



**House
Legislative
Analysis
Section**

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OIL AND GAS STORAGE

House Bill 5744 as introduced
First Analysis (5-1-96)

Sponsor: Rep. James M. Middaugh
Committee: Conservation, Environment,
and Great Lakes

THE APPARENT PROBLEM:

The Natural Resources and Environmental Protection Act (NREPA) permits the Department of Natural Resources to enter into contracts to allow drilling operations on state-owned land for oil, gas, coal, and other mineral products. This contract power includes the authorization to enter into contracts for the storage of gas or other mineral products on state-owned land, provided that the consent of the state agency with jurisdiction and control of the land is obtained, and the state administrative board approves the contract. However, it was recently discovered that the act (which was newly codified in 1994) directs money received from a contract for storage into the Michigan Natural Resources Trust Fund, even though the previous language of this provision (which was contained in Public Act 17 of 1921) required such money to be deposited into the general fund and used to defray costs for administering the act. Legislation has been requested to correct this problem.

THE CONTENT OF THE BILL:

The bill would amend the Natural Resources and Environmental Protection Act to require money received from a contract entered into by the DNR for storing gas or mineral products on state-owned land, which the act currently requires to be deposited into the Natural Resources Trust Fund, to be deposited instead into the general fund and used to defray the costs of administering the act's provisions and for other purposes allowed by law.

MCL 324.502

FISCAL IMPLICATIONS:

The Department of Natural Resources says the bill, by directing revenues from contracts for storing gas and minerals on state land into the general fund rather than into the Natural Resources Trust Fund, would increase the amount of money the department has to administer the act's provisions. The amount of revenue generated varies annually depending on the number of gas and

mineral storage contracts entered into; for 1994, the state earned \$45,000 on such contracts. (4-30-96)

ARGUMENTS:

For:

The bill would correct a change inadvertently made to this provision when the NREPA was created in 1994 to incorporate the many acts governing environmental and natural resources acts into one comprehensive act. One of the former acts, Public Act 17 of 1921, required money earned from contracts entered into by the state for storing gas and other minerals on state land to be deposited into the general fund for use in administering the act. Amendatory language adopted (apparently inadvertently) by the 1994 recodification, however, requires this money to be deposited into the Natural Resources Trust Fund.

POSITIONS:

The Department of Natural Resources supports the bill. (4-30-96)

House Bill 5744 (5-1-96)

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