

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

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**Senate Joint Resolution O (S-3) as passed the Senate**  
**Sponsor: Sen. Tom Casperson**

**Senate Bill 763 (S-4) as passed the Senate**  
**Sponsor: Sen. Tom Casperson**

**Senate Bill 931 (S-2) as passed the Senate**  
**Sponsor: Sen. Geoff Hansen**

**Senate Bill 932 as passed the Senate**  
**Sponsor: Sen. Darwin Booher**

**House Committee: Appropriations**  
**Senate Committee: Natural Resources**  
**Complete to 6-5-18**

### **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 change the allowable uses of the Michigan State Parks Endowment Fund and revise its revenue distribution. 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 \$255.7 million after FY 2016-17; 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***

- Beginning January 1, 2020, expand the allowable uses of the MSPEF, which currently include acquisition and development of land for state parks as well as the administration of the fund, to add the following until the fund reaches its \$800.0 million cap:
  - Local public recreation projects that provide the following:
    - Development of trails.
    - Development, renovation, and redevelopment of local public recreation facilities, provided that not more than 25% of expenditures are related to aquatic invasive species.
- Sunset the current appropriation restriction on the MSPEF on December 31, 2019. This restriction states that the legislature may not appropriate more than 50% of MSPEF revenue plus the fund's interest and earnings.
- Provide MSPEF grants to local units of government or public authorities, requiring local match funds, for local public recreation projects beginning January 1, 2020, and until the MSPEF reaches its \$800.0 million cap.
- Allocate MSPEF revenue plus interest and earnings (beginning January 1, 2020, and until the MSPEF reaches its \$800.0 million cap) as follows:
  - 55% for state park acquisition and development projects.
  - 30% for MSPEF principle.
  - 15% for local public recreation development and trail projects.
- Direct MNRTF Board to recommend local public recreation acquisition and development projects for appropriation by the legislature beginning January 1, 2020, and until the MSPEF reaches its \$800.0 million cap.

The resolution states that this constitutional amendment must be included on the ballot of the August 7, 2018 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.

- Direct the MNRTF Board to do the following when recommending MSPEF-funded projects for appropriation:
  - Give preference to projects located within a local jurisdiction whose government has adopted a resolution in support of the project.
  - Give preference to recreational trail projects that intersect downtown areas
  - Provide each proposed project’s application score.
  - Consider projects located within counties that contain 50% or more privately owned land.
- Require the MNRTF Board to submit the cost of each MSPEF-funded project and the cumulative cost of all recommended projects to the legislature, as well as a statement of the guidelines that the Board employed when listing and assigning each recommended project’s priority ranking.

The bill would repeal section 1904 of NREPA which specifies that once the MNRTF accumulated principal reaches its \$500.0 million cap, additional revenues are credited to the MSPEF until its accumulated principal reaches its \$800.0 million cap, at which time additional revenues will be “distributed by law.”

MCL 324.1901 et al.

**Senate Bill 931**

Senate Bill 931 would amend NREPA to include many of the Section 35a provisions of SJR O as well as require local governments or public authorities applying for MSPEF local public recreation grants to provide matching funds of at least 25% of the total cost of the project.

MCL 324.74119

**Senate Bill 932**

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

- “Endowment fund” would mean the Michigan State Parks Endowment Fund established in Section 35a of Article IX of the Michigan Constitution of 1963.
- “Local unit of government or public authority” would mean a city, county, the Huron-Clinton Metropolitan Authority, school district, township, village, or any combination thereof with legal authority to provide public recreation.

MCL 324.74101

**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 realized an 8.8% return on its accumulated principle amounting to \$51.5 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 \$81.8 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 \$81.8 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 regarding the MSPEF. The fund's current annual revenue distribution of 50% to the principle and 50% plus interest and earnings for appropriations supporting the acquisition and development of state park lands would sunset on December 31, 2019. Annual revenue would be split between the principle (30%), state parks (55%), and local parks and trails (15%) beginning January

1, 2020, until the fund reaches its \$800.0 million cap. The DNR estimates that this cap will be reached in approximately 30 years under the current revenue distribution of 50% to the principle. Reducing this distribution to 30% would increase the estimated time until the MSPEF cap is reached by more than 20 years, assuming recent annual revenues continue. However, the DNR would have 5% more MSPEF funds available for annual appropriation to state parks which would provide for additional progress to be made on the department's current backlog of capital and operational improvements to these facilities.

The proposed change in MSPEF revenue distribution would create an additional source of grant funding for local governments and public authorities for their respective recreation projects. A portion of the fund would functionally mirror the MNRTF by providing funding to applicants for development projects. These projects would require applicant matching funds and MNRTF Board recommendation to the legislature. SJR O and Senate Bill 931 would limit allowable uses to local trail and facility (park) development and would not allow funding to be used for land acquisition. Limiting MSPEF grants to local development, rather than land acquisitions, would likely further reduce the aforementioned number of unfunded development applications received by the MNRTF Board and give local governments more access to public recreation grant funding than is currently available through the state.

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■ 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.