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House Bill 5114 (Substitute H-1 as passed by the House)
Sponsor: Representative Rich Brown
House Committee: Conservation, Forestry, and Outdoor Recreation
Senate Committee: Appropriations

Date Completed: 5-9-06

CONTENT

The bill would amend the Natural Resources and Environmental Protection Act to make technical corrections that would allow municipalities and other public agencies to sell forestry land previously conveyed to them by the Department of Natural Resources (DNR).

Under Section 52706 of the Act, the DNR may convey land to a municipality at no cost exclusively for forestry purposes. (A municipality is defined as a county, township, city, village, or school district.) The municipality, usually through a forest commission, may use proceeds from its forestry activities to augment its general fund. When land is no longer used for forestry purposes, it reverts to the DNR. This program was begun in 1931 to promote forestry. There are currently 75,300 acres subject to this statute, of which 72% are in the Upper Peninsula and 15% are in the northern region of the Lower Peninsula. Most of this land was conveyed to school districts.

Public Act 377 of 2004 amended this section to allow municipalities to sell the land, except parcels designated as prime land, for fair market value, instead of conveying it back to the DNR. A number of technical errors were included in the enacted amendments and the program to remove the DNR's reversionary interest in the land has not been implemented.

The bill would correct the technical errors and add several features to the program. The bill would adjust references to which land is eligible for sale instead of reversion. Public Act 377 of 2004 only allowed the sale of land conveyed since 1995, while all of the land was conveyed prior to that date. The bill would close a gap between when a public agency can convey property formerly subject to the reversionary interest either with or without approval by the DNR.

The bill would allow the DNR to charge the municipality an amount equal to the charge for recording the release with the register of deeds. It also would establish a standard form for municipalities to request relinquishment of the reversionary interest by the DNR and accounting of the final proceeds of the conveyance once the parcel is sold.

Under current law, if the property is sold at fair market value, 50% of the proceeds will be retained by the municipality and 50% will go to the State, unless the parcel is sold to another public agency, in which case, all of the revenue stays with the municipality. The initial \$18.0 million of revenue received by the State must be deposited into the General Fund and any revenue beyond \$18.0 million is to be deposited into the Fire Protection

Fund. Under the bill, 50% of the proceeds from a fair market sale would go to the State regardless of the purchaser. The bill would allow a municipality to convey the land for \$1 to another public agency. If that land ever were sold at fair market value, the State would receive 50% of the proceeds. The bill also provides that once the land was sold at fair market value, the State would not be entitled to any future proceeds from sale of the land.

The bill would add a definition for "basal area" (the sum of the cross-sectional area of trees 4 inches or greater in diameter measured at 4.5 feet from the highest ground at the base of each tree) and it would narrow the definition of "prime land" to municipal forestland larger than 121 acres in size, which would exempt additional parcels since the current minimum is 80 acres.

MCL 324.52706

FISCAL IMPACT

At this time, the DNR has conveyed approximately 75,272 acres to municipalities under Section 52706. Of this amount, the DNR has re-acquired 171.5 acres through the reversion provisions of the section. The exemption of prime land from sale eligibility affects about 17,000 acres. While the fair market value of the parcels varies widely by location, the acreage price per acre is about \$1,000. Some of the land will never be sold or conveyed from the public agency currently holding it, such as 29,000 acres in Gogebic County that are actively managed forestland. Removing prime land and Gogebic County acres leaves approximately 31,100 areas that possibly could be sold under the bill.

Budget target agreements in previous years assumed that the State would receive at least \$18.0 million, meaning that at least \$36.0 million of total revenue would result from sale of the forestland since the State would receive 50% of the total revenue and municipalities retain the other 50%. If all of the 31,100 acres were sold, collection of this amount of revenue would depend on an average, minimum sale price of \$1,158 per acre. This would be one-time revenue for the public agencies and the State. It would be received when a public agency sold the forestland, which could take many years.

Since the first \$18.0 million in revenue to the State would be deposited into the General Fund and this amount assumes that all of the available land is sold at a price above the average fair market value, it is unlikely that the Fire Protection Fund would receive any revenue under this section.

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