

Legislative Analysis



NONFERROUS MINING RESEARCH GRANTS

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

House Bill 6218 as introduced
Sponsor: Rep. Sara Cambensy
Committee: Natural Resources and Outdoor Recreation
Complete to 9-27-22

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

SUMMARY:

House Bill 6218 would amend the Rural Development Fund Act to create a nonferrous mining research grant program.

The grant program would have to be created and administered by the Michigan Department of Agriculture and Rural Development (MDARD). Grants would be made only to public colleges and universities located in Michigan that have a focus on mining, geology, or a related scientific or technological field, and the grants could be only used for ***qualified research projects***.

Qualified research project would mean a research and development project that advances knowledge regarding the processing or reclamation of ***nonferrous metallic minerals*** or other activities related to the mining of nonferrous metallic minerals.

Nonferrous metallic mineral would mean the same as it does in section 63201 of the Natural Resources and Environmental Protection Act (NREPA): Any ore or material to be excavated from the natural deposits on or in the earth for its metallic content, but not primarily for its iron or iron mineral content, to be used for commercial or industrial purposes.

With the advice of the Rural Fund Development Fund Board, MDARD would have to create an application process, selection criteria, and a grant dispersal process for the grant program and post them on its website.

Proposed MCL 286.946a

BACKGROUND:

The Rural Development Fund Act, effective December 20, 2012, established a new state-restricted fund, the Rural Development Fund, within the state treasury. Fund revenue is derived almost entirely from a 35% share of revenue collected from a nonferrous metallic minerals extraction severance tax established under Nonferrous Metallic Minerals Extraction Severance Tax Act.

Under the Rural Development Fund Act, MDARD is administrator of the Rural Development Fund. The act establishes allowable uses for the fund. Under current law, money in the fund may be expended, upon appropriation, for grants, loans, and loan guarantees to fund projects meeting established criteria.

The act provides a process for developing specific criteria in selecting projects for funding and a process for selecting specific projects. The act established the Rural Development Fund Board and directs the board to develop criteria for evaluating project proposals for funding from the Rural Development Fund. At the same time, the act indicates that the criteria to be developed by the board should give preference for projects in the region in which nonferrous metallic minerals extraction severance tax revenue is generated and that the criteria “address the expansion and sustainability of land-based industries, worker training related to land-based industries, and energy, transportation, communications, water, and wastewater infrastructures to benefit rural communities.”¹ The bill also directs the board to review the criteria annually and to update them as necessary.

Through September 2022, there have been 103 grants awarded, totaling \$8.5 million.

Revenue from the nonferrous metallic minerals extraction severance tax was first credited to the fund in FY 2015-16. From FY 2015-16 through FY 2019-20, fund revenue averaged \$1.4 million. Revenue credited to fund increased to \$2.7 million in FY 2020-21. Revenue credited to the fund in FY 2021-22, through September 26, 2022, totals \$4.2 million.

Rural Development Fund Revenue History						
	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Severance tax #	\$1,729,500	\$943,300	\$1,405,300	\$1,589,400	\$1,487,900	\$2,637,600
Other revenue and deducts	0	0	16,700	51,700	(2,200)	55,700
Total	\$1,729,500	\$943,300	\$1,422,000	\$1,641,100	\$1,485,700	\$2,693,300
# Severance tax means the Nonferrous metallic minerals extraction severance tax established under 2012 PA 410						

Rural Development Fund annual reports are posted to the MDARD website.²

FISCAL IMPACT:

House Bill 6218 would authorize a new use for the Rural Development Fund. Specifically, the bill would direct MDARD to create and operate a nonferrous mining research grant program to make grants to Michigan public colleges and universities that have a focus on mining, geology, or a related scientific or technical field. The bill requires that grants be for qualified research projects. The bill also directs that not less than \$100,000 the fund receives during a state fiscal year be used to fund the nonferrous mining research grant program.

The bill would have no direct fiscal impact on the state. The bill would simply provide for use of part of an existing state fund to a new grant program. The bill would have no direct fiscal impact on local units of government.

Legislative Analyst: Josh Roesner
Fiscal Analyst: William E. Hamilton

■ 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.

¹ “Land-based industries” refers to food and agriculture, forestry, mining, oil and gas production, and tourism.

² See <https://www.michigan.gov/mdard/business-development/grantfund/rural-development-fund-grants>