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**SFA****BILL ANALYSIS**

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Senate Bill 105 (as introduced 1-29-03)  
Sponsor: Senator Alan Sanborn  
Committee: Agriculture, Forestry and Tourism

Date Completed: 3-5-03

### **CONTENT**

**The bill would amend Public Act 182 of 1990, which requires counties to redistribute money they receive from the Federal government for National Forest System land, to do all of the following:**

- **Allow counties to elect to receive Federal payments in either the full payment amount or (as currently provided) the 25% payment amount.**
- **Require counties to give notice of their election to the Director of the Department of Natural Resources (DNR) and the U.S. Secretary of Agriculture.**
- **Require a county receiving a full payment amount of \$100,000 or more to set aside 15% to 20% for projects provided for in the Federal Secure Rural Schools and Self-Determination Act or return the money to the U.S. Treasury.**
- **Allow a county to refuse to accept a payment.**

### **DNR Distribution**

Public Act 182 provides that money received from the Federal government for land in the National Forest System must be distributed to the counties containing the land in the same proportion as the national forest acreage in each county is to the total national forest acreage in the State. The bill, instead, would require the DNR to distribute money received under the "county payment program" to county treasurers in accordance with annual amounts provided by the U.S. Department of Agriculture, Forest Service, under the county payment program. ("County payment program" would mean the program authorized under Chapter 192, 35 Stat. 260, including the Secure Rural Schools and Community Self-Determination Act of 2000. Chapter 192 is described below in **BACKGROUND.**)

### **Payment Election**

Under the bill, by September 30 each year, the county board of commissioners of a county that was eligible to receive a payment under the county payment program would have to give the DNR Director and the U.S. Secretary of Agriculture written notification of the county's election to receive either the full payment amount or the 25% payment amount. (Those payment amounts are explained in **BACKGROUND.**)

The county's election would be subject to all of the following:

- An election to receive the full payment amount would have to remain in effect through fiscal year 2005-06.
- An election to receive the 25% payment amount would have to remain in effect for two fiscal years.
- If the county board of commissioners failed to notify the U.S. Secretary of Agriculture, the county would be considered to have elected to receive the 25% payment amount.

Also, if a county board of commissioners elected to receive the full payment amount, the written notification would have to include the total amount of the payment that would be set aside for each of the uses described below (for 15% to 20% of the payment). The board of commissioners would have to give a copy of the notification to the U.S. Secretary of Agriculture.

If a county board of commissioners that elected to receive the full payment amount failed to notify the U.S. Secretary of Agriculture by September 30 of any year, the county treasurer would have to return 15% of the payment received for that fiscal year to the general Treasury of the United States, and use the remaining funds for the purposes set forth in Public Act 182 (for a county receiving the 25% payment amount).

As required under the Secure Rural Schools and Community Self-Determination Act, the Governor would have to provide written notification to the U.S. Secretary of Agriculture of the election made by each eligible county.

#### Distribution of Payment

25% Payment. Currently, a county treasurer must distribute the 25% payment amount in a ratio of 75% to local school districts for school purposes and 25% to townships for the improvement of county roads within those townships. The money must be apportioned among the local school districts and townships in the same proportion as the national forest acreage in each district or township is to the total such acreage in the county. Under the bill, these requirements would apply to a county that elected to receive the 25% payment amount.

Full Payment. If a county board of commissioners elected to receive the full payment amount, the county treasurer would have to redistribute at least 80% but not more than 85% of the funds as provided for a county electing the 25% payment amount. The treasurer would have to do one or more of the following with the remaining 15% to 20% of the funds:

- Reserve the balance for special projects on Federal lands (forest restoration, maintenance, or stewardship projects) as provided for in Title II of the Secure Rural Schools and Community Self-Determination Act.
- Reserve the balance for county projects as provided for in Title III of the Secure Rural Schools and Community Self-Determination Act.
- Return the balance to the U.S. Treasury.

