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BILL



ANALYSIS

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Senate Bill 390 (as introduced 5-18-17)
Sponsor: Senator Tom Casperson
Committee: Natural Resources

Date Completed: 11-7-17

CONTENT

The bill would amend Public Act 77 of 1951, which provides for the taxation of low-grade iron ore, to 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 that serves the county in which the mining property is located.**
- **The remainder would be credited to the State Geologist to address requirements under Part 631 (Ferrous Mineral Mining) of the Natural Resources and Environmental Protection Act.**

Under Public Act 77 of 1951, before the first calendar year in which production of merchantable ore from a low-grade iron ore mining property has been established on a commercial basis, or before the period of construction of the plants for the beneficiation or treatment of low-grade iron ore and the period of experimental operation of the plants, the low-grade iron ore mining property is subject to a specific tax equal to the rated annual capacity of the plant in gross tons multiplied by 0.55% of the mine value per gross ton, based on the projected natural iron analysis of the iron ore pellets or of the concentrated and/or agglomerated products, multiplied by the percent of construction completion of the low-grade iron ore mining property.

Sums collected under the Act must be distributed by the township treasurer to school districts, the State, and local governmental units in the same proportion as general property taxes are distributed. The amounts distributed may be used by the school districts and local governmental units for operating expenses, for capital improvements, and for the accumulation of reserves in a building and site fund or for the payment of interest or principal on bonds.

For specific taxes levied after 1993 and school operating purposes, the amount that otherwise would be disbursed to a local school district must be paid instead to the State Treasury and credited to the School Aid Fund.

Under the bill, for specific taxes levied after 2016, each year the amount that would otherwise be paid to the State Treasury and credited to the State School Aid Fund would have 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 the mining property is located to be distributed to school

districts in that county for school operating purposes as determined in a written agreement between the ISD and the school districts.

- The remainder would be credited to the State Geologist to be held in a trust fund to address requirements under Part 631 (Ferrous Mineral Mining) of the Natural Resources and Environmental Protection Act.

(Part 631 governs ferrous mineral mining operations; prescribes related responsibilities of the Department of Environmental Quality, including the issuance of permits; requires mining operators to submit a mining and reclamation plan in order to obtain a permit; requires operators to pay a ferrous mineral surveillance fee on the product produced; allows the Department to require an operator to furnish a performance bond or other security; and establishes the Ferrous Mineral Surveillance 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, based on revenue received in FY 2014-15 and FY 2015-16. 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 State Geologist.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.