

SENATE BILL 980

M3, C5

71r2679
CF 71r2093

By: **Senator Edwards**

Introduced and read first time: February 3, 2017

Assigned to: Education, Health, and Environmental Affairs

A BILL ENTITLED

1 AN ACT concerning

2 **Environment – Natural Gas and Oil Interest Restitution Fund**

3 FOR the purpose of establishing the Natural Gas and Oil Interest Restitution Fund as a
4 special, nonlapsing fund; specifying the purpose of the Fund; requiring the
5 Department of the Environment to administer the Fund; requiring the State
6 Treasurer to hold the Fund and the Comptroller to account for the Fund; specifying
7 the contents of the Fund; specifying the purpose for which the Fund may be used;
8 requiring that a certain owner of a natural gas or oil interest make a certain
9 demonstration in order to receive compensation from the Fund; requiring that
10 certain investment earnings be credited to the Fund; requiring the owner of a certain
11 generating system or facility to deposit a certain amount of revenue from the sale of
12 certain renewable energy credits for certain purposes to the Fund; exempting the
13 Fund from a certain provision of law requiring interest earnings on State money to
14 accrue to the General Fund of the State; defining certain terms; providing that
15 existing obligations or contract rights may not be impaired by this Act; making this
16 Act contingent on the enactment of a certain prohibition or a prohibition or delay on
17 issuing a certain permit; requiring the Department of the Environment to notify the
18 Department of Legislative Services of certain actions within a certain period of time;
19 and generally relating to natural gas and oil interests.

20 BY repealing and reenacting, without amendments,
21 Article – Environment
22 Section 14–107.1
23 Annotated Code of Maryland
24 (2014 Replacement Volume and 2016 Supplement)

25 BY adding to
26 Article – Environment
27 Section 14–107.2
28 Annotated Code of Maryland
29 (2014 Replacement Volume and 2016 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



- 1 BY adding to
2 Article – Public Utilities
3 Section 7–704(j)
4 Annotated Code of Maryland
5 (2010 Replacement Volume and 2016 Supplement)
- 6 BY repealing and reenacting, without amendments,
7 Article – State Finance and Procurement
8 Section 6–226(a)(2)(i)
9 Annotated Code of Maryland
10 (2015 Replacement Volume and 2016 Supplement)
- 11 BY repealing and reenacting, with amendments,
12 Article – State Finance and Procurement
13 Section 6–226(a)(2)(ii)94. and 95.
14 Annotated Code of Maryland
15 (2015 Replacement Volume and 2016 Supplement)
- 16 BY adding to
17 Article – State Finance and Procurement
18 Section 6–226(a)(2)(ii)96.
19 Annotated Code of Maryland
20 (2015 Replacement Volume and 2016 Supplement)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
22 That the Laws of Maryland read as follows:

23 **Article – Environment**

24 14–107.1.

25 (a) (1) In this section, “hydraulic fracturing” means a drilling technique that
26 expands existing fractures or creates new fractures in rock by injecting fluids, often a
27 mixture of water and chemicals, sand, or other substances, and often under pressure, into
28 or underneath the surface of the rock for purposes that include well drilling for the
29 exploration or production of natural gas.

30 (2) “Hydraulic fracturing” includes:

- 31 (i) Fracking;
- 32 (ii) Hydrofracking; and
- 33 (iii) Hydrofracturing.

1 (b) On or before October 1, 2016, the Department shall adopt regulations to
2 provide for the hydraulic fracturing of a well for the exploration or production of natural
3 gas in the State.

4 (c) Regulations adopted by the Department in accordance with subsection (b) of
5 this section may not become effective until October 1, 2017.

6 (d) The Department may not issue a permit for the hydraulic fracturing of a well
7 for the exploration or production of natural gas in the State until October 1, 2017.

8 **14-107.2.**

9 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
10 INDICATED.

11 (2) "FUND" MEANS THE NATURAL GAS AND OIL INTEREST
12 RESTITUTION FUND.

13 (3) "HYDRAULIC FRACTURING" HAS THE MEANING STATED IN §
14 14-107.1 OF THIS SUBTITLE.

15 (4) "OWNER" MEANS AN INDIVIDUAL WHO OWNS A NATURAL GAS OR
16 OIL INTEREST IN AT LEAST 50 ACRES OF CONTIGUOUS LAND IN THE STATE.

17 (B) THERE IS A NATURAL GAS AND OIL INTEREST RESTITUTION FUND.

18 (C) THE PURPOSE OF THE FUND IS TO COMPENSATE EACH OWNER FOR THE
19 MONEY LOST DUE TO THE INABILITY TO LEASE OR SELL A NATURAL GAS OR OIL
20 INTEREST FOR THE PURPOSE OF HYDRAULIC FRACTURING.

21 (D) THE DEPARTMENT SHALL ADMINISTER THE FUND.

22 (E) (1) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT
23 SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

24 (2) THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY,
25 AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.

