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BILL ANALYSIS



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Senate Bill 1164 (as introduced 6-5-12)
Sponsor: Senator Tom Casperson
Committee: Transportation

Date Completed: 6-13-12

CONTENT

The bill would amend the Natural Resources and Environmental Protection Act to require the Department of Natural Resources (DNR), upon request, to enter into an agreement with a county road commission authorizing it to remove nonmetallic minerals, and build a highway to the mining site, if the mineral rights were owned by the State.

Specifically, a county road commission could request the DNR to enter into an agreement authorizing the road commission to extract, process, and remove nonmetallic minerals, such as construction sand, gravel, cobbles, boulders, and clay, from land specified by the road commission, if the mineral rights were owned by the State and under the jurisdiction and control of the DNR, for use exclusively on county road commission projects. The county road commission also could request the authority to build a highway, if necessary, to reach the nonmetallic mineral mining site.

The request would have to be on a form provided by the DNR and accompanied by a processing fee. The Department would have to establish the fee to generate revenue that did not exceed the DNR's actual reasonable costs to process these requests.

Within 30 days after receiving a complete request form and the processing fee, the DNR would have to enter into an agreement. The agreement could request the county road commission to erect and maintain reasonable signage, fencing, and gates. The agreement would have to include a reclamation plan as proposed by the road commission. The DNR could not charge a royalty, rental, timber consideration fee, or other fee under the agreement. The provisions of the bill would not waive any other applicable requirements of the Act.

The Act allows the DNR to enter into contracts for the taking of coal, oil, gas, and other mineral products from State-owned land upon a royalty basis or upon another basis, and upon terms the Department considers just and equitable. Under the bill, this provision would be subject to the language described above.

MCL 324.502

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have a negative fiscal impact on the Department of Natural Resources, and a positive fiscal impact on county governments. Under the bill, the DNR would have to

develop a form suitable for applications to use State-owned nonmetallic minerals for county road projects. The DNR also would have to process these forms. The development and processing of the forms would introduce new costs to the DNR. The bill would allow the DNR to charge a processing fee for the forms that would allow it to recover any costs associated with them. As long as sufficient demand for the use of State-owned nonmetallic minerals existed, revenue from the processing fees would likely be sufficient to cover the up-front costs of developing the forms, and the marginal costs of processing them.

The bill would prevent the DNR from charging any fee or other monetary consideration for minerals removed from State land under the provisions of the bill. Normally, the DNR will enter into a mineral lease agreement with an entity that wishes to mine or remove minerals from State-owned land, and will receive an annual rental fee for each acre leased in such a manner. Allowing a county to remove nonmetallic minerals for only the cost of application would result in a loss of an unknown amount of revenue for the DNR.

The bill would allow counties to use State-owned nonmetallic minerals for road projects, which would produce cost savings for some counties. It is unknown how many counties would apply, or how many have a source of State-owned nonmetallic minerals, but it is reasonable to assume that those counties that applied would do so to achieve cost savings.

Fiscal Analyst: Josh Sefton

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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.