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BILL



ANALYSIS

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Senate Joint Resolution Z (Substitute S-2 as reported)  
Sponsor: Senator Roger Kahn, M.D.  
Committee: Natural Resources and Environmental Affairs

Date Completed: 7-2-10

### **RATIONALE**

In 1982, Michigan statutorily banned offshore drilling in the Great Lakes. The ban was extended to directional, or slant, drilling in 2002. The Natural Resources and Environmental Protection Act prohibits the Department of Natural Resources and Environment from entering into a contract that allows drilling operations beneath the lake bottomlands of the Great Lakes, the connected bays or harbors of the Great Lakes, or the connecting waterways for the exploration or production of oil or gas. The Federal Energy Policy Act of 2005 (Public Law 109-58) also prohibits the issuance of a Federal or state permit for new oil and gas slant, directional, or offshore drilling in or under one or more of the Great Lakes.

The recent oil spill in the Gulf of Mexico, and the damage it is causing to that region's environment and economy, has led to a renewed call for increased protection of water resources in the Great Lakes Basin. It has been suggested that, in addition to the existing statutory bans, a ban on Great Lakes drilling should be included in Michigan's constitution.

### **CONTENT**

Senate Joint Resolution Z (S-2) would add Section 55 to Article V of the State Constitution to prohibit a person from drilling a well within the Great Lakes or beneath the bottomlands of the Great Lakes for the exploration or production of oil or natural gas. The joint resolution also would prohibit the State from authorizing the drilling of such a well.

"Great Lakes" would include the connected bays and harbors of the Great Lakes and the St. Marys River, the Detroit River, the St. Clair River, and Lake St. Clair.

The joint resolution would have to be submitted to voters at the next general election, if two-thirds of the members elected to and serving in each house of the Legislature approved it.

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

The Great Lakes are vital to the economy and way of life for the 40 million people living in the Great Lakes Basin. These bodies of water support Michigan's primary industries, such as tourism, boating, fishing, agriculture, and manufacturing. In addition, the Great Lakes contain 20% of the world's fresh surface water and supply drinking water, an increasingly scarce resource, to 20 million people. Implementing the greatest possible protection for the Great Lakes is critical to the State's prosperity.

While there are several measures already in place at the State and Federal levels to prohibit vertical and directional drilling in the Great Lakes, these bans are merely statutory and could be lifted by future policymakers. A constitutional prohibition would be more difficult to change, ensuring that the Great Lakes were protected for future generations, and helping to reduce reliance on fossil fuels.

**Response:** In light of the existing statutory prohibitions on drilling in the Great Lakes, the need for a constitutional ban is questionable and could be ill-advised if public sentiment changed in the future, or if a fuel crisis necessitated drilling. Furthermore, although State law currently prohibits both types of drilling, the environmental risks associated with directional drilling are less serious than those associated with offshore drilling. The joint resolution should acknowledge this distinction by focusing only on offshore drilling.

Legislative Analyst: Julie Cassidy

### **FISCAL IMPACT**

Senate Joint Resolution Z (S-2) would have an indeterminate fiscal impact on State and local governments. Currently, there is no drilling for oil or natural gas on the Great Lakes in United States territory, so a constitutional ban on this activity would have no immediate effect on revenue that the State collects for oil and gas leases. Future drilling on the Great Lakes, however, could provide oil and gas lease revenue, as the bottomlands of the Great Lakes are the exclusive property of the states bordering them. Any drilling on the Great Lakes or slant-drilling into the Great Lakes, therefore, would have to come under a lease with one of the states bordering the Great Lakes or Canada, if allowed by law. Such leases entered into by Michigan would net an indeterminate amount of revenue that would be deposited into the Natural Resources Trust Fund.

Fiscal Analyst: Josh Sefton

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