



# UTAH OIL SLICK

Funding Polluters Instead of Rural Communities

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Uinta Basin drill pads courtesy Southern Utah Wilderness Alliance/Lin Alder

**UTAH OIL SLICK:**  
Funding Polluters Instead of Rural Communities

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Center for Biological Diversity  
Southern Utah Wilderness Alliance  
Sierra Club - Utah Chapter  
Rural Utah Project  
Utah Physicians for a Healthy Environment  
Utah Tar Sands Resistance  
Living Rivers  
Utah Environmental Caucus  
No Coal In Oakland  
No Coal In Richmond  
Healthy Environment Alliance of Utah

## Executive Summary

Every year Utah receives tens of millions of dollars in federal lease revenues and royalties from oil, gas and mineral extraction as a way to help mitigate the impacts of drilling and mining. Even before scientists linked fossil fuels to the climate crisis, Congress intended this money to be used to help rural communities experiencing rapid growth and infrastructure challenges. The influx of new workers and increased drilling and mining take a toll on communities.

This report from the Utah Clean Infrastructure Coalition shows that, since 2009, the little-known board charged with distributing this public money has funneled more than \$109 million to projects that promote or expand fossil fuel extraction in violation of the federal Mineral Leasing Act.<sup>1</sup> That includes more than \$2.2 million approved *after* a state audit found the board was using the public funds improperly.<sup>2</sup>

We examined dozens of public records — including the 2020 audit of the Permanent Community Impact Fund Board by the Utah Legislative Auditor General, meeting minutes, audio tapes and project documents — and found that:

- Since 2009 the Permanent Community Impact Fund Board, or CIB, has issued \$109 million in grants and low- or no-interest loans — all of it public money — to finance road construction, engineering studies, attorney fees and other costs to enable fossil fuel development on public and private land. Beneficiaries include well-connected private firms trying to get approval for the proposed \$1.5 billion Uinta Basin Railway.

Over the past two years small towns, cities and special improvement districts in two counties have identified more than \$60 million for community improvement projects that have not yet been funded. Unfunded projects include water and sewer services, recreation centers, road improvements and public safety equipment. Over this same period, the CIB gave more than \$48 million in grants to fossil-fuel related projects.

- The Utah Legislature failed to oversee the board's activities. Even worse, in 2021 it changed state law to allow mineral lease revenues and royalties to finance fossil-fuel infrastructure projects, which is illegal under federal law. The new law followed the 2020 [state audit criticizing the board's spending and haphazard decision-making](#).
- County governments and local agencies continue to seek public funding for projects that facilitate fossil fuel extraction and enrich private corporations over community needs. Since the audit, Uintah County commissioners approved seeking \$39 million in public funds to help a private, Ogden-based oil company build a 640-acre oil refinery in eastern Utah.<sup>3</sup> The proposed \$1.4 billion Uintah Advantage refinery would have the capacity to refine 40,000 barrels of oil a day, and it may also include a rail yard for the proposed Uinta Basin Railway.

The CIB must stop funding fossil fuel development projects. The Utah Legislature should oversee the board's grant and loan-making process to ensure it complies with the Mineral Leasing Act, which requires these public funds be used to mitigate harm inflicted on communities by oil, gas and mineral extraction and forbids using the money for economic development. Rural communities should call on legislators to ensure that infrastructure needs are met and public money is spent properly.

As Utah and the western United States experience the devastating consequences of climate change in the form of intense heat, drought and wildfires, it is even more critical that the CIB stop siphoning public funds away from much-needed community projects to finance dangerous fossil fuel extraction that worsens the climate crisis.

## **Utah Funds Fossil Fuel Projects Despite Audit, Attorney General Warnings**

Oil, gas and coal companies pay the federal government for the right to develop federally owned minerals on public lands, and they pay royalties for any minerals they extract. Federal law requires that those public funds be used to help communities affected by fossil fuel extraction. Specifically, the Mineral Leasing Act requires that these funds pay for “planning,” “construction and maintenance of public facilities,” and “provision of public services.”

Congress intended that the funds pay for things like land-use planning to deal with a sudden influx of new workers and increased housing demand, road repairs because of heavier truck traffic, and police and fire services to relieve strains on resource-limited rural communities.

Utah is responsible for allocating the money to affected communities. A large portion is managed by the governor-appointed [Permanent Community Impact Fund Board](#), which is composed of six locally elected officials and five representatives of relevant state agencies. In fiscal 2020 the state received \$67.3 million in mineral lease revenues and royalties, and the CIB distributed [\\$77.4 million](#).

