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BILL



ANALYSIS

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Senate Bill 229 (as introduced 2-27-13)
Sponsor: Senator John Moolenaar
Committee: Outdoor Recreation and Tourism

Date Completed: 3-5-13

CONTENT

The bill would amend Part 19 (Natural Resources Trust Fund) of the Natural Resources and Environmental Protection Act to authorize the expenditure of Natural Resources Trust Fund (NRTF) interest and earnings on the dredging of harbors for use by recreational watercraft.

Under Part 19 and in accordance with Article IX, Section 35 of the State Constitution (described below, under **BACKGROUND**), the interest and earnings of the NRTF in a 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 its scenic beauty.
- The administration of the NRTF, including payments in lieu of taxes on State-owned land purchased through the Trust Fund.
- The development of public recreation facilities.

Under the bill, the development of public recreation facilities would include the dredging of harbors for use by recreational watercraft. "Harbor" would mean that term as it is defined in Section 78101. (Under that section, the term means a portion of a lake or other body of water protected either artificially or naturally so as to be a place of safety for watercraft, including contrivances used or designed for navigation on water and used or owned by the United States.)

In addition, Part 19 allows one-third of the money, excluding interest and earnings, received by the NRTF in any fiscal year to be spent in subsequent fiscal years for the specified purposes. This authorization, however, does not apply after the fiscal year in which the total balance of the NRTF, excluding interest and earnings and amounts authorized for expenditure, exceeds \$500.0 million. (The \$500.0 million cap was reached in May 2011.)

The bill would delete these provisions. (The same limitations are contained in Article IX, section 35 of the State Constitution.)

MCL 324.1903

BACKGROUND

In 1984, Michigan voters approved a ballot proposal to add Section 35 to Article IX of the State Constitution to establish the Natural Resources Trust Fund, require revenue from the sale and lease of the State's mineral rights to be deposited into the NRTF, and prescribe the use of NRTF money.

Under Section 35 and Part 19 of NREPA (which was enacted to implement the amendment), in addition to the expenditures described above regarding land acquisition, public recreation, and administration, until the NRTF reached a balance of \$500.0 million, a maximum of 50% of the money received annually had to be allocated to the Michigan State Parks Endowment Fund. This deposit was capped at \$10.0 million per year. (Endowment Fund money may be used for operations, maintenance, and capital improvements at State parks and for the acquisition of land for State parks.)

As required by Section 35 and Part 19, since the \$500.0 million limit has been reached, all revenue that the NRTF otherwise would receive must be deposited into the State Parks Endowment Fund until that Fund accumulates a balance of \$800.0 million.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would not result in additional revenue or expenditures for the Michigan Natural Resources Trust Fund. The bill would include the dredging of harbors for use by recreational watercraft under the category of development of public recreation facilities, and as a result could reduce the amount of funding available for other public recreation facilities. Pursuant to the Michigan Constitution and the Natural Resources and Environmental Protection Act, annual expenditures from the Michigan Natural Resources Trust Fund are recommended by the Michigan Natural Resources Trust Fund Board. The FY 2012-13 appropriations from the Michigan Natural Resources Trust Fund are currently pending before the Legislature in Senate Bill 233. That bill proposes a \$23,348,700 appropriation from the Michigan Natural Resources Trust Fund for 22 acquisition projects totaling \$14,276,500 and 54 development projects totaling \$9,072,200. Matching funds of \$13,776,000 would result in total project costs of \$37,124,700.

The NRTF consists of all bonuses, rentals, delayed rentals, and royalties collected or reserved by the State under provisions of leases for the extraction of nonrenewable resources from State-owned land, except such revenue accruing under leases of State-owned land acquired with money from the State or Federal Game and Fish Protection Fund or revenue accruing from land purchased with such revenue. Until the corpus of the NRTF reached \$500 million, annual expenditures consisted of NRTF interest and earnings, and 33⅓% of NRTF revenue received by the State during the previous fiscal year. The NRTF reached \$500 million in 2011, which limits future expenditures to annual interest and investment earnings. The Constitution provides that not less than 25% of the total amounts made available for expenditure from the Trust Fund from any State fiscal year must be spent for acquisition of land and rights in land and not more than 25% of the total amounts made available for expenditure from the Trust Fund from any State fiscal year may be spent for development of public recreation facilities.

Fiscal Analyst: Bill Bowerman

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