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NATL. RESOURCES TRUST FUND

AS ENROLLED

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House Bill 4792 as introduced
First Analysis (5-26-93)

Sponsor: Rep. Bill Bobier
Committee: Conservation, Environment
and Great Lakes Affairs

THE APPARENT PROBLEM:

In the November 1984 general election, the people of the state approved Ballot Proposal B, formerly House Joint Resolution M, which became article IX, section 35, of the state constitution. The amendment's primary purpose was to establish the Michigan Natural Resources Trust Fund, essentially as a successor to the trust established by the Heritage Trust Act of 1982 and to the Kammer State Recreational Land Acquisition Trust, established in 1976 to provide a permanent source of money for land acquisition and for the development of public recreation facilities. Under the amendment, revenues that would otherwise be dedicated to the Natural Resources Trust Fund are distributed to the Michigan Economic Development Authority (MEDA) in specified amounts. The amendment's secondary purpose was to protect the rights of MEDA bondholders who, in 1982, purchased bonds secured, ultimately, by money the Economic Development Authority derives, through the Natural Resources Trust Fund, from oil, gas, and mineral leases on state land, and from royalties earned under those leases. (Note: Under Public Act 270 of 1984 the Michigan Strategic Fund became MEDA's successor). The Economic Development Fund established from the bond proceeds contains five accounts: the debt service account, the debt service reserve account, the administrative account, the loan account (containing the revolving funds for economic development projects financed by MEDA), and the surplus account. Payments (\$10 million annually in fiscal years 1981-82 through 1983-84; \$15 million annually for fiscal years 1984-85 through 1986-87; and \$20 million annually thereafter) are deposited in the Economic Development Fund from a surplus account within the Natural Resources Trust Fund which serves as security for the bond issues. The interest rate on the bonds is 11-1/2 percent, while current interest rates are at a 20 year low. It has been proposed that the fund be permitted to refund, or "refinance" these bonds by paying off the old

bonds and issuing new ones. Legislation is needed to assure that distributions from the Natural Resources Trust Fund do not lapse during the period of time it takes to refund the 1982 economic development bonds.

THE CONTENT OF THE BILL:

The Michigan Natural Resources Trust Fund Act provides that payments of \$20 million be made from the fund to repay bonds issued by the Michigan Economic Development Authority (MEDA) until the debt service on MEDA's bonds, series 1982A, dated December 1, 1982, are completely paid. House Bill 4792 would amend the act to add that "economic development revenue bonds (oil and gas revenues), Series 1982A, dated December 1, 1982" also include bonds that refunded those bonds, provided that any of the refunding bonds matured by September 1, 1994.

MCL 318.502

FISCAL IMPLICATIONS:

According to an analysis prepared by Kemper Securities, Inc. for the Michigan Economic Development Authority on refunding bond issues, if bonds bearing interest at 11.5 percent were refunded with bonds bearing interest at four percent or less, the state would save approximately \$400,000 annually in interest costs, less refinancing costs. (5-26-93)

ARGUMENTS:

For:

Currently, the interest on the state's Series 1982A economic development revenue bonds from oil and gas revenues, dated December 1, 1982, is 11-1/2 percent. Allowing the state to refund the bonds at current, lower, interest rates, could result in savings

House Bill 4792 (5-26-93)

of approximately \$400,000 per year. The bill would allow the state to refund its economic development revenue bonds without incurring the risk of having revenues from the Economic Development Fund lapse during the refinancing process.

POSITIONS:

The Department of Commerce has no position on the bill. (5-25-93)

The Michigan United Conservation Clubs is neutral on the bill. (5-26-93)