Federal law requires the CIB to provide a permanent source of low-interest loans and grants for projects that alleviate extractive industry impacts. The 2020 state auditor general’s investigation found the board was failing to meet those objectives. The audit criticized the board for spending tens of millions of dollars on projects to expand the fossil fuel industry, such as the Uinta Basin Railway, and raised doubts about the fund’s sustainability.

Despite the state audit, the Seven County Infrastructure Coalition recently took the first step in requesting CIB funds to facilitate construction of the Uintah Advantage refinery on Leland Bench. The proposed \$1.4 billion refinery, to be developed by the Ogden-based [UAXA](#), would have the capacity to refine 40,000 barrels of oil a day. The coalition is made up of county commissioners from Uintah, Duchesne, Carbon, Emery, Sevier, Daggett and San Juan counties.

The audit uncovered a troubling pattern of illegal use of public funds, but it failed to mention a glaring example. Due to concerns that this use of CIB funds would be illegal under the Mineral Leasing Act, the Utah Legislature approved a money swap. The CIB gave the Utah Department of Transportation \$53 million, and then the department put \$53 million in [a fund overseen by the CIB](#). The fund is explicitly intended to finance a privately owned coal export terminal in Oakland, Calif., where the city council has banned the project.

### **CIB Fails Rural Utah, Legislature Makes It Worse**

The CIB has failed to fund projects that dozens of small towns across Utah have identified as their top priorities. The infrastructure needs of rural communities are real and urgent. In 2015 the American Society of Civil Engineers estimated that nearly \$13 billion worth of improvements to Utah’s water-related infrastructure would be needed over the next 20 years, including upgrades to maintain safe drinking water and flood protection.<sup>4</sup>

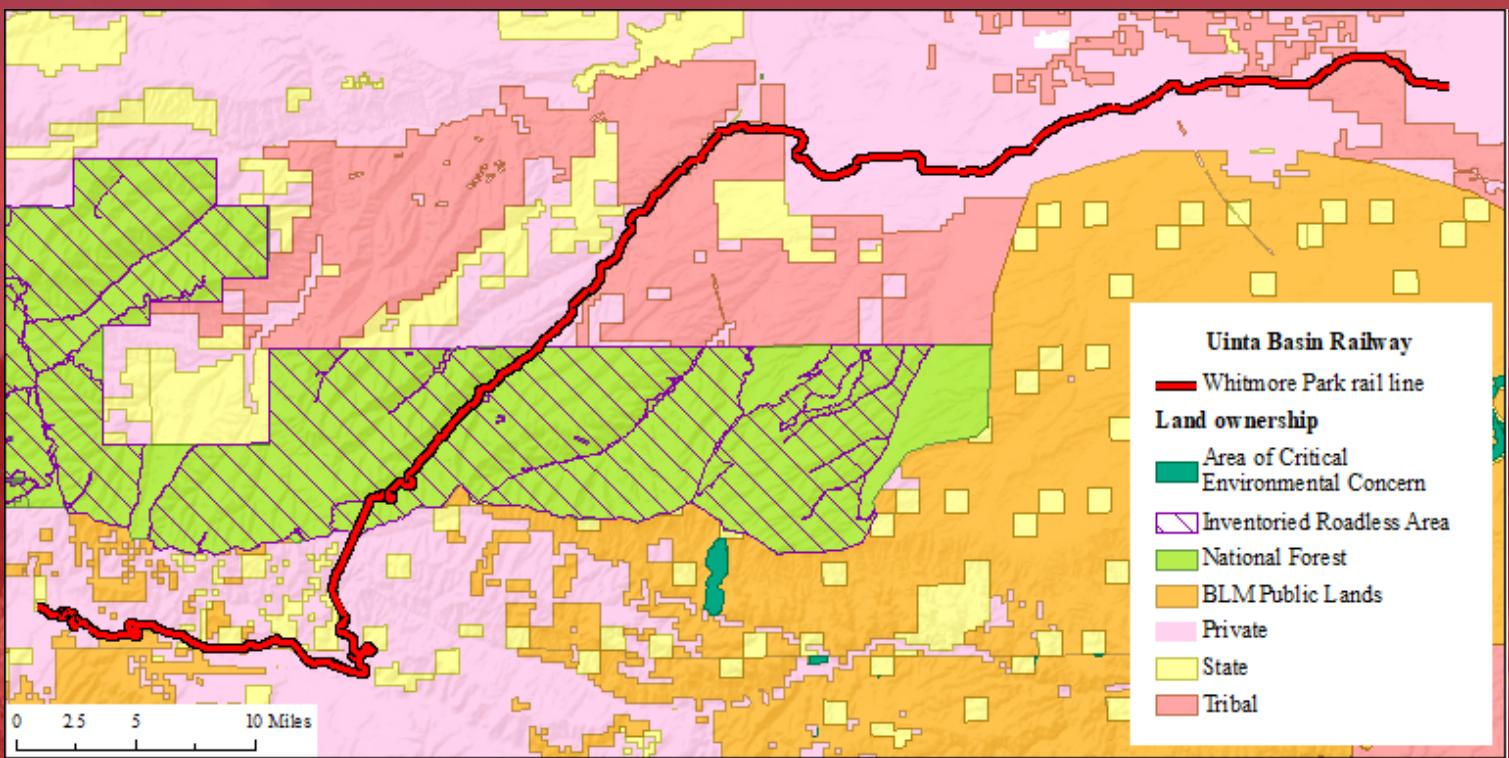
In 2020 Duchesne and Uintah counties identified \$86.6 million in top-tier priorities for submission to the CIB for funds that it needed the next year, including water tanks, sewer lines and fire hydrants. In FY 2020 Duchesne received only \$3.4 million in grant funding and \$4.3 million in loans, and Uintah County received just \$2.8 million in grants and \$1.5 million in loans. Yet from 2019 to 2020 the board funded seven fossil fuel projects totaling more than \$48 million.

