

FERROUS MINERAL RECLAMATION FUND

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Senate Bill 390 as passed by the Senate

Sponsor: Sen. Thomas Casperson

House Committee: Natural Resources

Senate Committee: Natural Resources

Complete to 2-6-18

Analysis available at

<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 390 would amend Public Act 77 of 1951 (tax on low grade iron ore) to require a portion of the specific tax levied by that act to be redirected from the School Aid Fund to the newly created Ferrous Mineral Reclamation Fund. The purpose of the new fund would be to collect enough revenue to cover liability costs for any remediation or environmental cleanups stemming from the mining operation. Once the fund reaches a sufficient amount, any further taxes collected would revert to the School Aid Fund.

Distribution of taxes

Currently, commercial properties mining low grade iron ore are assessed a separate specific tax, which is distributed to school districts, the state, and local governmental units in the same proportion as general property taxes. However, taxes for school operating purposes generated above a certain level go to the state treasury and are credited to the School Aid Fund. The bill would redirect the portion of the taxes distributed to the School Aid Fund to be instead distributed as follows:

- An amount equal to \$500,000 would be disbursed to the intermediate school district that serves the county where 1 or more mining properties are located to be distributed to school districts in that county for school operating purposes as determined in a written agreement between the intermediate school district and the school districts.
- After the above distribution, the remainder would be forwarded to the state treasurer for deposit in the Ferrous Mineral Reclamation Fund.

Funds would only be forwarded to the state treasurer for deposit in the Ferrous Mineral Reclamation Fund until that fund accrues an amount that is equal to the liability of the ferrous mineral operations assured by the Ferrous Mineral Reclamation Fund as determined under an implementation and access agreement. Such an agreement would be entered into between the ferrous mineral operators that are assured by the Ferrous Mineral Reclamation Fund, or their parent corporation, and the Department of Environmental Quality (DEQ). The agreement would establish the liability of the ferrous mineral operations assured by the Ferrous Mineral Reclamation Fund and the permissible expenditures of the Ferrous Mineral Reclamation Fund within the scope of a mining and reclamation plan under Section 63103a of the Natural Resources and Environmental Protection Act (NREPA) (MCL 324.63103a).

After the Ferrous Mineral Reclamation Fund accrues an amount that is equal to the liability of the ferrous mineral operations assured by the fund, revenue from the tax would no longer be deposited in the Ferrous Mineral Reclamation Fund, but would instead, after the \$500,000 payment to the intermediate school district as described above, be paid to the state treasury and credited to the School Aid Fund.

Ferrous Mineral Reclamation Fund

Senate Bill 390 would create the Ferrous Mineral Reclamation Fund within the Department of Treasury. The state treasurer would direct the investment of the fund and would credit to the fund interest and earnings from Ferrous Mineral Reclamation Fund investments. The fund would be held in trust only for the following uses:

- The fund would serve as a form of assurance, as described in Section 63107 of NREPA (MCL 324.63107), for permitted ferrous mineral operations that are under the common ownership of a parent corporation for which at least 1 of the ferrous mineral operations paid specific taxes deposited into the fund. If a ferrous mineral mining permit is transferred to another operator, the assurance would also be transferred to the ferrous mineral operations of the operator acquiring the permit and be applied in the same manner as to the original permittee.
- The DEQ would expend money from the fund only to implement the mining and reclamation plan under Section 63103a of NREPA (MCL 324.63103a), as well as necessary environmental protection measures, including remediation of any contamination of the air, surface water, or groundwater that is in violation of the mining permit, when a permittee fails to timely implement the mining and reclamation plan or specific measures in the mining and reclamation plan.

Money in the Ferrous Mineral Reclamation Fund would be returned to the state School Aid Fund upon notice and approval of a completed reclamation under Rule 425.12 of the Michigan Administrative Code, promulgated under Section 63103 of NREPA (MCL 324.63103), at all ferrous mineral operations that are assured by the Ferrous Mineral Reclamation Fund.

MCL 211.624

FISCAL IMPACT:

As written, the bill would reduce School Aid Fund (SAF) revenue by an estimated \$6.0 million to \$8.0 million on an annual basis by redirecting the revenue generated by the low grade iron ore specific tax from the SAF to the Marquette County ISD (which would receive \$500,000 per year going forward), with the remainder going to the Ferrous Mineral Reclamation Fund as long as necessary until the fund reaches a certain amount that is not specified in the bill. Once that amount is achieved, the revenue, less the \$500,000 for the Marquette County ISD, would again be directed to the SAF.

The fiscal impact of the new ferrous mineral reclamation fund on the Department of Environmental Quality is unclear; the department does not expect an impact in the near future. This new fund could give the DEQ an additional resource to support the department's environmental protection and contamination remediation efforts beyond current levels. However, potential annual revenue for this new fund is difficult to determine and may vary going forward. The bill is unlikely to increase costs for the department.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.