

**SFA**

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

(517) 373-5383

*out of order*

Senate Bill 750 (as enrolled)

Sponsor: Senator Connie Binsfeld

Senate Committee: Local Government and Veterans

House Committee: Towns and Counties

Date Completed: 8-7-90

**PUBLIC ACT 182 of 1990****RECEIVED****OCT 08 1990**

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**RATIONALE**

Under the Federal "payment in lieu of taxes" (PILT) law, local units of government receive money from the U.S. government in lieu of property taxes on Federal land in the local units, since Federal land is not taxable by state or local government. Payments under the PILT law must be reduced, however, by the amount a local unit received in the previous year under a Federal "payment law". Two such payment laws that affect Michigan counties are the following:

- 1) The Bankhead-Jones Farm Tenant Act (BJFTA), which provides for the return to counties of 25% of the net revenue received from land acquired by the U.S. Department of Agriculture for land conservation and utilization purposes, and requires these payments to be used for school and/or road purposes.
- 2) "The Act of May 23, 1908", which applies to National Forest Reserve (NFR) land (forest land reserved from the public domain) and requires the payment to counties of 25% of revenue received from such land, "to be expended as the State...legislature may prescribe for the benefit of the public schools and public roads of the county or counties in which such national forest is situated".

Payments under a "payment law" must be deducted from PILT amounts, however, only if the payments are actually received by the local unit of government, according to a decision by the Comptroller General of the United States and interpretations of the U.S. Department of the Interior. Thus, Federal revenues

distributed directly to a financially independent governmental unit (e.g., a school district) without being received or acted upon by a local unit of government are not deducted from PILT payments to that local unit. Nevertheless, although payments to Michigan counties under the BJFTA and the National Forest Reserve law are allocated to schools and road commissions, PILT payments are reduced for the following reasons:

- Michigan does not have a law directing the distribution of BJFTA payments, so the entire amount of these payments is deducted.
- Although there is a State law requiring counties that receive NFR payments to spend the money for public schools and roads, road commissions apparently are not considered independent units of government, so the amount of NFR payments allocated to county road commissions is deducted.

Thus, in order for Michigan counties to receive the full amount of PILT payments, without reductions for BJFTA and National Forest Reserve payments, it has been suggested that State law should allocate BJFTA payments and reallocate NFR payments.

**CONTENT**

The bill would create a new act to do the following:

- Require a county that receives a payment under the Bankhead-Jones

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Farm Tenant Act to redistribute that payment in a ratio of 75% to local school districts for school purposes, and 25% to townships for the improvement of roads within those townships. The county treasurer would have to apportion this money among the local school districts and townships in an equitable manner consistent with criteria determined by resolution of the county board of commissioners.

- Require that all money received from the Federal government for National Forest Reserve land be spent for school purposes and county roads in the counties in which national forests are situated. The money would have to be distributed to those counties in the same proportion as the national forest acreage in each county is to the total national forest acreage in the State. The treasurer of a county receiving this money would have to distribute it in a ratio of 75% to local school districts for school purposes and 25% to townships for the improvement of county roads within those townships. The money would have to be apportioned among the local school districts and townships in the same proportion as the national forest acreage in each district or township is to the total such acreage in the county.
- Repeal Public Act 37 of 1933, which requires that 75% of National Forest Reserve payments be spent for public schools and 25% for roads in the counties in which national forests are situated.

## FISCAL IMPACT

The bill would have no fiscal impact on the State, but could increase Federal payments to counties by \$495,174, which is the amount that school districts and county road commissions now receive under the Bankhead-Jones Farm Tenant Act (\$160,444) and the amount that county road commissions currently receive under the National Forest Reserve Act (\$334,730). Currently, the \$160,444 BJFTA payment is divided between schools (\$120,333) and county road commissions (\$40,111). Total NFR payments of \$1,338,920 also are divided between schools (\$1,004,190) and county road commissions (\$334,730). At present, the entire \$160,444 (BJFTA) is deducted from Federal payments in lieu of taxes (PILT) because Michigan law does not provide for the allocation of this money as required by Federal law. According to the U.S. Bureau of Land Management, the designation must be for an "independent agency or school district". The \$334,730 (NFR) is deducted from PILT because that amount is currently allocated to county road commissions from payments from the National Forest Reserve pursuant to Public Act 37 of 1933. The deduction is made for payments to road commissions but not local school districts because the Federal government has determined that county road commissions are not "independent" from counties. The Federal law requires 75% for schools and 25% for roads. It is believed that townships would be sufficiently independent to permit counties to receive the additional amounts that would otherwise be deducted. The county road commissions, counties, local school districts, and townships would be affected as follows:

	<u>Current</u>	<u>S.B. 750</u> <u>(P.A. 182 of 1990)</u>
County Road Commissions	\$374,841	\$ 0
Counties	0	495,174
Local School Districts	1,124,523	1,124,523
Townships (for roads)	<u>0</u>	<u>374,841</u>
<b>TOTAL</b>	<b>\$1,499,364</b>	<b>\$1,994,538</b>

## ARGUMENTS

### Supporting Argument

By requiring in statute that BJFTA and

National Forest Reserve payments to counties be distributed to school districts for school purposes and to townships for road improvement, the bill would ensure that the full amount of Federal payments in lieu taxes

was paid to Michigan counties without being reduced by the amount of BJFTA and NFR payments. The bill would satisfy both the need for a Michigan law directing the distribution of BJFTA payments, and the requirement that payments under a Federal payments law be made to independent units of government. Since townships, unlike county road commissions, are independent units of government, payments to them would not be deducted from counties' PILT amounts. Road commissions would not be deprived of revenue, however, since townships already help finance road improvements and would pass Federal money on to counties. While the 15 counties that receive BJFTA and NFR payments obviously would benefit from the additional PILT funds, BJFTA and NFR payments would continue to benefit schools and be used for roads in the proportion in which the payments are currently distributed.

Legislative Analyst: S. Margules  
Fiscal Analyst: A. Rich

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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.