

FOREST DEVELOPMENT FUND

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House Bill 5333 (H-1) as referred to second committee

Sponsor: Rep. Gregory Markkanen

1st Committee: Natural Resources and Outdoor Recreation

2nd Committee: Ways and Means

Complete to 2-24-20

Analysis available at
<http://www.legislature.mi.gov>

BRIEF SUMMARY: House Bill 5333 would amend Part 505 (Michigan Forest Finance Authority) of the Natural Resources and Environmental Protection Act (NREPA) to revise allowed uses of the money in the Forest Development Fund, including prohibiting use of money in the fund for payments in lieu of taxes under section 2154 of NREPA.

FISCAL IMPACT: House Bill 5333 is unlikely to directly affect costs or revenues for state or local governments. (See **Fiscal Information**, below, for more information.)

THE APPARENT PROBLEM:

Michigan's forests are essential to Michiganders. They provide not only clean air and water for survival, wildlife habitats for hunting and fishing, and spaces for recreation, but also wood products for houses, paper, and furniture. According to its website, the Department of Natural Resources (DNR) cares for Michigan's forests by helping new trees grow; improving wildlife habitat; protecting the forest from wildfires, forest pests, and diseases; and ensuring that Michigan's forests are around for future generations to enjoy.¹ The DNR accomplishes these things through the use of certain funds, including the Forest Development Fund. Legislation has been proposed to restrict the practices and payments that the fund can support, so that money in the fund can be dedicated more exclusively to supporting Michigan's forests.

THE CONTENT OF THE BILL:

Currently under NREPA, money in the Forest Development Fund, created by the Michigan Forest Finance Authority, can be used only for one or more of the following:

- To provide for the payment of principal of and interest on any bonds or notes issued by the authority.
- *For reforestation, forest protection, and timber stand improvement.*
- To obtain and maintain certification of sustainable forestry standards in the state forest.
- For the administration and enforcement of Part 535 (Registered Foresters) of NREPA.
- *For any other purpose authorized by Part 505.*

The bill would amend the above stipulations by replacing the two italicized terms. *For reforestation, forest protection, and timber stand improvement* would be replaced with *For forest management operations and practices*, and *For any other purpose authorized by Part 505* would be replaced with *For the administration of the fund*.

¹ https://www.michigan.gov/dnr/0,4570,7-350-79136_79237_80916---,00.html.

Forest management operations and practices would be defined as activities related to the harvesting, reforestation, and other forest management, including road access for silviculture activity and forest thinning, pest control, disease control, fertilization, forest protection, and wildlife management, that are consistent with principles of sustainable forestry.

The bill would also prohibit use of money in the fund for payments in lieu of taxes under section 2154 of NREPA.

MCL 324.50501 et seq.

FISCAL INFORMATION:

House Bill 5333 is unlikely to directly affect costs or revenues for state or local governments. However, the bill would amend the allowable uses of the Forest Development Fund by restricting the fund from being used for payments in lieu of taxes. The Department of Natural Resources FY 2019-20 budget includes \$47.2 million in spending authority from the fund in the following appropriations:

Unclassified salaries	\$138,700
Accounting service center	250,400
Executive direction	242,200
Finance & operations	1,885,200
Legal services	45,400
Natural Resources Commission	6,700
Property management	358,600
Marketing & outreach	136,000
Wildlife management	277,600
Law enforcement	45,400
Adopt-a-forest program	25,000
Cooperative resource programs	491,300
Forest fire equipment	481,500
Forest management & timber market development	30,494,100
Forest management initiatives	876,000
Wildfire protection	5,643,700
Information technology	1,644,100
Forest development infrastructure	4,150,000
TOTAL	\$47,191,900

ARGUMENTS:

For:

Supporters of the bill argue that, to properly manage forests, revenue from forestlands should stay with the forestlands and be used to protect the forestlands. Money from the Forest Development Fund can now be spent in a variety of ways. The bill would ensure that revenue in the fund could only be used for specified purposes largely pertaining to Michigan’s forests.

Against:

No arguments against the bill were presented in committee testimony.

POSITIONS:

Representatives of the following organizations testified in support of the bill (2-4-20):

- Michigan Forest Products Council
- Michigan Association of Timbermen

The following entities indicated support for the bill:

- Department of Natural Resources (2-11-20)
- Great Lakes Timber Professionals Association (2-4-20)
- Lake States Lumber Association (2-4-20)
- Michigan Biomass (2-11-20)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.