HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 367 **PRINTERS NO**. 2327 **PRIME SPONSOR**: D. White

COST / (SAVINGS)

FUND	FY 2011/12	FY 2012/13
General Fund	**$0**	**$0**
Oil & Gas Lease Fund	**$0** **(See Fiscal Impact)**	**$0** **(See Fiscal Impact)**

SUMMARY: Senate Bill 367, Printer's Number 2327, provides for resources development; and imposing powers and duties on the Department of General Services and the State System of Higher Education. The act shall take effect immediately upon enactment.

ANALYSIS: This bill establishes the Resources Development Act to authorize the Department of General Services (DGS) to execute contracts or leases for the development of coal, oil, natural gas, coal bed methane, and limestone beneath State-owned or State System of Higher Education (SSHE) lands and to grant rights-of-way for the purpose of developing such resources.

The department shall also cooperate with, consult with or delegate to the Department of Conservation and Natural Resources (DCNR) by way of its authority under the Conservation and Natural Resources Act to carry out the provisions of this legislation. The bill provides for any costs incurred by DCNR to be deducted from payments or royalties and that amount shall be an executively authorized augmentation to the agency's budget.

The term "State-owned land" does not include SSHE lands or those owned and administered by DCNR, the Pennsylvania Fish and Boat Commission or the Pennsylvania Game Commission. Leases exceeding $1,000 in value must be advertised and shall be awarded to the highest bidder, while the requirements for competitive bidding may be waived if the Commonwealth owns a fractional interest in the resources.

DGS may enter into a contract to lease that fractional interest, with the approval of the Governor and upon terms and conditions DGS deems to be in the best interest of the Commonwealth. However, the department may not make or execute a contract or lease unless the President of the system university affected by the contract or lease provided the department with written authorization to proceed. It also includes the requirements that a party that enters into a lease under this legislation must provide a bond satisfactory to DGS for the proper performance of the contract or lease.

Beginning in fiscal year 2011-12 and every year thereafter, any resulting revenues will deposited as follows:

- Twenty percent (20%) of all payments or royalties payments derived from State-owned lands shall be retained by the state agency or department that oversees the property. All remaining funds or eighty percent (80%) will be deposited in the Oil and Gas Lease Fund.
- Forty percent (40%) of all payments or royalties derived from SSHE lands shall be retained by the university where the mineral resource is located, while sixty percent (60%) shall be allocated to the SSHE for distribution among those universities where no mineral resources have been leased or extracted by a formula determined by the Board of Governors, and all funding shall be used for deferred maintenance or energy efficiency or energy cost-savings improvements.
- An additional requirement placed on the revenues received from SSHE lands states that fifteen percent (15%) of these funds must be used for tuition reduction.

The department may also convey all coal, oil, natural gas, coal bed methane and limestone rights to the purchaser of surplus Commonwealth real property along with the conveyance of the surplus real property when done in accordance with this legislation.

FISCAL IMPACT: Enactment of this legislation will not adversely impact Commonwealth funds. Any administrative costs associated with the duties placed upon DGS and DCNR are expected to be covered under existing funding and operations. However, as the bill outlines, DCNR may incur additional costs, such as advertising and contracting, leasing or conveying the resources including fees of any survey, appraisal or report, and similar related activities. The amount of these costs will be deducted from the payments or royalties generated and executively authorized as an augmentation to DCNR's budget.

While the legislation outlines payments being deposited into the Oil and Gas Lease Fund or being retained by and distributed to a particular agency, university or the SSHE, this analysis does not assume if or how many wells could be drilled or whether they would even be productive wells that generate royalty payments.

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House Appropriations Committee (R)

DATE: June 26, 2012

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.