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REFUND LAND APPLICATION FEE

House Bill 5066 as enrolled
Public Act 28 of 1998
Second Analysis (6-26-98)

Sponsor: Rep. Allen Lowe
House Committee: Conservation,
Environment and Recreation
Senate Committee: Natural Resources
And Environmental Affairs

THE APPARENT PROBLEM:

The Department of Natural Resources (DNR) often sells state-owned lands if, as specified under the Natural Resources and Environmental Protection Act (NREPA), "it is in the state's best interest to do so." In many cases, the sales are transacted on property that has reverted to the state because of unpaid taxes. If the property is such that only one person is interested in the sale (for example, if the state-owned land is surrounded by a person's private property), and the sale has been requested by that person, then the department sells the land directly to the property owner. However, if more than one person is interested in buying the property (for example, the property in question may be a subdivision lot, and neighboring lot-owners might want to purchase it), then the department sells the land at public auction or accepts bids on it. When the land is offered for sale, a bidder must submit an application fee of \$300 for a sale that involves land of 320 acres or less, or \$500 for land that encompasses more than 320 acres. The department has recently adopted a policy of returning application fees to unsuccessful bidders. In fact, this policy was stipulated in the department's 1997-98 fiscal year appropriations bill. However, some feel that the policy should be established in statute.

THE CONTENT OF THE BILL:

Under Part 21 of the Natural Resources and Environmental Protection Act (NREPA), the state may sell state-owned lands or exchange them for lands of equal area or approximately equal value that belong to the United States or to private individuals, if it is in the state's best interest to do so. The lands must be those that the state has title to, or must be a part or portion of state lands. House Bill 5066 would amend the act to specify that, if the department charged an application fee for a proposed exchange of lands and the land was sold to another party within three years after the

completed application had been received, then the Department of Natural Resources (DNR) would have to refund the fee in full, provided that it had been given the applicant's current address.

MCL 324.2104

FISCAL IMPLICATIONS:

The Department of Natural Resources (DNR) estimates that the bill would result in increased administrative costs. For example, the bill would require that the department refund an application fee for land that had been sold to another party within three years after the application submitted. This provision would require that the department maintain a separate data-base from that currently used, one that would allow the department to track the three-year period. (10-29-97)

ARGUMENTS:

For:

Currently, when the Department of Natural Resources (DNR) accepts bids on sales of state-owned land, it requires that an application fee be submitted by a prospective purchaser. The fee is quite substantial: \$300 if the land involved is less than 320 acres; and \$500 for land that is more than 320 acres. The DNR has recently adopted a policy that allows these fees to be refunded to unsuccessful bidders. A refund policy was also specified in the department's 1997-98 fiscal year appropriations bill. However, the requirement in the appropriations bill will expire at the end of the current fiscal year, and some people maintain that, since departmental policy could also change in the future, legislation is needed to establish this policy in statute.

Against:

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The provisions of the bill are unnecessary, since DNR policy already requires that application fees be returned to persons whose bids on state-owned lands are unsuccessful. Further, the bill would result in increased costs to the department at a time when state policy is focused on streamlining state government, rather than adding to burdensome requirements. In addition, as pointed out by the department, no provision is included in the bill to address situations where bidders on state land change their minds after submitting application fees. Would these bidders also be entitled to a refund?

Analyst: R. Young

■ 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.