



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 140 (as introduced 3-12-25)
Sponsor: Senator Jeff Irwin
Committee: Natural Resources and Agriculture

Date Completed: 10-27-25

CONTENT

The bill would amend Part 615 (Supervisor of Wells) of the Natural Resources and Environmental Protection Act to increase, from 1% of gross cash market value to 2%, the maximum fee that could be levied for the purposes of the monitoring, surveillance, enforcement, and administration of Part 615 on oil and gas produced in Michigan.¹

To calculate the annual fee, the Director of the Department of Technology, Management, and Budget must certify to the Department of Treasury the amount appropriated for the current fiscal year for the purposes of monitoring, surveillance, enforcement, and administration of Part 615. Then, the Department of Environment, Great Lakes, and Energy (EGLE) must estimate the total production and gross cash market value of all oil and gas that will be produced in the State during that fiscal year and certify the estimate with the Department of Treasury. The Department of Treasury then determines the fee based on the Oil and Gas Regulatory Fund's balance at the end of the prior fiscal year.

Currently, if the Fund balance is less than \$7.0 million then the fee is 1% of the gross cash market value of oil and gas produced or an amount calculated to cause the Fund to accumulate \$7.0 million at the end of the fiscal year. Under the bill, if the balance were less than \$7.0 million then the fee would be 2% of the gross cash market value of oil and gas produced or an amount calculated to cause the Fund to accumulate \$7.0 million by end of the fiscal year.

MCL 324.61524

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is a reintroduction of Senate Bill 220 of the 2023-2024 Legislative Session.

Legislative Analyst: Alex Krabill

FISCAL IMPACT

The bill would have a positive fiscal impact on EGLE of approximately \$3.5 million to \$5.0 million per year, and no fiscal impact on local units of government. The bill would increase revenue credited to the Oil and Gas Regulatory Fund by increasing the maximum fee levied on oil and gas production from 1% of gross cash market value to 2%. The Fund supports

¹ Part 615 generally establishes EGLE's authority to regulate oil and gas wells in the State. It prescribes a drilling permit process, the requirements to obtain a permit, and prohibits a person from creating waste in the development, production, handling, or use of oil or gas.

EGLE's activities relating to monitoring, surveillance, and enforcement of regulations governing oil and gas wells.

Statute currently requires that if the balance of the Fund is less than \$7.0 million at the close of the immediately preceding fiscal year, that the fee be levied at the full 1%. If the Fund balance exceeds or is forecasted to exceed \$7.0 million in the current fiscal year, the fee must be prorated to a level that is projected to result in a \$7.0 million balance at the end of that fiscal year. The bill would not change the \$7.0 million threshold but would apply that condition to the increased maximum fee of 2% of gross cash market value of oil and gas production. Revenue from the fee has decreased in recent years due to decreased oil and gas production; however, the monitoring and enforcement activities that EGLE is required to perform have not decreased thusly, as statute requires regulation of wells that aren't currently under production or that are producing at a reduced level. For the past several years, the Legislature has appropriated approximately \$4.0 million annually from the State General Fund for these regulatory activities in an effort to replace oil and gas fee revenue that the State is no longer collecting. Increased fees under the bill would likely eliminate the need for these General Fund appropriations.

Fiscal Analyst: Josh Sefton

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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.