



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

Senate Bill 1037 (Substitute S-1)  
Sponsor: Senator Mike Prusi  
Committee: Natural Resources and Environmental Affairs

Date Completed: 2-11-08

### **CONTENT**

**The bill would amend Part 527 (Municipal Forests) of the Natural Resources and Environmental Protection Act to require partitioned prime land to continue to meet certain criteria in order to remain prime land subject to a reversionary interest of the State.**

Under Part 527, the Department of Natural Resources (DNR), the Department of Treasury, or a State officer in charge of State land may sell homestead, tax, swamp, or primary school land to a public agency for forestry purposes at a price set by the Department or the State officer. ("Public agency" means a school district, a public educational institution, a governmental unit or agency of the State, or a municipality.) The amount of land sold may not exceed the amount necessary for the public agency, and the land must be suitable for and used solely for a forestry purpose unless conveyed as provided under Part 527.

Land sold to a public agency must be used only for a forestry purpose if it is prime land. When the prime land is no longer used for a forestry purpose, the land reverts to the State.

"Prime land" means municipal forestland that meets one or more of the following requirements:

- Is within a boundary of a program administered by the DNR.
- Provides access to a public body of water.
- Is at least 121 acres in size and, at any time during the preceding 10 years, had a basal area of at least 90 square feet per acre.

Under the bill, if prime land, other than prime land that qualified based on size and area, were partitioned or split, a resulting parcel could not be considered prime land meeting the requirement pertaining to being within the boundary of a DNR program or providing access to a public body of water, unless the resulting parcel independently met that requirement.

(For information regarding the conveyance of municipal forestland that is not prime land, please see **BACKGROUND**, below.)

MCL 324.52706

### **BACKGROUND**

Except for prime land, the DNR must relinquish a reversionary interest in municipal forestland conveyed to a public agency before October 12, 2004, within 90 days after

receiving a written request from the public agency. Beginning June 6, 2010, a public agency to which a reversionary interest was relinquished as provided may not convey the municipal forestland formerly subject to the reversionary interest unless the conveyance is approved by the DNR.

A public agency to which a reversionary interest was relinquished and any public agency that is a successor in interest may not convey the forestland, or any part of it, unless the conveyance is to a public agency for \$1 or to a public agency or any other person for fair market value. If the conveyance is made for fair market value, the public agency must have an accounting taken, retain 50% of the proceeds, and submit the remaining 50% to the Department of Treasury for deposit as follows:

- The first \$18.0 million in total proceeds from all such conveyances must be deposited in the General Fund.
- Any excess proceeds must be deposited in the Fire Protection Fund.

Once the municipal forestland formerly subject to a reversionary interest is conveyed for fair market value and an accounting is taken and the proceeds are distributed as provided, these provisions do not apply to subsequent conveyances of that land.

A public agency to which a reversionary interest is relinquished may not convey the land to a third person unless the public agency has conducted a public hearing on the proposed conveyance. The public agency may conduct a second hearing if it determines a second hearing may be necessary. If, before June 6, 2010, a public agency conveys municipal forestland formerly subject to a reversionary interest that was relinquished, the public agency must notify the DNR within 60 days.

If a public agency conveys municipal forestland to the DNR, for the purposes of subparts 13 (Tax on Tax Reverted, Recreation, and Forest Lands) and 14 (Payment in Lieu of Taxes on Certain State Lands) of Part 21 (General Real Estate Powers), the forestland may not be considered to have been reacquired by the DNR on or after January 1, 1933, for natural resource purposes unless the forestland was originally acquired by the DNR on or after that date for such purposes.

Legislative Analyst: Julie Cassidy

## **FISCAL IMPACT**

The bill would generate an indeterminate amount of revenue for the State and local units of government. Currently, a municipality may not sell prime land. By dividing prime land into parcels that were not within a boundary of a DNR program or did not provide access to a public body of water, a municipality would be able to sell portions of land that are not eligible for sale under existing law.

Proceeds from the sale of municipal forestland are divided evenly between the State and the local unit of government. Of the amount received by the State, the first \$18.0 million of revenue under Part 527 is deposited into the General Fund and additional revenue is deposited in the Fire Protection Fund.

Fiscal Analyst: Jessica Runnels

S0708\1037sb

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.