Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 796 (as reported without amendment)
Sponsor: Senator George A. McManus Jr.
Committee: Appropriations

CONTENT

The bill would amend the Natural Resources and Environmental Protection Act to increase the cap on the Michigan Natural Resources Trust Fund; to allow a change in the investment of the Fund; and to require a report.

Under the Act, when the accumulated principal of the MNRTF reaches $400 million, all revenue from rentals, bonuses, and royalties from oil and gas leases on State-owned land, must be diverted to the Michigan State Parks Endowment Fund (MSPEF). The bill would increase that level to $500 million. The Act also provides that, until the accumulated principal of the MNRTF reaches the designated level, $10 million or 50% of the total revenues from rentals, royalties, and bonuses, whichever is less, must be deposited to the MSPEF. Until the accumulated principal of the MNRTF reaches $200 million, up to one third of the revenue from rentals, bonuses, and royalties, in addition to the interest and earnings of the MNRTF, is available for expenditure each year. The bill would increase that figure to $500 million, thus allowing the annual expenditure of one third of the revenue, plus interest and earnings, until the principal reached $500 million.

The bill would authorize the State Treasurer to invest the MNRTF in the same manner as the State Employees' Retirement Fund (SERF) is invested. Currently, the assets of the MNRTF may not be invested in stocks. (Up to 70% of the assets of the SERF may be invested in stocks within certain limitations.) The bill would require the State Treasurer to report annually to the legislative Appropriations and natural resources and environment committees on the revenues and expenditures of the MNRTF, and describe specifically the impact of the expanded investment options on the revenues and expenditures of the MNRTF.

The bill is tie-barred to Senate Joint Resolution T, which would make corresponding amendments to the State Constitution.

MCL 324.1902

FISCAL IMPACT

If the MNRTF were invested in the same manner as the SERF is invested, and if it is assumed that the earnings rate of the SERF is similar to the earnings rate of the last 15 years, then the MNRTF would earn approximately 6.5% more per year than currently earned. In FY 2000-01, if the MNRTF earned at the annual average rate of the SERF, then the earnings of the Fund would be approximately $15 million more than under current investment restrictions.

The bill also would affect the allowable level of spending from the MNRTF. If the accumulated balance of the MNRTF exceeded $200 million in FY 1999-2000, spending would have been limited to the interest and earnings of the Fund, approximately $14 million. If the level of the accumulated principal below which one third of the revenue to the Fund might be spent had been increased to $500 million, allowable spending in FY 1999-2000 would have been approximately $27 million.

Date Completed: 11-2-01 Fiscal Analyst: P. Graham