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BILL ANALYSIS

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Senate Bill 959 (as reported without amendment)
Sponsor: Senator Michael Switalski
Committee: Appropriations

CONTENT

This bill would amend the State Survey and Remonumentation Act to provide for a one-time transfer of \$15.0 million from the unreserved balance in the State Survey and Remonumentation Fund to the General Fund. The transfer would take place in FY 2005-06. A Leadership Agreement between the Legislature and the Governor's Office during the FY 2005-06 budget negotiations included the transfer of these funds to balance the budget.

Public Acts 345 and 346 of 1990 created the remonumentation program to address the problem of missing and inaccurate property markers that serve as the basis for all public and private property locations in Michigan. The program provides funding to the 83 counties to restore, maintain, and preserve the land survey records of monuments and the U.S. public land survey corners. Public Act 345 established a 20-year deadline from implementation for the initial remonumentation process to be completed. Following that date, the program will continue at a reduced level, to provide for inspection and any necessary replacement of each monument at least every 20 years.

The program is funded by fees charged for recording a deed, mortgage, certified copy of an attachment, notice of the pendency of a suit, or other instrument with the county register of deeds. The revenue from the recording fees is collected by the counties and transferred to the State Survey and Remonumentation Fund. The funds are used to pay State and county administrative costs and are granted back to the counties to pay the costs of implementing their county remonumentation plans. Collection of the fee began January 1, 1991. The fees originally were set at \$2 per instrument, but increased to \$4 by Public Act 700 of 2002. The fee continues at \$4 through 2012. Beginning January 1, 2013, the fee returns to \$2 to provide ongoing revenue for maintenance of monuments.

The statute specifies that, "An annual grant to a county...shall be in an amount that is not less than 40% of the amount of money collected in that county...during the calendar year immediately preceding the year in which the grant is made." (MCL 54.272) The statute also outlines procedures for counties to have joint plans and to borrow or otherwise provide funding to expedite the remonumentation process.

The funds are distributed in three categories. The first category returns 40.0% of the amount of funds collected in the previous year to the county of collection. The second is an incentive grant program that provides a match to those counties using their own funds to complete this program. The third category distributes funds proportionately to all counties based on geographic size.

MCL 54.271

FISCAL IMPACT

This bill would provide for a one-time transfer of \$15.0 million of the unreserved balance of the Land Survey and Remonumentation Fund to the General Fund. Based on revenue and expenditure estimates provided by the Department of Labor and Economic Growth, it is estimated that this transfer would reduce the balance in the Land Survey and Remonumentation Fund from \$15.5 million at the end of FY 2004-05 to \$30,000 at the close of FY 2005-06. The bill would not change the structure of the Fund, which would continue to receive revenue from fees for recording instruments with the county register of deeds.

The proposed transfer would reduce the interest earned by the Fund. The amount of estimated interest earnings for the first two quarters of FY 2005-06 is \$550,000. Depending on the timing of the proposed transfer and grant payments, interest earnings in the second half of the fiscal year could be substantially lower.

The enacted budget bill for the Department of Labor and Economic Growth (DLEG), Public Act 156 of 2005, includes an appropriation of \$14.0 million for remonumentation grants in FY 2005-06. During the budget negotiations, the House and Senate concurred with the Governor's recommendation to increase this line item from its previous level of \$10.0 million. If the proposed transfer occurs, it does not appear that enough revenue will be available to support a \$14.0 million appropriation. Department staff indicate that grants totaling \$10,134,000 will be awarded in FY 2005-06, the same total as in FY 2004-05. Payment of these grants is contingent upon availability of revenue to the Land Survey and Remonumentation Fund.

The Survey and Remonumentation Report to the Legislature for the period July 1, 2001, through June 30, 2003, estimated that the 20-year remonumentation project would cost approximately \$201.9 million compared with the estimated \$150.0 million in total revenue that would be generated from dedicated fees and through county contributions. This shortfall would be increased by the proposed transfer of \$15.0 million to the General Fund. According to staff from DLEG, a five-year statutory extension of the program and fees could be required, assuming revenue remains at an estimated \$10.0 million annually. A reduction in revenue could add additional years to the length of the program.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.