House Bill 4577 (Substitute H-1 as passed by the House)
House Bill 4579 (Substitute H-1 as passed by the House)
Sponsor: Representative Joel Johnson (H.B. 4577)
          Representative Frank Foster (H.B. 4579)
House Committee: Natural Resources, Tourism, and Outdoor Recreation
Senate Committee: Natural Resources, Environment and Great Lakes

Date Completed: 6-15-11

CONTENT

House Bill 4577 (H-1) would amend Part 21 (General Real Estate Powers) of the Natural Resources and Environmental Protection Act to require the Legislature to make annual appropriations from the Natural Resources Trust Fund in order to make full payments in lieu of taxes (PILT) on State-owned land purchased through the Trust Fund.

House Bill 4579 (H-1) would amend Part 21 to require PILT for land purchased through the Trust Fund to be paid in full from the Trust Fund, beginning in 2012.

The bills are described in more detail below.

House Bill 4577 (H-1)

Under the Act, the interest and earnings of the Natural Resources Trust Fund in any State fiscal year may be spent in subsequent fiscal years only for the following purposes:

-- The acquisition of land or rights in land for recreational uses or protection of the land because of its environmental importance or scenic beauty.
-- The development of public recreation facilities.
-- The administration of the Trust Fund, including PILT on State-owned land purchased through the Fund.

The bill would require the Legislature to make appropriations from the Trust Fund each State fiscal year to make full PILT on State-owned land purchased through the Trust Fund, as provided in Section 2154 of the Act (which House Bill 4579 (H-1) would amend).

House Bill 4579 (H-1)

Under Section 2154, the treasurer or other officer charged with the collection of taxes for an assessing district annually must forward a statement of the assessment of all property for which PILT is claimed to the respective county. The county must forward the statements received from all affected assessing districts in the county to the Department of Natural Resources (DNR) for review. Upon authorization from the DNR, the State Treasurer must forward a separate payment in the amount of the assessment to each affected assessing district in the county.

With regard to the aggregate amount for all PILT to all assessing districts, the portion of the payment that represents an assessment by a local school district, intermediate school

district (ISD), or community college district must be charged against the School Aid Fund. Up to 50% of the balance of any remaining payment must be charged from restricted revenue sources of the DNR, and the rest must be charged from the General Fund.

Under the bill, for payments made after 2011, this would continue to apply for property that was not purchased with Trust Fund money.

For property purchased with funds from the Trust Fund, the portion of the payment that represented an assessment by a local school district, ISD, or community college district would have to be charged against the Trust Fund. The balance of any payment remaining after that charge also would have to be charged against the Trust Fund.

MCL 324.1903 (H.B. 4577)   Legislative Analyst: Julie Cassidy
    324.2154 (H.B. 4579)

FISCAL IMPACT

The PILT program for purchased land pays the ad valorem property taxes (adjusted for limits in the number of mils levied and the rate of increase in taxable value) on land purchased by the Department of Natural Resources after January 1, 1933. For land purchased with restricted funds, current law requires that the payment to reimburse taxes levied by municipalities be made half from the restricted fund used for purchase and half from the General Fund. These payments are appropriated in the Department of Treasury budget, within the General Government budget. For school district, intermediate school district, and community college taxes, the Purchased Lands payments are made from the School Aid Fund and appropriated in the School Aid budget. Current appropriations for the Purchased Lands PILT program require proration of the payment amount. Purchased Lands PILT payments were prorated for the first time in FY 2009-10 in the Treasury budget using statutory proration authority in effect for FY 2009-10 only. The budget for FY 2010-11 assumes proration, and a statutory change to authorize the proration is needed to complete implementation of the current-year budget. Similarly, the budget for FY 2011-12 in Enrolled House Bill 4526 assumes proration of the Purchase Lands payments and a statutory change would be required to implement that proration.

The bills would require full payment of the Purchased Lands PILT for land purchased by the Natural Resources Trust Fund and would require that, beginning in 2012, the Natural Resources Trust Fund pay the full cost of PILT on DNR land originally purchased with funds from the Natural Resources Trust Fund. This would shift costs from the School Aid Fund and the General Fund to the Natural Resources Trust Fund, reducing the amount of the Natural Resources Trust Fund available for other projects. The bills also would increase the cost of the Purchased Lands program in FY 2011-12 above the level that was included in the budgets approved by the Legislature.

Increasing the Department of Treasury Purchased Lands PILT on land purchased by the Trust Fund to full funding in FY 2011-12 and making those payments entirely from the Natural Resources Trust Fund would increase costs to the Trust Fund by $882,800 and reduce General Fund expenditures by $350,400. The bills also would reduce PILT made by the School Aid Fund and shift those charges to the Natural Resources Trust Fund; however, the amount of the School Aid PILT attributable to land purchased by the Natural Resources Trust Fund is not currently available. Changes in appropriations for FY 2011-12 would be required to implement the bills.

Fiscal Analyst: Elizabeth Pratt