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House Bill 5645 (Substitute S-2 as reported by the Committee of the Whole)

Sponsor: Representative Fred Durhal, Jr.

House Committee: Appropriations Senate Committee: Appropriations

## CONTENT

The bill would amend the section of the Natural Resources and Environmental Protection Act that authorizes payments in lieu of taxes (PILT) to counties or other local units of government for purchased land. The bill would require the assessing district to forward a single statement of the assessment to the county by December 1 of each year. In addition, the bill would require the counties to collect and forward all assessment statements received from their affected local units of government by December 15. The Department of Treasury then would make payments to each eligible local unit of government by February 14. The bill also would allow for the proration of payments on these lands for fiscal year 2009-10 only.

Purchased land includes land purchased by the Department of Natural Resources (DNR) on or after January 1, 1933. Payments in lieu of taxes on these parcels are based on ad valorem property tax amounts subject to statutory limits on valuation changes and millage rates. From the total calculated payments in lieu of taxes, assessments attributable to local school districts, intermediate school districts, or community college districts are paid from the State School Aid Fund. For the remaining PILT, not more than 50% may be from restricted fund sources, with the balance coming from the General Fund.

MCL 324.2154 et al.

## **FISCAL IMPACT**

Under Public Act 128 of 2009, the FY 2009-10 budget bill for the Department of Treasury, the GF/GP reduction to the purchased land line item totaled \$134,000. The bill would provide for the proration of this payment for FY 2009-10 only. By requiring the statements to be bundled by the counties before submission to the Department of Treasury, and the additional requirement that payments be made on a specific date, the bill would reduce the administrative responsibilities for the Department. In addition, GF/GP reductions totaling \$1,176,500 were made to the other two line items that comprise the payments in lieu of taxes program: payments for swamp and tax reverted property and commercial forestland. These appropriation reductions decreased payments to eligible local governments.

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<u>Table 1</u> below shows the General Fund appropriations for the PILT program for FY 2008-09 and FY 2009-10.

Table 1

General Fund Appropriations for PILT in the Department of Treasury Budget						
Program	FY 2008-09	FY 2009-10	Reduction	% Reduction		
Swamp and Tax Reverted Land	\$7,071,200	\$6,227,300	\$843,900	12.0%		
Commercial Forest Reserves	2,645,700	2,343,100	302,600	11.4		
Purchased Land*	2,100,000	1,936,000	164,000	8.5		
Total	\$11,816,900	\$10,506,400	\$1,310,500	11.1		
* A reduction in the General Fund distribution means an equal reduction in the amount distributed from restricted funds.						

The history of the year-to-date appropriations included in the DNR and Treasury budgets for these programs is shown in <u>Table 2</u>. Reductions in FY 2004-05 reflect a shift of the cost of the payments to school districts, intermediate school districts, and community colleges to the School Aid Fund, which are appropriated in the School Aid bill, and discontinuation of payments for the State Education Tax.

Table 2

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Year-to-Date Appropriations for Payments in Lieu of						
Taxes in the DNR and Treasury Budgets						
	Commercial	Swamp & Tax	Purchased			
Fiscal Year	Forest	Reverted	Land			
2003-04	\$2,691,700	\$7,071,500	\$11,522,800			
2004-05	2,662,600	7,071,500	7,720,000 <sup>a)</sup>			
2005-06	2,662,600	7,071,500	5,298,100 <sup>b)</sup>			
2006-07	2,662,600	7,071,500	4,800,000			
2007-08	2,622,600	7,071,500	4,292,900			
2008-09 <sup>c)</sup>	2,645,700	7,071,200	4,500,000			
2009-10	2,343,100	6,227,300	4,386,000			

- a) Reduction reflects program changes in P.A. 513 of 2004 including millage and valuation limits and the cessation of reimbursement for the State Education Tax.
- b) First year of School Aid Fund reimbursement of taxes attributable to school districts, intermediate school districts, and community colleges.
- c) Payments in Lieu of Tax programs were first appropriated in the budget for the Department of Treasury in FY 2008-09. Prior appropriations were in the Department of Natural Resources budget.

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