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BILL



ANALYSIS

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House Bill 5645 (Substitute S-1)
Sponsor: Representative Fred Durhal, Jr.
Committee: Appropriations

Date Completed: 1-20-10

CONTENT

The bill would amend sections of the Natural Resources and Environmental Protection Act, that authorize payments in lieu of taxes (PILT) to counties or other local units of government for tax reverted property, recreation or forest land, and commercial forestland. The bill would amend the sections of the Act that relate to the payment amounts by allowing the Department of Treasury to prorate these payments based on the total amount appropriated. Below is a description of each of these programs:

- Swamp and Tax Reverted Land: Land acquired by the Department of Natural Resources (DNR) before January 1, 1933, land that was tax reverted before 1999, and land that is a gift or bequest. The State pays \$2 per acre for this land and the statute requires these payments to be made from the General Fund. The Department of Treasury estimates that there are approximately 3.5 million acres of this type of land.
- Commercial Forest Reserves: Land enrolled in the Commercial Forest Program. Local units of government are paid \$1.20 per acre by both the commercial land owner and the State. This amount is set to increase by 5 cents per acre on January 1, 2012, and then by 5 cents per acre again, every five years thereafter. The Department of Treasury estimates that there are approximately 2.2 million acres.
- Purchased Land: Land purchased by the 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 payment 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 payment in lieu of taxes, not more than 50% may be from restricted fund sources, with the balance coming from the General Fund.

The bill also would delete language that requires the automatic 5 cent increase per acre in the State payment for the Commercial Forest Reserves.

MCL 324.2150, et al.

FISCAL IMPACT

Under P.A. 128 of 2009, the FY 2009-10 budget bill for the Department of Treasury, total reductions of \$1,310,500 were made to the three line items that fund this program. These appropriation reductions decreased payments to eligible local governments. The bill would require the proration of these payments if the appropriation were insufficient to fully fund the program, which is the case in FY 2009-10.

Table 1 below shows the General Fund appropriated 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 Lands*	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 Table 2. 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

Year-to-Date Appropriations for Payments in Lieu of Taxes in the DNR and Treasury Budgets			
Fiscal Year	Commercial Forest	Swamp & Tax Reverted	Purchased Land
2003-04	\$2,691,700	\$7,071,500	\$11,522,800
2004-05	2,662,600	7,071,500	7,720,000 ^{a)}
2005-06	2,662,600	7,071,500	5,298,100 ^{b)}
2006-07	2,662,600	7,071,500	4,800,000
2007-08	2,622,600	7,071,500	4,292,900
2008-09 ^{c)}	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) Payment 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.			

The elimination of the scheduled increases in the State per-acre payments for commercial forests would reduce the State's General Fund costs in the future. If the current scheduled increase were to take effect in 2012, the additional 5 cent payment per acre would cost approximately \$110,000 per year. The proposed change would reduce future State costs and future State payments to eligible local governments.

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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.