If a county board of commissioners elected to receive the full payment amount, for any fiscal year in which the payment to the county was less than \$100,000, the board of commissioners could elect to distribute the funds as provided for a county electing the 25% payment amount.

Upon expiration of the election provisions of the Secure Rural Schools and Community Self-Determination Act, a county treasurer who received payment under the county payment program would have to redistribute all of the money as provided for a county electing the 25% payment amount.

#### Payment Refusal

The board of commissioners of a county that was eligible to receive a payment under the county payment program could refuse to accept the payment by returning it to the U.S. Treasury.

#### Provision of Information

At the DNR's request, a county treasurer would have to give the Department information related to the distribution of funds under the Act as necessary for the DNR to meet its obligations under

Federal law.

MCL 141.1301 & 141.1303

## **BACKGROUND**

The National Forest System, which is managed by the U.S. Forest Service, was established in 1907 and presently includes an estimated 192 million acres of Federal land. Over the years, the U.S. Congress has provided for compensation to counties for the services they provide to county residents and visitors to this Federal land, by requiring the U.S. government to share with these counties a portion of the revenues (mainly from timber and mineral sales) it receives from the Federal land.

Chapter 192, 35 Stat. 260, enacted on May 23, 1908, requires the Federal government to share 25% of National Forest System revenues with counties where the national forest is situated, "to be expended as the State...legislature may prescribe for the benefit of the public schools and public roads of the county or counties in which such national forest is situated". For several decades, due to the growth of the Federal timber sales program, counties supporting National Forest System land received increasing shares of this revenue to provide funding for schools and road maintenance. In recent years, however, Federal timber sales have declined, which has decreased the revenue shared with the affected counties.

In 2000, Congress enacted the Secure Rural Schools and Community Self-Determination Act to stabilize education and road maintenance funding through predictable payments to the affected counties; provide additional investments in projects to improve the forest ecosystem; and improve cooperative relationships with communities and local agencies. Under the Act, eligible counties have the option of continuing to receive their share of their state's payment from 25% of the National Forest System revenue (the 25% payment amount); or electing to receive their share of the average of the three highest 25% payments to the state during the period of fiscal year 1985-86 through fiscal year 1998-99 (the full payment amount).

Counties that elect to receive their full payment amount must use 80% to 85% as required for the 25% payment amount (roads and schools), and reserve the balance for forest restoration, maintenance, or stewardship projects under Title II of the Act, county projects under Title III, or both, or return the balance to the U.S. Treasury. Counties whose full payment amount is less than \$100,000 may choose to use all of the funds as required for the 25% payment amount.

Under Title III, county funds may be used for search, rescue, and emergency services performed on Federal land (land within the National Forest System); salaries and benefits of county employees who supervise individuals performing mandatory community service on Federal land; the purchase of easements; forest-related after-school programs; efforts to educate homeowners in fire-sensitive ecosystems; planning efforts to reduce the impact of development on adjacent Federal land; and cost-share requirements of the Cooperative Forestry Assistance Act.

Legislative Analyst: Suzanne Lowe

## **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government since it would amend State statute to reflect existing Department practices and Federal law.

A portion of the revenue received by the Federal government for resources from the Federal forest lands in Michigan counties is transferred back to the counties and used to support schools

and improvements to local roads. In FY 2001-02, approximately \$3 million was passed from the Federal government through the State to the 30 eligible counties. Of the amount appropriated, approximately \$540,000 was allocated to the five counties that opted to receive the full payment amount under the county payment program. The remaining revenue was allocated to the 24 counties that chose the 25% payment option. In FY 2002-03, \$3,300,000 was appropriated for these Federal payments to counties. The Department estimates that actual collection will be approximately \$2,500,000.

The bill would allow any county to refuse to accept the Federal funds. Five of the counties receive a payment of only a few dollars and may choose to refuse the funding rather than distribute it according to the formula established in the Act.

Fiscal Analyst: Jessica Runnels