



**House  
Legislative  
Analysis  
Section**

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**STATE PARK INITIATIVE**

**AS ENROLLED**

**House Bill 5246 (Substitute H-1\*)**

**Sponsor: Rep. Beverly Bodem**

**Senate Joint Resolution E as passed by  
the Senate**

**Sponsor: Senator Paul Wartner**

**Senate Bill 952 as passed by  
the Senate**

**Sponsor: Senator Vern Ehlers**

**Senate Bills 970-971 as passed by  
the Senate**

**Sponsor: Senator Philip E. Hoffman**

**First Analysis (4-19-94)**

**House Committee: Conservation,  
Environment & Great Lakes**

**Senate Committee: Natural Resources  
and Environmental Affairs**

***THE APPARENT PROBLEM:***

Michigan's state park and recreation area system, operated by the Department of Natural Resources (DNR), incorporates 120 miles of Great Lakes frontage; over 260,000 acres of recreational land; 11,000 miles of scenic inland lakes and rivers; sand dunes; waterfalls; wetlands; and historical sites such as museums, forts, logging camps, sawmills, and farms. From its conception in 1919, the state park system grew to be the "crown jewel" of the state's natural resources, and now consists of almost 100 sites that contain over 14,000 campsites. The state's pride in its parks, however, has not translated into a corresponding commitment to provide sufficient funds for their upkeep. The state general fund once supplied 80 percent of the parks' budget; it now provides approximately 20 percent. As general fund appropriations have decreased, park user fees -- first implemented in 1950 -- have correspondingly increased. Fees are currently \$4 per day for a motor vehicle permit and \$6 to \$14 per night for a campsite. Such increases, when combined with the loss of state funding, have resulted in a park system that is mainly funded by users. When weather conditions are poor -- and Michigan's climate is always uncertain -- attendance declines. Such a system fails to provide adequate funding for even

the most basic services. Park staffing has been decreased by one-third during the past ten years, and many park programs have been canceled. The result has been a general deterioration in the park system. Thousands of vacationing citizens have been affected: continuous increases in user fees threaten to exclude some citizens from the parks; poor maintenance has persuaded others to switch to private campgrounds.

The legislature, the DNR, and other interest groups have responded to this threat with a plan that would provide the state parks with a permanent source of funding. A large part of the plan evolves around the concept of a state parks endowment fund, from which interest and earnings could be drawn to supplement current appropriations. It is hoped that this would provide the parks with a continuous, stable source of revenue. The plan, named the Michigan State Park Initiative, consists of a package of 12 bills, including House Bill 5064, which would establish the Genevieve Gillette State Parks Endowment Fund; House Bill 5245, which would provide immunity from liability to volunteers working in state parks; House Bill 5247, which would amend the Michigan Tourism Policy Act to

House Bill 5246, Senate Joint Resolution E, and Senate Bills 952, 970-971 (4-19-94)

add recognition of state and locally managed recreational opportunities as one of the tourism policy act's goals; and Senate Bill 951, which would make a transfer of funds to state parks possible by permitting taxpayers to use a state income tax checkoff to buy annual state park passes. In addition to the State Park Initiative, House Bill 5248 would appropriate \$40 million from the sale of the state accident fund to the proposed state parks endowment fund, and House Bill 5249 would permit \$20 million of the proceeds of the accident fund's sale to be appropriated for a proposed Civilian Conservation Corps Endowment Fund. As part of this plan, legislation has been proposed that would further supplement the state parks' budget by ending the diversion of revenues from the Michigan Natural Resources Trust Fund and redirecting a portion of the revenues into a state park endowment fund. In addition, it is proposed that volunteers be encouraged to work in state parks, that the act regulating state parks be updated to reflect current practices, and that a Michigan State Parks Foundation be established to support the enhancement of the parks' system.

### ***THE CONTENT OF THE BILLS:***

The bills are part of a 12-bill package that would, among other things, establish a state park endowment fund to provide a permanent source of funding for state parks.