26 (F) THE FUND CONSISTS OF:

27 (1) REVENUE DISTRIBUTED TO THE FUND UNDER § 7-704(J) OF THE
28 PUBLIC UTILITIES ARTICLE;

1 **(2) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND;**
2 **AND**

3 **(3) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR**
4 **THE BENEFIT OF THE FUND.**

5 **(G) (1) (I) THE FUND MAY BE USED ONLY FOR COMPENSATING AN**
6 **OWNER FOR THE MONEY LOST DUE TO THE INABILITY TO LEASE OR SELL A NATURAL**
7 **GAS OR OIL INTEREST FOR THE PURPOSE OF HYDRAULIC FRACTURING.**

8 **(II) THE FUND MAY NOT BE USED TO COMPENSATE AN OWNER**
9 **FOR THE MONEY LOST DUE TO THE INABILITY TO LEASE OR SELL A NATURAL GAS OR**
10 **OIL INTEREST FOR THE PURPOSE OF HYDRAULIC FRACTURING IF THE INABILITY IS**
11 **DUE TO A PROHIBITION ON HYDRAULIC FRACTURING BY THE LOCAL JURISDICTION**
12 **IN WHICH THE NATURAL GAS OR OIL INTEREST IS HELD.**

13 **(2) TO RECEIVE COMPENSATION FROM THE FUND, AN OWNER SHALL**
14 **DEMONSTRATE THAT A LEASE OR SALE OF THE OWNER'S NATURAL GAS OR OIL**
15 **INTEREST TO A THIRD PARTY WAS TERMINATED DUE TO A STATEWIDE PROHIBITION**
16 **ON HYDRAULIC FRACTURING OR A PROHIBITION OR DELAY ON ISSUING A PERMIT**
17 **FOR HYDRAULIC FRACTURING UNDER § 14-107.1 OF THIS SUBTITLE.**

18 **(H) (1) THE STATE TREASURER SHALL INVEST THE MONEY OF THE FUND**
19 **IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.**

20 **(2) ANY INTEREST EARNINGS OF THE FUND SHALL BE CREDITED TO**
21 **THE FUND.**

22 **(I) EXPENDITURES FROM THE FUND MAY BE MADE ONLY IN ACCORDANCE**
23 **WITH THE STATE BUDGET.**

24 **Article – Public Utilities**

25 7-704.

26 **(J) THE OWNER OF A FACILITY OR SYSTEM THAT BEGINS GENERATING**
27 **ELECTRICITY THAT IS ELIGIBLE FOR INCLUSION IN MEETING THE RENEWABLE**
28 **ENERGY PORTFOLIO STANDARD ON AND AFTER JANUARY 1, 2017, SHALL DEPOSIT**
29 **25% OF THE REVENUE FROM THE SALE IN THE STATE TO SATISFY THE STANDARD**
30 **OF RENEWABLE ENERGY CREDITS ACCRUED BY THE FACILITY OR SYSTEM TO THE**
31 **NATURAL GAS AND OIL INTEREST RESTITUTION FUND IN ACCORDANCE WITH §**
32 **14-107.2 OF THE ENVIRONMENT ARTICLE.**

33 **Article – State Finance and Procurement**

1 6–226.

2 (a) (2) (i) Notwithstanding any other provision of law, and unless
3 inconsistent with a federal law, grant agreement, or other federal requirement or with the
4 terms of a gift or settlement agreement, net interest on all State money allocated by the
5 State Treasurer under this section to special funds or accounts, and otherwise entitled to
6 receive interest earnings, as accounted for by the Comptroller, shall accrue to the General
7 Fund of the State.

8 (ii) The provisions of subparagraph (i) of this paragraph do not apply
9 to the following funds:

10 94. the Community Program Fund; [and]

11 95. the Maryland Corps Program Fund; AND

12 96. **THE NATURAL GAS AND OIL INTEREST RESTITUTION**
13 **FUND.**

14 SECTION 2. AND BE IT FURTHER ENACTED, That a presently existing obligation
15 or contract right may not be impaired in any way by this Act.

16 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act is
17 contingent on the enactment of a statewide prohibition on hydraulic fracturing or a
18 prohibition or delay on issuing a permit for hydraulic fracturing under § 14–107.1 of the
19 Environment Article. The Department of the Environment shall notify the Department of
20 Legislative Services within 5 days after enactment of a statewide prohibition on hydraulic
21 fracturing or a prohibition or delay on issuing a permit for hydraulic fracturing. If notice of
22 the prohibition on hydraulic fracturing or a prohibition or delay on issuing a permit for
23 hydraulic fracturing is not received by the Department of Legislative Services on or before
24 June 1, 2027, this Act shall be null and void without the necessity of further action by the
25 General Assembly.

26 SECTION 4. AND BE IT FURTHER ENACTED, That, subject to Section 3 of this
27 Act, this Act shall take effect June 1, 2017.