

MICHIGAN NATURAL RESOURCES TRUST FUND AMENDMENTS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 551 as passed by the Senate
Sponsor: Sen. Dave Hildenbrand
House Committee: Appropriations
Senate Committee: Appropriations
Complete to 10-10-17

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 551 would amend the Natural Resources and Environmental Protection Act (NREPA) by revising provisions governing the Michigan Natural Resources Trust Fund (MNRTF).

The Trust Fund is established in Article IX of the Michigan Constitution of 1963 and receives revenue from leases paid for the extraction of nonrenewable resources (oil and gas) on state-owned land. The annual interest and earnings generated by the fund is used primarily to acquire and develop land for recreational purposes through grants distributed to local governments or state agencies such as the Department of Natural Resources (DNR). Grant projects are recommended for funding by the MNRTF Board, and are forwarded to the legislature for appropriation.

Senate Bill 551 would make the following changes.

Trust Fund Administration

The bill would do all of the following:

- Strike Section 1902 (2) of the NREPA. That section requires the transfer of up to \$10.0 million annually from the MNRTF to the Michigan State Parks Endowment Fund (MSPEF) until the MNRTF reaches an accumulated principal of \$500.0 million. The MNRTF reached this limit in May 2011; new revenue received from oil and gas leases on state land is now deposited to the MSPEF. The bill also would delete related provisions that only apply until the MNRTF reaches the \$500.0 million limit.
- Require that the DNR's annual report on the MNRTF be submitted each year and include a statement of total unexpended interest and earnings from the previous year held by the fund.
- Create an advisory board composed of the following individuals or their designees: Governor, State treasurer, Senate majority leader, Speaker of the House of Representatives, and one MNRTF board member selected by the MNRTF board.

- Require this advisory board to recommend to the MNRTF Board the amount of money from the MNRTF that should be made available for each of the following purposes:
 - Acquisition grants
 - Development grants
 - Fund administration
 - An amount that should be retained within the fund to mitigate future market fluctuations after accounting for the aforementioned annual expenditures

Project Evaluation and Grant Awards

The bill would require that the list of grant awards submitted by the MNRTF Board be based on the annual report, which would include a statement of the fund's total unexpended interest and earnings.

FISCAL IMPACT:

The bill would have an indeterminate fiscal impact on the DNR and local units of government. The principle balance of the MNRTF has been static since its \$500.0 million constitutional cap was reached over six years ago. Money available for annual expenditure from the fund is generated by interest and earnings which are subject to market forces and unlikely to change as a result of the bill. The new advisory board would provide a more direct channel for funding-level recommendations by the legislature and governor to the MNRTF Board based on the fund's annual report. However, advisory board recommendations do not appear to be legally binding. The number of future grant applications is difficult to project and funds available for expenditure would still primarily depend on income generated by the fund in a given fiscal year. Consequently, future grant awards available to local units of government will continue to vary from year to year.

Fiscal Analyst: Austin Scott

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