

Legislative Analysis



PILT PAYMENTS FOR LAND PURCHASED BY NATURAL RESOURCES TRUST FUND

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

**House Bill 4577 as enacted
Public Act 117 of 2011
Sponsor: Rep. Joel Johnson**

**House Bill 4579 as enacted
Public Act 118 of 2011
Sponsor: Rep. Frank Foster
House Committee: Natural Resources, Tourism, and Outdoor Recreation
Senate Committee: Natural Resources, Environment, and Great Lakes**

Complete to 7-26-11

A SUMMARY OF HOUSE BILLS 4577 (H-1) & 4579 (S-1) AS ENACTED

Payments in Lieu of Taxes (PILT) are payments made by the state to local units of government in lieu of property taxes for the land owned by the state and administered by the Department of Natural Resources (DNR). The payments are made by the Department of Treasury.

For PILT payments currently, the portion of the payment that represents an assessment by a local school district, intermediate school district, or community college district must be paid from the School Aid Fund. The balance of the payment is made as follows: (1) not more than 50% from DNR restricted revenue sources; and (2) any remaining balance from the General Fund

These bills require PILT payments on land purchased through the Michigan Natural Resources Trust Fund to be paid in full from the Natural Resources Trust Fund.

House Bill 4577 (H-1) would amend Part 21 of the Natural Resources and Environmental Protection Act (NREPA) to require the Legislature to make appropriations from the Michigan Natural Resources Trust Fund each fiscal year to make full payments in lieu of taxes on state-owned land purchased through the Trust Fund.

House Bill 4579 (S-1) would amend Part 21 of NREPA to require the following for payments made after 2011:

- If the claimed property was purchased by the Trust Fund, the portion of the payment that represents an assessment by a local school district, intermediate school district, or community college district would be paid out of the Trust Fund. The balance of any payment remaining would also be paid by the Trust Fund.

- If the claimed property is not purchased by the Trust Fund then payments would be made as the law requires now for all payments.

For payments made before 2012, the procedure would remain as in current law.

Part 21 provides for prorated payments to local assessing districts if the amount available for PILT from the General Fund or any restricted fund is less than the amount required. These partial payments do not satisfy payments obligated by the State. Under this bill, partial payments charged against the Trust Fund after 2011 would not satisfy payments obligated by the State.

MCL 324.1903 - HB 4577 (H-1)

MCL 324.2154 - HB 4579 (S-1)

FISCAL IMPACT:

House Bills 4577 and 4579 would require payments in lieu of taxes (PILT) on Michigan Natural Resources Trust Fund purchased land to be paid in full from the Natural Resources Trust Fund. Statute currently states that no more than 50 percent of the PILT on Natural Resources Trust Fund purchased lands may be paid from the Natural Resources Trust Fund. By requiring Natural Resources Trust Fund purchased land PILT to be paid entirely out of the Natural Resources Trust Fund, the General Fund would realize savings of approximately \$350,400 based on Executive estimates for Fiscal Year 2011-12 payments. While there are no specific data available to determine exactly how much of the current School Aid Fund payments are on Natural Resources Trust Fund purchased lands, the DNR estimates it could be 26.8% by using the equivalent percentage out of current Natural Resources Trust Fund/General Fund payments. Thus, the bill could create savings for the School Aid Fund of approximately \$774,500 based on Executive estimates for Fiscal Year 2011-12 payments. Conversely, the Natural Resources Trust Fund would be required to increase payments by a total of approximately \$1,124,900. Annual costs and savings under the bill would be dependent upon annual appropriations for Natural Resources Trust Fund purchased land PILT.

In FY 2009-10 Purchased Land PILT payments were prorated in order to implement the FY 2009-10 budget agreement. Statute was amended to provide that partial payments, in FY 2009-10 only, would satisfy payments obligated by the state of Michigan. In FY 2010-11 (PA 191 of 2010), the proration of the Purchased Land PILT payment was continued. Finally, the FY 2011-12 budget agreement (PA 63 of 2011) further reduced Purchased Land PILT payments below the FY 2010-11 funding level and would require a proration of payments. As enacted, HB 4579 amends statute to permit the annual proration of payments beginning in the current fiscal year (FY 2010-11). The prorated payments would satisfy payments obligated by the state.

The bill also specifies that partial payments charged against the Michigan Natural Resources Trust Fund for Purchased Land PILT would not satisfy payments obligated by

the state. Therefore, the Natural Resources Trust Fund would be required to pay the full cost of Purchased Land PILT that was originally purchased with funds from the Natural Resources Trust Fund.

Legislative Analyst: Jeff Stoutenburg
Chris Couch

Fiscal Analyst: Ben Gielczyk
Mary Ann Cleary
Bethany Wicksall

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