Many of the projects waiting for funding are critical to rural Utah communities and the safety of their residents. More than \$62 million of the projects listed by Uintah and Duchesne counties as top priorities were for water-related infrastructure.<sup>5</sup> For example, the Ashley Valley Water and Sewer District has requested \$6 million from the CIB to develop water rights and improve its sewer system, but the district has received only \$2.8 million in grants and loans.



### Fossil Fuel Infrastructure Funding by the CIB, 2009-2020

| Project  | Grant (\$) | Loan (\$)  | Grants + loans total (\$) |
|--|------------|------------|---------------------------|
| Seep Ridge Road<br>(2009-2019)                     | 34,000,000 | 25,500,000 | 59,500,000                |
| Leland Bench Road<br>2019                          | 8,969,000  |            |                           |
| Ouray Bottom Road<br>2019                          | 4,531,000  |            |                           |
| Uintah Basin Railway<br>2019                       | 27,900,00  |            |                           |
| Book Cliffs Transportation Corridor<br>EIS<br>2016 | 500,000    |            |                           |
| San Rafael Energy Research Facility<br>2019        | 2,625,000  |            |                           |
| SCIC Planning Grant<br>2019                        | 3,000,000  |            |                           |
| Duchesne to Carbon Oil Pipeline<br>Plan<br>2017    | 600,000    |            |                           |
| Natural Gas Study<br>2017                          | 45,000     |            |                           |
| Alton Road<br>2020                                 | 1,500,000  |            |                           |
| Total  | 83,670,000 | 25,500,000 | 109,170,000               |



State auditors found many county commissioners, who apply to CIB for these public funds, believe the board ignores county priorities and arbitrarily changes the priorities. In 2021 the legislature responded to the audit by removing the requirement that the CIB spend the public mineral leasing funds to help local communities repair damage from fossil-fuel extraction. Under the [new state law](#) — sponsored by former CIB member Sen. Ron Winterton — the board has few restrictions on how it uses the money, which directly conflicts with federal law and is now being challenged in court. Winterton works for an engineering firm that has so far received millions in public funds from the CIB to plan the Uinta Basin Railway.

## Expanding Fossil Fuel Extraction: Oil Trains and Oil Roads

**Uinta Basin Railway:** In 2018 and 2019 the CIB granted \$27.9 million in public funds to the Uinta Basin Railway project. The board ignored [warnings](#) from the state attorney general's office that the decision was likely to result in a lawsuit because it violated federal law. In August 2020 conservation groups [sued the board](#) to challenge the railway funding. The lawsuit is pending.

The proposed 88-mile railway would increase capacity to transport the basin's waxy crude, worsening the impact of extractive industries in the Uinta Basin — the opposite of what these public funds are intended to do. If the railway is built, up to five 2-mile-long trains hauling 350,000 barrels of crude oil — four times the amount currently trucked to Salt Lake City — could leave the Uinta Basin each day and head to Gulf Coast refineries. These Gulf Coast exports would be on top of the 80,000 barrels of oil trucked daily to Salt Lake City refineries.