Currently, the Natural Resources Trust Fund pays \$20 million each year, out of money earned from oil and gas revenues, to the Michigan Strategic Fund for economic development purposes. This diversion from the fund is scheduled to expire at the end of the 1993-94 fiscal year. Senate Joint Resolution E would place before the voters an amendment to Article IX, Section 35 of the state constitution that would no longer allow revenues derived from oil, gas, and other nonrenewable resources that are otherwise dedicated to the Michigan Natural Resources Trust Fund to be distributed to the Michigan Economic Development Authority [MEDA], which was replaced by the Strategic Fund, after September 30, 1994. The joint resolution would have to be submitted to the electorate at the next general election.

House Bill 5246 is tie-barred to Senate Joint Resolution E, and would amend the Michigan Natural Resources Trust Fund Act (MCL 318.503 et al.), to conform with the proposed changes in the

state constitution; to raise the ceiling on the Michigan Natural Resources Trust Fund, and require that a portion of the revenues received by the trust fund be deposited into the state parks endowment fund; and to repeal current provisions of the act relating to distributions from the fund, the establishment of a Natural Resources Trust Bondholders Protection Board, and the issuing of bonds, as follows:

Trust Fund Ceiling. Under the act, money is deposited into the Natural Resources Trust Fund (NRTF) from royalties and other money received by the state under leases permitting the extraction of oil, gas, and other nonrenewable resources on state land. The ceiling on the amount of money, not including interest or earnings, that may accrue in the trust fund (before reverting to the general fund) is \$200 million. House Bill 5246 would amend the act to raise the ceiling to \$400 million.

Trust Fund Expenditures. Currently, the act specifies that the interest and earnings of the trust fund in any fiscal year may be spent for recreational uses and for protection of the land, for the development of public recreational facilities, and for the administration of the fund. In addition, one-third of the money that has accrued to the trust fund's principal in a given fiscal year may be spent for those purposes in the following fiscal year. This latter provision does not apply after the fiscal year in which the total money in the trust fund, exclusive of interest and earnings, exceeds the trust fund's ceiling. House Bill 5246 would amend the act to specify that these provision would not apply after the fiscal year in which the trust fund's total, exclusive of interest and earnings and amounts authorized for expenditure, exceeded \$200 million. The act also places the following restrictions on fiscal year expenditures from the trust fund: not less than 25 percent of the total expenditures may be used for acquisition of land and land rights; and not more than 25 percent of the total expenditures may be used for development of public recreational facilities. The bill would specify, instead, that the restrictions be based on 25 percent of the amounts made available for expenditure from the trust fund.

Endowment Fund. The bill would require that any amount over the trust fund's \$400 million ceiling -- that would otherwise revert to the general fund -- be deposited into the state parks endowment fund until that fund reaches an accumulated principal of \$800 million. Any money remaining after the



endowment fund reached this cap would revert to the general fund. House Bill 5246 would also require that, beginning October 1, 1994, and until the trust fund reached \$400 million, some of the money that is currently deposited into the trust fund be deposited into the endowment fund. Under the bill, 50 percent of the total revenues received by the trust fund each month would be deposited into the endowment fund, up to a maximum of \$10 million per year. However, not more than 50 percent of the revenues received in any state fiscal year could be deposited.

Senate Bill 952 would create the Michigan State Parks Foundation Act, which would establish a foundation to support the enhancement of the state parks system. Projects entered into by the foundation would be selected to enhance the use, preservation, enjoyment, or understanding of the state parks' natural and historic resources, through education and outreach; visitor information services and interpretive facilities; support for volunteer activities; and through employee support programs.

