

MICHIGAN NATURAL RESOURCES TRUST FUND AND MICHIGAN STATE PARKS ENDOWMENT FUND CONSTITUTIONAL AMENDMENTS

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Senate Joint Resolution O (H-3) as reported from committee
Sponsor: Sen. Tom Casperson

Senate Bill 763 (H-3) as reported from committee
Sponsor: Sen. Tom Casperson

Senate Bill 931 (H-3) as reported from committee
Sponsor: Sen. Geoff Hansen

Senate Bill 932 (H-3) as reported from committee
Sponsor: Sen. Darwin Booher

House Committee: Appropriations
Senate Committee: Natural Resources
Complete to 12-19-18

SUMMARY:

Senate Joint Resolution (SJR) O would amend the Michigan Constitution, along with Senate Bills 763, 931, and 932 which would enact accompanying statutory changes, to change certain restrictions governing Michigan Natural Resources Trust Fund recreation project funding and to provide for additional revenue to be credited to the fund under certain conditions. The package also would add an expenditure requirement for the Michigan State Parks Endowment Fund. A detailed summary of the resolution and each bill follows.

DETAILED SUMMARY:

Senate Joint Resolution O

SJR O proposes to amend sections 35 and 35a of Article IX of the Michigan Constitution of 1963 to do all of the following:

Section 35 - Michigan Natural Resources Trust Fund

- Eliminate references to the Michigan Natural Resources Trust Fund (MNRTF) reaching an accumulated principle of \$500.0 million which have become obsolete since this cap was reached in May 2011.
- Add “renovation and redevelopment” alongside “development” as an allowable use for MNRTF-funded projects.
- Provide that the MNRTF would once again receive revenues from leases of state lands for the extraction of nonrenewable resources once the Michigan State Parks Endowment Fund (MSPEF) reaches its accumulated principle cap of \$800.0 million.

The MSPEF principle was \$270.4 million after FY 2017-18; the Department of Natural Resources projects that the fund will take more than 30 years to reach its cap.

- Restrict the legislature from appropriating more than 50% of annual revenue, in addition to the fund's annual interest and earnings, for acquisition and development projects once the MNRTF begins to receive the aforementioned revenue again.
- Clarify the purpose of MNRTF-funded acquisition projects to be "for recreational uses or protection of land because of its environmental importance or scenic beauty."
- Change the restriction on the percentage of funds made available for development projects from a maximum of 25% to a minimum of 25%, which matches the restriction on funds made available for acquisition projects.

Section 35a Michigan State Parks Endowment Fund

- Require that at least of 20% of the money expended from the MSPEF in each fiscal year be used for capital improvements at state parks.
- Add fund administration as an allowable use of the fund.

The resolution states that this constitutional amendment must be included on the ballot of the next general election and that the legislature shall provide for the implementation of this section of the constitution by law (Senate Bills 763, 931, and 932).

Senate Bill 763

Senate Bill 763 would amend the Natural Resources and Environmental Protection Act (NREPA, 1994 PA 451) to include many of the Section 35 provisions of SJR O and to do the following:

- Limit the accumulated principle of the MNRTF to \$500.0 million until the accumulated principle of the MSPEF accumulated principle reaches \$800.00 million after which time revenues from leases of state lands for the extraction of nonrenewable resources would once again be credited to the MNRTF.
- Specify that MNRTF-funded acquisitions should be made "for recreational uses or protection of land because of its environmental importance or scenic beauty."
- Add "renovation and redevelopment" as allowable uses for MNRTF-funded development projects.

MCL 324.1901 et al.

Senate Bill 931

Senate Bill 931 would amend NREPA to require that at least of 20% of the money expended from the MSPEF in each fiscal year be used for capital improvements at state parks. The bill would also add fund administration as an allowable use of the fund.

MCL 324.74119

Senate Bill 932

Senate Bill 932 would amend NREPA to include the following definition:

- "Endowment fund" would mean the Michigan State Parks Endowment Fund established in Section 35a of Article IX of the Michigan Constitution of 1963.

Tie-bars

Senate Bills 763, 931, and 932 are all tie-barred to one another and SJR O, meaning that none will be enacted unless they all are enacted.

FISCAL IMPACT:

SJR O and corresponding Senate Bills 763, 931, and 932 would have varied fiscal impacts on units of government at both the state and local levels. However, these legislative changes would not directly change revenues for the MNRTF nor the MSPEF. Rather, these funds' interest and earnings as well as the income from leases on state land for the extraction of nonrenewable resources are subject to investment market conditions and the market prices for commodities such as oil, natural gas, and various minerals. In FY 2017-18 the MNRTF earned \$38.0 million in investment income while the MSPEF has averaged \$33.4 million in annual income from nonrenewable resources royalties in recent years. These bills would change the distribution of this revenue however, and change availability of grant funding to local governments.

Michigan Natural Resources Trust Fund

SJR O and Senate Bill 763 would amend the constitution and statute regarding the MNRTF. This trust fund has been used to award grants to both the state and local units of government for the acquisition and development of land for public recreation since 1976. The addition of "renovation and redevelopment" to the trust fund's purposes is likely to expand the pool of prospective projects and increase potential grant recipients' opportunities for funding. The MNRTF Board received 121 development grant applications in FY 2017-18, 97 of which were ultimately funded. It is unclear how many more development applications would be received under this expansion of the fund's purpose.

The MNRTF principle has not received revenue since the fund reached its cap of \$500.0 million in May 2011, rather the fund has continued to grow through the principle's annual interest and earnings. The bills would provide for the MNRTF's principle to again receive revenues from nonrenewable resource royalties once the MSPEF reaches its \$800.0 million cap. This change would allow the MNRTF to grow faster than currently provided for by statute, thereby increasing the funding available for public recreation project grants, although the MSPEF cap is not projected to be reached for more than 30 years.

Changing the restriction on funds made available for MNRTF-funded development projects from a maximum of 25% to a minimum of 25% would allow the MNRTF Board to recommend, and the legislature to appropriate, more funding for projects than may currently be spent. A total of \$86.0 million was made available for project funding in FY 2017-18, and all 34 acquisition applicants received grants totaling \$28.9 million. However, only 97 of 121 development applicants received a grant since development awards were capped at \$21.5 million (25% of the \$86.0 million made available) though development applications totaled \$29.0 million. Changing the development project funding ceiling of 25% to a floor of 25% would match the restriction on acquisition projects and provide for

all development applications to be appropriated in a given year if recommended by the MNRTF Board.

Michigan State Parks Endowment Fund

SJR O and Senate Bill 931 would amend the constitution and statute to require that not less than 20% of annual expenditures from the MSPEF be used for state park capital outlay projects. Since the DNR split from the Department of Environmental Quality in FY 2011-12 total MSPEF appropriations have averaged \$27.4 million while MSPEF state park capital outlay appropriations have averaged \$3.3 million (12.1%). State park capital outlay appropriations have met or exceeded 20% of total MSPEF appropriations only once in this period: \$9.5 million of \$25.8 million (36.9%) in FY 2011-12. This provision would not change the fund's allowable uses nor affect overall costs or revenues for the department but would increase the average percentage of MSPEF funds used for capital outlay projects while decreasing the average percentage expended for the fund's other allowable uses of operations and maintenance at state parks and the acquisition of land or rights in land for state parks.

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.