According to a federal [environmental analysis](#), more than 400 streams would be destroyed and 10,000 acres of wildlife habitat stripped bare or paved over, including crucial areas that pronghorn and mule deer need to survive. In Emma Park, bulldozers and train traffic would drive imperiled greater sage grouse out of their mating and nesting grounds.

The Seven County Infrastructure Coalition wants to enable construction of this \$1.5 billion railway, which is designed to quadruple oil and gas exports and would extend from Kyune in Carbon County to the Leland Bench in Utah County. So far most of the CIB funding has gone to engineering and legal firms. The state attorney general's office has said there's no evidence that the railway will decrease truck traffic to Salt Lake City, as its oil-industry backers have claimed.

**Seep Ridge Road:** From 2009 to 2019, the CIB provided \$34 million in grants and \$25.5 million in zero- or low-interest loans to construct the 48-mile Seep Ridge Road, which goes from Ouray through Uintah County and dead-ends at the Grand County line.

CIB meeting minutes show the project was primarily described as an economic development project, so the board should have rejected it to comply with federal and state law. The new road was expected to increase oil production by about 100,000 barrels a day and add 300 to 500 trucks a day to the road traffic. Currently there is a plan to further expand this road into Grand County as the Book Cliffs Highway (also known as the Eastern Utah Regional Connection), a project that could cost up to \$400 million more in public funds.

**Book Cliffs Highway:** The SCIC wants to build Book Cliffs Highway as an extension of Seep Ridge Road, to connect trucks hauling fossil fuels to a railroad line, where the crude can be shipped to refineries. The coalition has received \$3.2 million from the Utah Legislature for a federal environmental impact statement.

Discussion at the June 18, 2021, SCIC meeting indicates Utah elected officials intend to use anticipated federal infrastructure funding to construct this new 35-mile highway through eastern Utah's stunning Book Cliffs. The area, bounded by public lands, includes wilderness-quality lands that provide critical wildlife habitat for elk, mule deer, mountain lions, black bears and pronghorn.

A main purpose of this new highway is to increase fossil fuel extraction in the Book Cliffs area and the Uintah Basin.

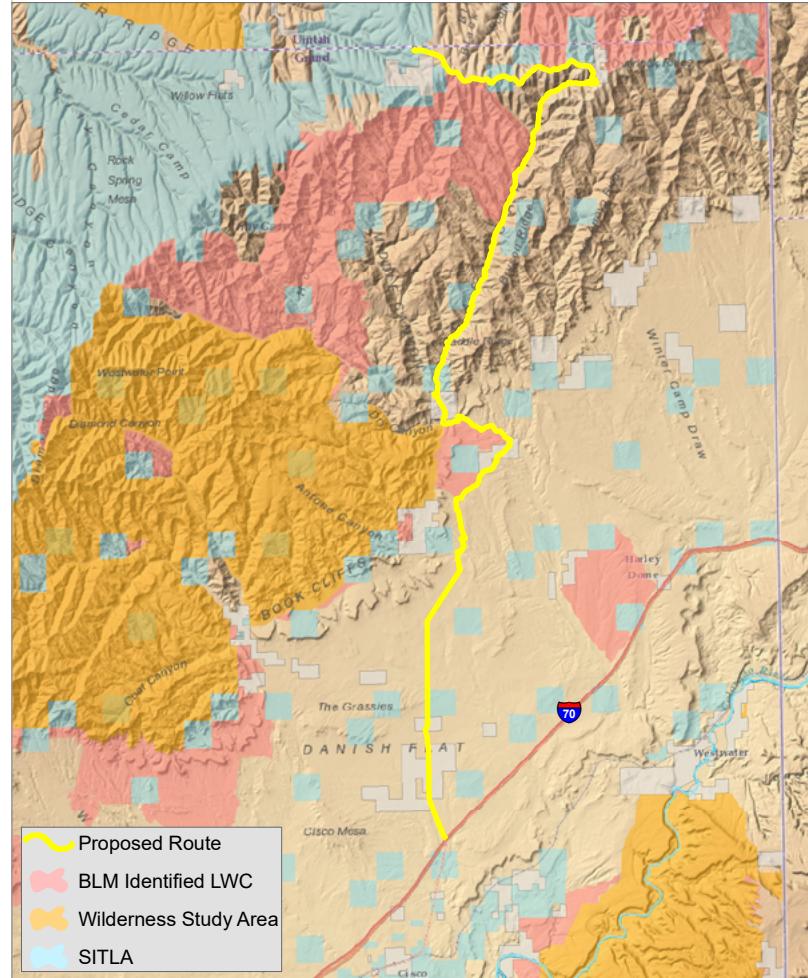
**Alton Coal Road:** In February 2020 the CIB approved a grant for \$1.5 million to reconstruct a road primarily to facilitate coal truck traffic from the [Alton Coal Development mine](#), known as Coal Hollow Mine. Expansion of the coal strip mine onto Bureau of Land Management land was approved during the Trump administration.

