

## FOREST DEVELOPMENT FUND – PURPOSE EXPANSION

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5631 as introduced**  
**Sponsor: Rep. Al Pscholka**  
**Committee: Appropriations**

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

**Complete to 5-16-16**

### SUMMARY:

House Bill 5631 would amend Part 505 (Michigan Forest Finance Authority) of 1994 PA 451 (Natural Resources and Environmental Protection Act). This part creates the forest development fund and defines the purposes for which money may be expended from the fund. This bill would expand these purposes by allowing forest development funds to be expended as “specifically authorized by law.”

### Background

The forest development fund was established to receive revenue from the sale of bonds and timber products harvested from state lands. The fund has been used by the Department of Natural Resources (DNR) primarily to support forestry programs. Presently there are four purposes outlined in statute for expenditures from the fund:

- (a) To provide for the payment of principal of and interest on any bonds or notes issued by the authority.
- (b) For reforestation, forest protection, and timber stand improvement.
- (c) To obtain and maintain certification of sustainable forestry standards in the state forest under MCL 324.52505.
- (d) For any other purposes authorized by this part.

House bill 5631 would amend (d) as follows:

- (d) For any other purposes authorized by this part *or specifically authorized by law.*

### FISCAL IMPACT:

House Bill 5631 would have an indeterminate fiscal impact on the state and would have no fiscal impact on local units of government.

The bill could decrease revenues available to support existing allowable uses by diverting revenues to new allowable uses. Whether this expansion of purpose leads to a decrease in available revenue in the fund is dependent upon the passage of additional laws requiring the use of forest development funds. House bill 5294 (omnibus appropriations for FY 2016-17) includes an appropriation for first responder presumed coverage in the

Department of Licensing and Regulatory Affairs’ budget that would be funded using \$3.0 million in forest development funds.

The table below details forest development fund annual revenues, annual appropriations, and year-end carryforward fund balances for the five most recent fiscal years. Appropriations from the fund for FY 2015-16 and proposed appropriations for FY 2016-17 as proposed in the House-passed omnibus budget (HB 5294) are also included. Revenue, difference, and year-end fund balance for FY 2015-16 and FY 2016-17 are projections based on the maintenance of the current revenue level.

<b>Fiscal Year</b>	<b>Revenue</b>	<b>Appropriation</b>	<b>Difference</b>	<b>Year-end Fund Balance</b>
2010-11	\$31,994,459	\$32,957,000	(\$962,541)	<b>\$7,448,100</b>
2011-12	\$29,210,789	\$34,829,300	(\$5,618,511)	<b>\$4,010,000</b>
2012-13	\$33,655,975	\$36,205,200	(\$2,549,225)	<b>\$2,328,300</b>
2013-14	\$40,424,372	\$31,020,000	\$9,404,372	<b>\$8,501,500</b>
2014-15	\$45,061,721	\$36,289,400	\$8,772,321	<b>\$15,997,000</b>
2015-16	\$45,061,721	\$43,416,400	\$1,645,321	<b>\$17,642,321</b>
2016-17	\$45,061,721	\$47,288,400	(\$2,226,679)	<b>\$13,770,321</b>

Annual revenue has increased in the past two fiscal years due to an increase in the state’s timber supply and an increase in stumpage prices. Appropriations from the fund and the year-end carryforward fund balance have also increased over the same period.

Fiscal Analyst: Austin Scott

---

■ 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.