Michigan State Parks Foundation. The Department of Natural Resources (DNR) would provide staff assistance to the foundation; otherwise it would function independently of the DNR. It would be governed by an executive board consisting of the director of the Department of Natural Resources (DNR) and 13 voting members appointed by the governor. Among other duties, the foundation would decide on projects for which the foundation would seek funding, and maintain a list of these projects; advise potential contributors of the tax ramifications of contributions to the projects and establish methods by which contributors could be commemorated; invest the foundation's assets, administer the money it collected and enter into contracts on its behalf; define the terms and conditions under which the foundation's money could be disbursed; and prepare and transmit an accounting of the foundation to the governor, the Senate Majority and Minority leaders, and the Republican and Democratic leaders of the House. The bill would specify that not more than ten percent of the foundation's money could be used for administrative costs.

Senate Bill 970. The bill would make the following amendments to Public Act 149 of 1960 (MCL 318.301 et. al), the act regulating state park improvements, which the bill would name the Michigan State Parks System Act:

-- Specify Department of Natural Resources' (DNR) responsibilities, and permit the department to promulgate rules under the Administrative Procedures Act to implement the act.

-- Increase, from \$20 million to \$100 million, the limit on state park revenue bonds; replace current provisions on the issuance, terms, conditions, and limitation on bonds; and delete current provisions that allow costs incurred for the construction of gate houses and for the publication of signs informing park visitors of the park improvement program to be included in the cost for which bonds are issued.

-- Amend current provisions regarding the content of resolutions that are adopted to authorize the issuance of bonds.

-- Allow the Natural Resources Commission to authorize the DNR to sell bonds, within the limitations contained in the commission's authorizing resolution, and require that the department notify the legislature at least 30 days before offering bonds for sale.

-- Require that bonds that have been authorized by the commission have a maturity date of no later than 30 years after issuance.

-- Provide that bonds could be sold at a public or private sale, and would not be subject to the Municipal Finance Act except with regard to their interest rates.

-- Require that, after funds are set aside for the Revenue Bond and Interest Redemption Fund (renamed the Debt Service Fund under the bill to more clearly reflect the fund's purpose), the balance of the State Park Revenue Bond Receiving Fund be deposited quarterly in the State Park Improvement Fund; that unexpended revenue and excess revenue from prior fiscal years in the State Park Improvement Fund be carried over into subsequent fiscal years; and that interest and earnings remain in the fund.

-- Replace current provisions that would repeal Public Act 177 of 1989 (which increased state park entry fees) if state appropriations do not equal or exceed those for fiscal year 1988-89, and provide, instead, that Public Act 177 be repealed unless state appropriations equal or exceed the amount appropriated in fiscal year 1993-94, as adjusted

annually according to the Detroit Consumer Price Index (CPI)—all items.

-- Permit the DNR to establish and collect fees for activities in state parks, other than those in which fees have been established under the act, for deposit in the State Park Revenue Bond Receiving Fund.

-- Transfer park permit responsibilities from the Natural Resources Commission to the DNR.

-- Provide that concessions within the boundaries of a state park be awarded at least every seven years, based on extension, renegotiation, or competitive bidding.

-- Prohibit certain activities in state parks, including vandalism and operating a vehicle in a non-designated area.

-- Require a person convicted of vandalism to pay up to treble damages, and allow the department to collect a fine for failure to purchase a park permit.

-- Permit the DNR to vest park and recreation enforcement officers with the same powers, privileges, prerogatives, and immunities conferred upon other peace officers in the state; and specify the conditions under which they could make warrantless arrests.

-- Repeal various provisions of the act relating to the supremacy of the act over other acts, and repeal acts related to the Michigan State Park Commission, the Public Domain Commission, the State Conservation Commission, the leasing of land within Petoskey State Park, and vandalism in state parks and recreation areas.

**Senate Bill 971.** The bill would Public Act 149 of 1960 (MCL 318.301 et al.), the act regulating state park improvements, to require that the Department of Natural Resources (DNR) establish an "Adopt-A-Park" program that would allow volunteer groups to assist in maintaining and enhancing state parks. Under the bill, groups wishing to participate in the program would be required to submit an application to the department; to agree to participate for at least a two-year period and to donate a total of 400 hours over the two-year period; to have at least six adults in each group, although the volunteers could be under 18 if it were a school or scout organization; and to comply with other reasonable requirements. If campsites were available, a state

park manager could issue permits for free camping for volunteer projects that lasted more than one day, and could also waive park entry fees for volunteers. The DNR would be required to design and erect an Adopt-A-Park Program sign near the state park headquarters in each park in the program with the name of the volunteer group's sponsoring organization listed for each group that had contributed at least 100 service hours.