A federal judge recently ruled that the U.S. Bureau of Land Management needs to revise its assessment of the climate impacts of the expansion. The mine is just 8 miles from Bryce Canyon National Park.

Residents opposed to the coal mine had expressed concern about what the constant stream of coal trucks would do to the road from the mine, which also goes through the town of Alton. Their concerns were justified as the road needed to be reconstructed twice.

In their application for the funding to reconstruct the road a second time Kane County wrote: "This project is directly tied to help move coal from mining operations on federal leases to markets using coal hauling trucks."<sup>6</sup> Several CIB members asked why the coal company wasn't helping to pay for the road. Kane County officials said the mine was struggling financially and couldn't afford to help.

Proposed Book Cliffs Highway  
Grand County, UT





Bison running along Seep Ridge Road courtesy Utah Tar Sands Resistance

## **Gift to Refinery Developer**

Uintah County's priority list for 2020 CIB funds includes \$39 million worth of projects it adopted on behalf of the SCIC to subsidize the proposed Uintah Advantage refinery, to be developed by the Ogden-based [UAXA](#).<sup>7</sup> This includes a \$9 million grant request for infrastructure to bring water to the refinery and a \$30 million grant to bring a natural gas pipeline to the site to power its operation.

On Feb. 8, 2021, the Uintah County Commission voted to approve the SCIC list, with no public discussion of the projects, including the \$39 million that our investigation discovered is being used to facilitate the refinery development. If the CIB approves using public funding for this project, it will benefit a private oil company and violate the Mineral Leasing Act.

In 2019 the CIB approved \$9 million in public funds for the Leland Bench Road to move heavy truck traffic from fracking fields in the Uinta Basin. That funding came despite warnings from the Utah attorney general's office and rural planners identifying the project as promoting oil and gas extraction in the Uinta basin, in violation of federal law. As the state audit determined, development at Leland Bench was intended to facilitate refinery and rail yard development. CIB meeting minutes indicate that the applicant "anticipated that the road would create jobs and benefit the oil and gas industry." The road, pipeline and water infrastructure at Leland Bench are intended to facilitate refinery and rail yard development.

## **Policy Recommendations**

For far too long the Permanent Community Impact Fund Board has illegally doled out public funds to facilitate fossil fuel extraction in Utah. Rural Utah communities with crumbling infrastructures have paid the highest price, but all Utahns are harmed as our elected and appointed officials approve destructive projects that worsen the climate crisis.

Federal law is clear and funding for these destructive projects needs to end. The Utah Legislature should:

- Amend Utah law to ban the use of CIB public funds for projects that are intended to increase or enable fossil fuel extraction;
- Monitor adoption of the 2020 auditor general's recommendations, including ensuring that CIB grants and loans fully comply with the Mineral Leasing Act that priority projects for communities are funded and that fossil fuel projects are not;
- Immediately liquidate the \$53 million fund earmarked for the now-banned Oakland export terminal and ensure the money is used to finance unfunded and desperately needed community projects.

Utah legislators have the authority and the responsibility to stop this lawlessness and ensure that public funds are used to repair the damage done by the fossil fuel industry.

## ENDNOTES

<sup>1</sup> [Office of the Utah Legislature Auditor General, A Performance Audit of the Permanent Community Impact Fund, \(May 2020\).](#)

<sup>2</sup> \$1.5 million for the Alton Road reconstruction and \$750,000 to the Seven County Infrastructure Coalition.

<sup>3</sup> [Uintah County Commission Minutes, February 8, 2021](#)

<sup>4</sup> Governor's Water Strategy Advisory Team, "Recommended State Water Strategy", July 2017, p. 62.

<sup>5</sup> [Uintah County "Permanent Community Impact Fund Board 2020 Consolidated Local Capital Improvement List 1 Year" and Duchesne County "Permanent Community Impact Fund Board 2020 Consolidated Local Capital Improvement List 1 Year"](#)

<sup>6</sup> [Five County Association of Governments, Permanent Community Impact Fund Board Application, Alton Road Reconstruction, p.5](#)

<sup>7</sup> [Uintah County "Permanent Community Impact Fund Board 2020 Consolidated Local Capital Improvement List 1 Year"](#)