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SFA BILL ANALYSIS

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Senate Bill 135 (as reported with amendment)
Senate Bill 136 (as reported with amendment)
Senate Bill 137 (as reported with amendment)
Sponsor: Senator Walter H. North
Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

The bills would amend Public Act 48 of 1929, which provides for an oil and gas severance tax. Senate Bill 135 would require that beginning October 1, 2000, 25% of the revenue received during each fiscal year be returned to counties, cities, villages, and townships from which the oil or gas was removed. Senate Bill 136 would require that the revenue be used by a county, city, village, or township only for road improvements, public environmental projects, and reclamation of contaminated or damaged land. Senate Bill 137 would require that the revenue be disbursed as follows: 50% to the county from which the oil or gas had been removed, and 50% to the city, village, or township from which the oil or gas had been removed. Senate Bills 136 and 137 are tie-barred to Senate Bill 135.

MCL 205. 314 (S.B. 135) Legislative Analyst: L. Arasim
Proposed MCL 205.314b (S.B. 136)
Proposed MCL 205.314a (S.B. 137)

FISCAL IMPACT

The fiscal impact of these bills on the State and local units of government would be three-fold. First, the amount of money available to the State General Fund would be reduced. Under current law, not less than $1.0 million of severance tax collections are credited to the Orphan Well Fund, with the balance going to the General Fund. That distribution would remain unchanged. However, if Senate Bill 135 were approved, only $18,375,000 of the estimated $25.5 million FY 1999-2000 collection would flow to the General Fund. The balance, $6,125,000, would be directed to local units for the purposes outlined in Senate Bill 136.

Second, these bills would increase revenues for local units of government to use on specific projects. Again based on estimated FY 1999-2000 collections, Senate Bill 137 would provide $3,062,500 for the counties and $3,062,500 for the cities, villages, or townships from which the oil or gas had been removed. Oil and gas production in Michigan is concentrated in the northern Lower Peninsula. However, there is currently no way to determine how severance tax collections would be distributed under these proposals.

Third, there would be costs to the Department of Treasury to track oil and gas severance tax payments based on the local unit of government from which the commodity was removed. No such system exists today. For example, the State would have to distinguish severance tax payments from single producers with well-heads in different jurisdictions. The costs to develop and maintain this type of system cannot be determined.

Date Completed: 11-15-99 Fiscal Analyst: P. Alderfer