

## STATE DNR LAND TO SCHOOL DISTRICTS

### House Bill 4410 (Substitute H-1) First Analysis (11-1-01)

**Sponsor: Rep. Mike Pumford**  
**Committee: Education**

#### ***THE APPARENT PROBLEM:***

Over 3,000 parcels located in 50 of the state's 83 counties and totaling more than 82,000 acres have been deeded to 300 of the state's 555 school districts for forestry programs. According to committee testimony offered by officials in the Department of Natural Resources, most of these deeds were conveyed by the state to school districts between 1930 and 1960, although the practice continued sporadically throughout the decade of 1960s. Under the provisions of the act that governs these forestland conveyances, when the lands are no longer needed or used for forestry purposes, the lands revert to the state. See *BACKGROUND INFORMATION*, "School forests" below. Generally, school districts use the lands for their forestry programs, and often the districts log-off the land and add the revenue they generate from timbering to their general funds, or their site development funds. Under the law, they must share the proceeds of any revenue the land generates with other units of local government.

Sometimes school district officials propose other uses for the land, and when they do so they make application to the Department of Natural Resources to forgo its right of reversion. For example, earlier this year and with the department's approval the White Cloud School District traded its 160-acre tract of remote forestland, donated to the school district in 1950 by the Department of Conservation, for a privately-owned 70-acre site closer to town, in order to build a new school near its existing facilities. A land appraisal had indicated that the value of the 70-acre site was higher than the value of the 160-acre site because the larger parcel was so remote from business and commerce opportunities. Consequently the trade was financially advantageous for the school district's taxpayers. See *BACKGROUND INFORMATION*, "Forestland Sale & Trade Example" below.

Recently, the Pine River School District approached the Department of Natural Resources to petition for a land reversion exemption in that district. There, according to committee testimony by the school superintendent, the district holds the deed for 687

noncontiguous acres in three counties. The district proposes to sell the forestland, and use the proceeds from the sale to improve its school buildings.

In order to allow land sales and trades of this kind, and to ensure that the revenue from these projects stays with the school district rather than being shared with other local units of government, legislation has been introduced.

#### ***THE CONTENT OF THE BILL:***

House Bill 4410 would amend the Natural Resources and Environmental Protection Act to provide for a procedure to transfer certain kinds of state land to school districts.

Currently, the Department of Natural Resources, the auditor general, or a state officer having charge of state land may sell homestead, tax, swamp, or primary school land to municipalities for forestry purposes, at a fixed price. However, the land cannot be sold in excess of the amount that may be necessary, and it must be suitable and used solely for a forestry purpose. When the land is no longer used for a forestry purpose, it must revert to the state.

Under the bill these provisions would be retained (although the out-dated reference to the auditor general would be eliminated). However, a school district that had received land in this manner could petition the department (on a form provided) for a change in deed restrictions that would remove the reversionary interest in the land. Then, within 30 days of receipt of a petition, the department would be required to grant the petition unless it determined that the land was of significant environmental interest to the state. Further, not more than 60 days after approval of a petition, the department would be required to convey the property, or the state's interest in the property, to the school district without deed restrictions. If the department denied a petition, it would be required to notify the petitioner of the denial, state the specific reasons for the denial, and

inform the petitioner of its right to a contested case hearing before the Natural Resource Commission. A school district whose petition was denied could then demand a contested case hearing under the Administrative Procedures Act. Finally, the bill specifies that when a district sold property without deed restrictions, the proceeds from the sale could be used only for infrastructure improvements within the district, or the district's educational foundation.

MCL 324.52706

### ***BACKGROUND INFORMATION:***

School forests. According to committee testimony, the purpose of the school forest has not changed over the many years that they have been in existence. In a publication called "School Forests, Their Educational Use" authored by Skog, Garner, and Thorn and issued by the Cooperative Extension Service at Michigan State College, those purposes include: 1) to develop an understanding of the growth, proper management and wise use of the forest; 2) to instill an appreciation of the vital inter-relationships existing between plants, animals, soil, and water; 3) to demonstrate the social and economic benefits accruing from proper land use; 4) to provide a working laboratory for the study of living things; 5) to develop an appreciation of the importance of woodlands as a natural resource; and 6) to encourage good woodland management on land owned by individuals.

