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BILL ANALYSIS

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House Bill 5313 (Substitute S-1)
Sponsor: Representative Mike Pumford
House Committee: Conservation and Outdoor Recreation
Senate Committee: Appropriations

Date Completed: 9-8-04

CONTENT

The bill would amend the Natural Resources and Environmental Protection Act to allow municipalities and other public agencies to sell forestry land previously conveyed from the Department of Natural Resources (DNR) with a clause that the land will revert to the DNR when it is no longer used for forestry purposes.

Under Section 52706 of the Act, the DNR may convey land to a municipality at no cost exclusively for forestry purposes. (A municipality is defined as a county, township, city, village, or school district.) The municipality, usually through a forest commission, may use proceeds from forestry activities to augment its general fund. When the land is no longer used for forestry purposes, it reverts to the DNR. This program was begun in 1931 to promote forestry. There are currently 75,300 acres subject to this statute, of which 72% are in the Upper Peninsula and 15% are in the northern region of the Lower Peninsula. Most of this land was conveyed to school districts.

The bill would refer to a "public agency" instead of a municipality. The bill specifies that the DNR would not retain a reversionary interest in municipal forestland conveyed to a public agency before the bill's effective date. (This would allow the public agency to sell the forestland without the land reverting to the DNR.) The DNR would have to relinquish its reversionary interest in the land within three years of the bill's effective date or within 90 days of a written request to do so, whichever was sooner. This change would not apply to prime land or land conveyed under this section after the bill's effective date. In these circumstances, the DNR would retain a reversionary interest in the municipal forestland.

Under the bill, the public agency could sell or convey the forestland for at least its fair market value. If the land were conveyed to another public agency, the proceeds would be retained by the entity conveying the land. If the land were conveyed to any other entity, 50% of the proceeds from the sale would be retained by the public agency and 50% distributed to the State. The bill would direct the initial \$18.0 million of revenue to the State to the General Fund. Additional revenue would be deposited into the Fire Protection Fund.

The land could not be conveyed to a third person unless a public hearing were held regarding the transaction. A notice of the public hearing would have to be published in a newspaper of general circulation in the area at least twice between seven and 28 days before the hearing. The notice would include the location of the municipal forestland, describe its current use, and identify the person to whom the land was proposed to be sold, if known. The public agency also could be subject to other public notice and hearing requirements, as provided by law.

If the municipal forestland addressed under this section were conveyed, the public agency would be required to notify the DNR within 60 days of the conveyance in a form prescribed by the DNR. If the municipal forestland were conveyed back to the DNR, then payments in lieu of taxes would be assessed at the rate that would apply if the land had never been conveyed to the public agency. (If the DNR had acquired the land before January 1, 1933, the DNR would pay \$2 per acre for the newly conveyed forestland. If the land had been initially acquired on or after January 1, 1933, the DNR would be obligated to make an ad valorem payment based on the current taxable value of the land and the mills assessed by the applicable jurisdictions.)

The bill would add the following definitions to the section:

- "Municipal forestland" – homestead, tax, swamp, or primary school land sold to a public agency under this section solely for forestry purposes.
- "Prime land" – land that either is within a boundary of a program administered by the DNR or provides access to a public body of water.
- "Public agency" – a school district, public educational institution, governmental unit of this State or agency of this State, or a municipality.

MCL 324.52706

FISCAL IMPACT

At this time, the DNR has conveyed approximately 75,272 acres to municipalities under this section. Of this amount, 171.5 acres have been reacquired by the DNR through the reversion provision of this statute. The exemption of prime land from sale eligibility would affect 17,000 acres. While the fair market value of the parcels would vary widely, the average price per acre would be about \$800. Some of the land would never be sold or conveyed from the public agency currently holding it, such as 27,000 acres in Gogebic County that are actively managed forestland. Removing the prime land and Gogebic acres leaves approximately 31,000 acres that likely would be sold under the bill. The Target Agreement assumes that the State would receive at least \$18.0 million, meaning that at least \$36.0 million of total revenue would result from sale of the forestland, since the State would receive 50% of the total revenue and municipalities receive the other 50%. This revenue depends on an average, minimum sale price of \$1,161 per acre. This would be one-time revenue for the public agencies and the State. It would be received when a public agency sold the forestland.

Public Act 165 of 2003 created the Fire Protection Fund and designated up to \$8.5 million from driver responsibility fees to the Fund; however, it has received no fee revenue since it was created. The Fund also receives approximately \$3.7 million from the liquor tax. The Fire Protection Fund was created solely to support fire protection grants to cities, villages, and townships that provide fire protection services to State-owned buildings, such as prisons, universities, power plants, the Capitol complex, office buildings in Detroit, and Family Independence Agency facilities. The grants are made to compensate the local units of government for fire protection expenses since no property taxes are paid for these buildings. In FY 2003-04, \$15,432,400 was required to fully fund the grants, although the grants were prorated and total distributions were \$3,710,500. The amount required will increase as the State equalized valuation (SEV) of the State-owned buildings increases and the State acquires new buildings.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.