



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 390 (Substitute S-1 as reported)
Sponsor: Senator Tom Casperson
Committee: Natural Resources

CONTENT

The bill would amend Public Act 77 of 1951, which provides for the taxation of low-grade iron ore, to revise the distribution of specific taxes levied on low grade iron ore mining property after 2016; and to establish the Ferrous Mineral Reclamation Fund within the Department of Treasury as a form of assurance for permitted iron mine operations.

The Department of Environmental Quality (DEQ) could spend money from the Fund only to implement the mining and reclamation plan required by the Natural Resources and Environmental Protection Act, as well as necessary environmental protection measures, including remediation of any contamination of the air, surface water, or groundwater that was in violation of a mining permit, when a permittee failed to timely implement the mining and reclamation plan or measures in the plan.

The iron mine operators assured by the Fund and the DEQ would be required to develop an implementation and access agreement that established the liability of the iron mine operations assured by the Fund and the permissible expenditures of the Fund.

The bill would require money collected from specific taxes levied on low grade iron ore mining property after 2016, which would otherwise be credited to the State School Aid Fund, to be distributed as follows:

- An amount equal to \$500,000 would be disbursed to the intermediate school district (ISD) that serves the county in which one or more mining properties are permitted on or before the effective date of the bill.
- Subsequent to the distribution to the ISD, money would be forwarded to the State Treasurer for deposit in the Ferrous Mineral Reclamation Fund until the Fund accrued an amount equal to the liability of the mining operations assured by the Fund.
- After the Fund accrued an amount equal to the liability of the iron mine operations assured by the Fund, money would be paid to the State Treasury to be credited to the State School Aid Fund.

Money in the Ferrous Mineral Reclamation Fund would have to be returned to the State School Aid Fund upon notice and approval of completed reclamation at all of the ferrous mineral operations that were assured by the Reclamation Fund.

MCL 211.624

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would reduce School Aid Fund revenue by approximately \$8.0 million per year for an indeterminate number of years, based on revenue received in FY 2014-15 and FY 2015-16,

after which School Aid Fund revenue would be reduced by \$500,000 per year. During 2015, Michigan had two active iron ore mines, both located in Marquette County, although in 2016 one mine was idled.

Under current law, revenue from the tax on low-grade iron ore is distributed proportionally to the units of government in the same manner as property taxes, except that the portion that would be distributed to a local school district for school operating purposes is instead directed to the School Aid Fund. The bill would change that distribution, earmarking \$500,000 to the ISD in which a taxpayer is located (the Marquette County ISD), to be distributed as agreed by the ISD and local school districts located in that county (Marquette County). These distributions would be in addition to revenue distributed by the State under the School Aid Act, and would not be considered when computing foundation allowance payments. Any remaining revenue (\$7.5 million per year, based on FY 2015-16) would be directed to the Ferrous Mineral Reclamation Fund created by the bill, until the balance of the fund equaled the liability faced by the fund. That liability total is unknown, and could change over time. As a result, it is unknown how long the fund would continue to receive the deposits of approximately \$7.5 million per year. Once the balance in the fund reaches the limit, remaining revenue would be deposited into the School Aid Fund.

Date Completed: 12-5-17

Fiscal Analyst: David Zin