Forestland sale and trade example. Earlier this year in May 2001, the White Cloud School District received approval from the DNR to trade its forestland for another parcel on which it is building a school. According to committee testimony from the superintendent of the White Cloud School District, that district held a 160-acre deed of forestland, donated to the school district in 1950 by the Department of Conservation. The parcel was remote, adjacent to a hunting camp and lodge, and accessible only by a two-track lane. Although the district offers environmental science in its high school curriculum, it did not use the forestland site to do so. Historically, the school district's involvement with the site had been minimal. For example, the superintendent testified that during the 1960s the parcel burned, and subsequently the district received revenue when it logged-off the parcel. Other than occasional timbering revenue, the district could foresee little need for the forestland. Consequently the school district applied to the DNR to trade the 160-acre parcel for 70-acres that were privately owned and located near its existing school

facilities site. The owner of the 70-acre site had expressed interest in a trade (but apparently had no interest in a land sale). He also was owner of a hunting camp adjacent to the 160-acre forestland site that had been deeded to the school district by the state in 1950. As the idea for a land trade gained momentum, the district superintendent testified that a land appraisal was undertaken, and that appraisal had indicated that the value of the 70-acre site was higher than the value of the 160-acre site because the larger parcel was so remote from business and commerce opportunities. Consequently the trade was financially advantageous for the school district's taxpayers.

Upon application by the school district to the Department of Natural Resources, the department officials indicated they were willing to forego reversion of the 160-acre parcel to the state, which allowed the land trade to go forward. However, the request was not granted in a timely manner. The lack of speedy approval was problematic because anticipating the department's approval of its proposed land-trade, the school district had scheduled a school bond election for June 11, 2001, in order to seek voter approval to sell bond debt which enabled the district to begin building a new school on the 70-acre site. In order to allow this land trade, as well as to enable other uses of state deeded forestry land by school districts, a change in policy was contemplated and legislation was introduced to enable speedier land trades and reversions.

### ***FISCAL IMPLICATIONS:***

The House Fiscal Agency notes that the bill would remove the reversionary clause from deed restrictions on lands (provided to local governments for forestry purposes) if those lands are held and used by school districts. These lands would be conveyed to school districts on a case-by-case basis. The Michigan Natural Resources Trust Fund would not receive royalty revenue from any mineral interest transferred to a school district. (5-23-01)

### ***ARGUMENTS:***

#### ***For:***

This bill allows land sales of state forestland that was long ago deeded to school districts, so the one-time cash proceeds from those sales could be used to make school improvements, or be directed to a district's educational foundation. The money from the sales could reduce a district's need to sell debt in the form of bonds, on which interest must be paid to the bondholders. In addition, and as a school district

superintendent noted during committee deliberations, reverting state-held forestland to the tax rolls increases land values in school districts over the long-term, as well, since it enhances the districts' local property tax base. That enhanced tax base further reduces the district's reliance on state aid in the calculation of its per pupil foundation grant. In several ways, then, the sale of forestlands by school districts saves tax payers money.

***Against:***

The legislature has already provided a process whereby reverter clauses may be removed to allow alternate use, or sale, of state-deeded property. This may occur after appropriate review, public notice, and comment. When sale of these lands by a local unit is allowed, current law requires that proceeds from the sale be shared proportionately by the local taxing authorities. This bill would allow school districts to subsequently sell or trade properties, without sharing revenue with the township and county. Further, the bill would eliminate the public review process for these land conversions at a time when there is increased demand for additional public notice and comment opportunities of state land transactions. Finally, although the bill provides for a process of case-by-case review, petitions from school districts could be denied only if the Department of Natural Resources could demonstrate "significant environmental interest to the state." The bill should be amended so that petitions could be denied for other specific and compelling reasons.

***POSITIONS:***

The Pine River Area School District supports the bill. (11-1-01)

The Michigan Association of School Boards supports the bill. (11-1-01)

The Michigan Association of School Administrators supports the bill. (11-1-01)

The Department of Natural Resources does not support the bill without amendment. (11-1-01)

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