11 municipality within the county; by

12 (b) the total population of the eligible  
13 municipalities within the county.

14 (II) Multiply:

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

16 (b) the amount allocated to the county  
17 under this subparagraph.

18 (B) Fifty percent of the amount available under  
19 this subparagraph shall be distributed to each  
20 municipality under the following formula:

21 (I) Divide:

22 (a) the highway mileage of the eligible  
23 municipality within the county; by

24 (b) the total highway mileage of the  
25 eligible municipalities within the county.

26 (II) Multiply:

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

28 (b) the amount allocated to the county  
29 under this subparagraph.

30 (iv) Fifty percent of the product under subparagraph

1 (ii) shall be distributed to each municipality in the  
2 county regardless of whether an unconventional gas well  
3 is located in the municipality. The distribution shall be  
4 made as follows:

5 (A) Fifty percent of the amount available under  
6 this subparagraph shall be distributed to each  
7 municipality under the following formula:

8 (I) Divide:

9 (a) the population of the municipality  
10 within the county; by

11 (b) the total population of the county.

12 (II) Multiply:

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

14 (b) the amount allocated to the county  
15 under this paragraph.

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

19 (I) Divide:

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

22 (b) the total highway mileage of the  
23 county.

24 (II) Multiply:

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

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

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

29 (1) The amount allocated to each municipality under  
30 subsection (a) may not exceed the greater of \$500,000 or 50%

1 of the total budget for the prior fiscal year beginning with  
2 the 2010 budget year and continuing every year thereafter,  
3 adjusted to reflect any upward changes in the Consumer Price  
4 Index for All Urban Consumers for the Pennsylvania, New  
5 Jersey, Delaware and Maryland area in the preceding 12  
6 months. The remaining money after allocation under subsection  
7 (a) shall be retained by the commission and transferred to  
8 the Commonwealth Financing Authority.

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

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

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

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

25 (1) Construction, reconstruction, maintenance and repair  
26 of roadways, bridges and public infrastructure.

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

29 (3) Emergency preparedness and public safety, including  
30 law enforcement and fire services, hazardous material

1 response, 911 service operations, equipment acquisition and  
2 other services.

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

6 (5) Preservation and reclamation of surface and  
7 subsurface waters and water supplies.

8 (6) Tax reductions, including homestead exclusions.

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

11 (8) Records management systems and personnel in the  
12 office of recorder of deeds, geographic information systems  
13 and information technology.

14 (9) The delivery of social services.

15 (10) Judicial services.

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

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

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

24 (14) Grants to residential property owners, schools,  
25 hospitals and small businesses to obtain access to natural  
26 gas.

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

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

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

3 Section 1127-E. Housing Affordability and Rehabilitation  
4 Enhancement Fund.

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

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

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

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

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

24 Section 1128-E. Projects of Statewide significance.

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

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

3           (i) Acid mines, including damage, abatement and  
4 cleanup and mine reclamation, with priority given to  
5 projects that recycle and treat water for use in drilling  
6 operations.

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

8           (iii) Complying with the act of January 24, 1966  
9 (1965 P.L.1535, No.537), known as the Pennsylvania Sewage  
10 Facilities Act.

11           (iv) Planning acquisition, development,  
12 rehabilitation and repair of green ways, recreational  
13 trails, open space, parks and beautification projects.

14           (v) Programs to establish baseline water quality  
15 data on private water supplies.

16           (vi) Watershed programs and related projects.

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

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

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

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

30           (A) Divide:

1                   (I) the total population of the county; by  
2                   (II) the total population of this  
3                   Commonwealth.

4                   (B) Express the quotient under clause (A) as a  
5                   percentage.

6                   (C) Multiply:

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

8                   (II) the amount of money to be distributed  
9                   under this paragraph.

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

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

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

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

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

29                  (ii) Fifty percent of the amount distributed under  
30                  this paragraph shall be transferred to the H2O PA program

1 to be used by the Commonwealth Financing Authority in  
2 accordance with section 301 of the act of July 9, 2008  
3 (P.L.908, No.63), known as the H2O PA Act. The  
4 prohibition on grants for projects located in a city or  
5 county of the first or second class under section 301 of  
6 the H2O PA Act shall not apply to funds distributed to  
7 the H2O PA program under this subparagraph.

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

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

19 (A) Divide:

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

21 (II) the total population of this

22 Commonwealth.

23 (B) Express the quotient under clause (A) as a  
24 percentage.

25 (C) Multiply:

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

27 (II) the amount of funds available under

28 this paragraph.

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

1 (b) Availability of funds.--Distribution of funds under this  
2 section shall be contingent on availability of funds. If  
3 sufficient funds are not available, the commission shall  
4 disburse funds on a pro rata basis.

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

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

10 (2) Funds distributed under subsection (a) may not be  
11 used by an authorized organization as defined in 27 Pa.C.S. §  
12 6103 (relating to definitions) for land acquisition unless  
13 the authorized organization has obtained the written consent  
14 of the county and municipality in which the land is situated.

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

20 (e) Remaining funds.--Any funds remaining after the  
21 transfers under this section shall be transferred to the  
22 Hazardous Sites Cleanup Fund.

23 Section 1129-E. Purposes of Statewide importance.

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

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

- 1 (c) Distribution.--Funds in the account shall be distributed  
2 as follows:
- 3 (1) Thirty percent shall be distributed to the  
4 Department of Education for basic education funding of school  
5 districts, including supplemental payments for certain  
6 distressed school districts.
- 7 (2) Ten percent shall be distributed to the Department  
8 of Education for accountability block grants.
- 9 (3) Fifteen percent shall be distributed to the State  
10 Employees' Retirement Fund for the purpose of reducing  
11 accrued unfunded liabilities.
- 12 (4) Fifteen percent shall be distributed to the Public  
13 School Employees' Retirement Fund for the purpose of reducing  
14 accrued unfunded liabilities.
- 15 (5) Three and six-tenths percent shall be distributed to  
16 the Department of Drug and Alcohol Programs for drug and  
17 alcohol programs.
- 18 (6) Three and six-tenths percent shall be distributed to  
19 the Department of Human Services for intellectual disability  
20 programs.
- 21 (7) Two and thirty-five one-hundredths percent shall be  
22 distributed to the Department of Human Services for  
23 behavioral health services.
- 24 (8) Two and thirty-five one-hundredths percent shall be  
25 distributed to the Department of Human Services for the Human  
26 Services Development Fund.
- 27 (9) One and three-tenths percent shall be distributed to  
28 the Pennsylvania Housing Finance Agency for the Homeowner's  
29 Emergency Mortgage Assistance Program.
- 30 (10) Nine-tenths of one percent shall be distributed to

1 the Department of Human Services for use for victims of rape  
2 and domestic violence in accordance with section 2333 of the  
3 act of April 9, 1929 (P.L.177, No.175), known as The  
4 Administrative Code of 1929.

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

8 (12) Six and twenty-five one-hundredths percent shall be  
9 distributed to the Environmental Stewardship Fund.

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

15 (14) Five and twenty-five one-hundredths percent shall  
16 be distributed to the Department of Environmental Protection  
17 for making low-interest loans to support the development of  
18 solar energy.

19 (15) One and five-tenths percent shall be distributed to  
20 the Keystone Home Energy Loan Program in the Treasury  
21 Department to support home energy efficiency loans.

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

23 (1) The addition of sections 1103-E and 1106-E of the  
24 act shall take effect July 1, 2017, or immediately, whichever  
25 is later.

26 (2) The remainder of this act shall take effect January  
27 1, 2018, or immediately, whichever is later.