Legislative Analysis

FOREST DEVELOPMENT FUND – PURPOSE EXPANSION

House Bill 5631 (H-1) as reported from committee
Sponsor: Rep. Al Pscholka
Committee: Appropriations

Complete to 5-18-16

SUMMARY:

House Bill 5631 would amend Part 505 (Michigan Forest Finance Authority) of 1994 PA 451 (Natural Resources and Environmental Protection Act). This part creates the forest development fund and defines the purposes for which money may be expended from the fund. The bill would expand these purposes by allowing forest development funds to be transferred to the first responder presumed coverage fund for FY 2016-17 only.

Background

The forest development fund was established to receive revenue from the sale of bonds and timber harvested from tax reverted lands. The fund has been used by the Department of Natural Resources (DNR) primarily to support forestry programs. Presently there are four purposes outlined in MCL 324.50507(4) for expenditures from the fund:

> (a) To provide for the payment of principal of and interest on any bonds or notes issued by the authority.
> (b) For reforestation, forest protection, and timber stand improvement.
> (c) To obtain and maintain certification of sustainable forestry standards in the state forest under MCL 324.52505.
> (d) For any other purposes authorized by this part.

House bill 5631 would add subsection 6 as follows:

> (6) For fiscal year 2016-2017 only, $3,000,000.00 from the forest development fund is transferred to the first responder presumed coverage fund created under section 405 of the Worker's Disability Compensation Act of 1969, 1969 PA 317, MCL 418.405.

FISCAL IMPACT:

House Bill 5631 would have an indeterminate fiscal impact on the state and would have no fiscal impact on local units of government.

The bill transfers $3.0 million from the forest development fund to the first responder presumed coverage fund which covers worker's compensation expenses for first responders who are out of work due to certain types of cancers. This one-time transfer

would be restricted to FY 2016-17. A corresponding appropriation is included in the FY 2016-17 House-passed omnibus budget (HB 5294) in the Department of Licensing and Regulatory Affairs.

The table below details forest development fund annual revenues, annual appropriations, and year-end carryforward fund balances for the five most recent fiscal years. Appropriations from the fund for FY 2015-16 and appropriations for FY 2016-17 as proposed in the House-passed omnibus budget (HB 5294) are also included. Revenue and year-end fund balances for FY 2015-16 and FY 2016-17 are DNR projections subject to change based on market factors including stumpage prices and natural factors such as wildfire and weather conditions. These year-end projections do not reflect the proposed $3.0 million transfer of funds in the bill nor the corresponding appropriation included in HB 5294.

Fiscal Year	Revenue	Appropriation	Difference	Year-end Fund Balance
2010-11	$31,994,459	$32,957,000	($962,541)	$7,448,100
2011-12	$29,210,789	$34,829,300	($5,618,511)	$4,010,000
2012-13	$33,655,975	$36,205,200	($2,549,225)	$2,328,300
2013-14	$40,424,372	$31,020,000	$9,404,372	$8,501,500
2014-15	$45,061,721	$36,289,400	$8,772,321	$15,997,000
2015-16	$41,815,700	$43,416,400	($1,600,700)	$13,700,000
2016-17	$41,946,200	$47,288,400	($5,342,200)	$10,600,000

Annual revenue has increased in the past two fiscal years due to an increase in the state's timber supply and an increase in stumpage prices. Appropriations from the fund and the year-end carryforward fund balance have also increased over the same period.

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