



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



BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

House Bill 4577 (Substitute H-1 as reported without amendment)  
House Bill 4579 (Substitute S-1 as reported)  
Sponsor: Representative Joel Johnson (H.B. 4577)  
Representative Frank Foster (H.B. 4579)  
House Committee: Natural Resources, Tourism, and Outdoor Recreation  
Senate Committee: Natural Resources, Environment and Great Lakes

### **CONTENT**

House Bill 4577 (H-1) would amend Part 21 (General Real Estate Powers) of the Natural Resources and Environmental Protection Act to require the Legislature to make annual appropriations from the Natural Resources Trust Fund in order to make full payments in lieu of taxes (PILT) on State-owned land purchased through the Trust Fund.

House Bill 4579 (S-1) would amend Part 21 to require PILT for land purchased through the Natural Resources Trust Fund to be paid in full from the Trust Fund, beginning in 2012.

Under Part 21, with regard to the aggregate amount for all PILT to all assessing districts, the portion of the payment that represents an assessment by a local school district, intermediate school district (ISD), or community college district must be charged against the School Aid Fund. Up to 50% of the balance of any remaining payment must be charged from restricted revenue sources of the Department of Natural Resources (DNR), and the rest must be charged from the General Fund.

Under the bill, for payments made after 2011, this would continue to apply for property that was not purchased with Trust Fund money.

For property purchased with funds from the Trust Fund, the portion of the payment that represented an assessment by a local school district, ISD, or community college district would have to be charged against the Trust Fund. The balance of any payment remaining after that charge also would have to be charged against the Trust Fund.

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 the bill, partial payments charged against the Trust Fund after 2011 would not satisfy payments obligated by the State.

MCL 324.1903 (H.B. 4577)  
324.2154 (H.B. 4579)

Legislative Analyst: Julie Cassidy

### **FISCAL IMPACT**

The PILT program for purchased land pays the ad valorem property taxes (adjusted for limits in the number of mills levied and the rate of increase in taxable value) on land purchased by the Department of Natural Resources after January 1, 1933. For land purchased with restricted funds, current law requires that the payment to reimburse taxes levied by municipalities be made half from the restricted fund used for purchase and half from the General Fund. These payments are appropriated in the Department of Treasury

budget, within the General Government budget. For school district, intermediate school district, and community college taxes, the Purchased Lands payments are made from the School Aid Fund and appropriated in the School Aid budget. Current appropriations for the Purchased Lands PILT program require proration of the payment amount. Purchased Lands PILT payments were prorated for the first time in FY 2009-10 in the Treasury budget using statutory proration authority in effect for FY 2009-10 only. The budget for FY 2010-11 assumes proration, and a statutory change to authorize the proration is needed to complete implementation of the current-year budget. The bills would authorize the proration of Purchased Lands PILT payments in FY 2010-11. Similarly, the budget for FY 2011-12 in Public Act 63 of 2011 assumes proration of the Purchased Lands payments and a statutory change would be required to implement that proration. The bills would amend the statute to permit proration in FY 2011-12 and future years of Purchased Lands PILT for those properties purchased with funds other than the Natural Resources Trust Fund, such as the Game and Fish Protection Fund and the Michigan State Waterways Fund.

The bills would require full payment of the Purchased Lands PILT for land purchased by the Natural Resources Trust Fund and would require that, beginning in 2012, the Natural Resources Trust Fund pay the full cost of PILT on DNR land originally purchased with funds from the Natural Resources Trust Fund. This would shift costs from the School Aid Fund and the General Fund to the Natural Resources Trust Fund, reducing the amount of the Natural Resources Trust Fund available for other projects. The bills also would increase the cost of the Purchased Lands program in FY 2011-12 above the level that was included in the enacted budget, Public Act 63 of 2011.

Increasing the Department of Treasury Purchased Lands PILT on land purchased by the Trust Fund to full funding in FY 2011-12 and making those payments entirely from the Natural Resources Trust Fund would increase costs to the Trust Fund by \$882,800 and reduce General Fund expenditures by \$350,400. The bills also would reduce PILT made by the School Aid Fund and shift those charges to the Natural Resources Trust Fund; however, the amount of the School Aid PILT attributable to land purchased by the Natural Resources Trust Fund is not currently available. Changes in appropriations for FY 2011-12 would be required to implement the bills.

Date Completed: 6-23-11

Fiscal Analyst: Elizabeth Pratt

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