Under the bill, volunteer groups could adopt any available state park and could choose any one or more of the following activities, as designated by the DNR:

-- Spring cleanups.

-- Environmental activities.

-- Accessibility projects.

-- Special events.

-- Park maintenance and development.

-- Public information and assistance.

-- Training.

### **BACKGROUND INFORMATION:**

Ballot Proposal B, formerly House Joint Resolution M, was approved in the November, 1984, general election, and became Article IX, Section 35 of the State Constitution, establishing the Natural Resources Trust Fund. The fund, established in statute by Public Act 101 of 1985, was a successor to the Kammer state recreational land acquisition trust of 1976, and to the trust established by the Heritage Trust Act of 1982, and its purpose is to provide a permanent source of money for land acquisition and for the development of public recreation facilities. Another aim of the fund was to protect the rights of Michigan Economic Development Authority (MEDA) bondholders, who purchased bonds in 1982 that were secured by money the economic development authority derived through the heritage trust. The Natural Resources Trust Fund receives money from the oil, gas, and mineral royalties and lease fees from state-owned lands, other than those purchased with money from state or federal game or fish protection funds. The amount accumulated in the trust fund, after MEDA commitments are met, is capped at \$200 million,

exclusive of interest and earnings. Any excess is to be deposited as provided by law. Under Public Act 270 of 1984, effective March 29, 1985, the Michigan Strategic Fund replaced MEDA and acquired all its rights, responsibilities, and property. The \$20 million annual commitments to MEDA are therefore paid into the Strategic Fund. MEDA commitments are paid in quarterly transfers of \$5 million each, and will continue until the debt service on MEDA's series 1982A bonds are paid off in September, 1994. The master bond resolution under which the series 1982A MEDA bonds were sold provided for five accounts within the economic development fund.

The interest and earnings of the trust fund in each fiscal year are spent in the following fiscal year for the acquisition of land, the development of public recreational facilities, and the administration of the fund, which includes payment in lieu of taxes on state-owned land purchased through the fund. In addition, one-third of the money that has accrued to the trust fund's principal in a given fiscal year may be spent for those purposes in the following fiscal year, although this provision does not allow bond debt service subaccount funds to be spent for other than their specified purposes, and will not apply after the total money in the fund, exclusive of interest and earnings, equals \$200 million. Of the total spent from the fund in any fiscal year, at least 25 percent must be spent for land acquisition and not more than 25 percent must be spent for development of public recreational facilities. Grants to local governments or public authorities may be made, providing grants are used for permitted purposes and matched with local funds covering at least 25 percent of total project costs.

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

Senate Joint Resolution E and House Bill 5246. The bills would require that 50 percent of the revenues received by the Natural Resources Trust Fund (NRTF) each month, up to a maximum of \$10 million per year, be deposited into the state parks endowment fund until the trust fund reaches an accumulated principal of \$400 million. According to an analysis by the Senate Fiscal Agency, \$5 million of this amount would be appropriated to state parks. Using long-term projections which assume that NRTF will have a \$67 million balance as of October 1994, that interest rates will be 6 percent and inflation rates four percent, the agency projects that NRTF will total \$200 million in 13 years, and

\$400 million in 23 years. The agency estimates that the endowment fund will total \$800 in 41 years, assuming annual deposits of \$10 million from the NRTF for 23 years and \$30 million after the NRTF reaches its \$400 million cap, and, in addition, annual appropriations of \$5 million, adjusted for inflation. (3-14-94)

The Department of Natural Resources (DNR) estimates that the endowment fund will reach its \$800 million cap in 35 years, and not 41 years, as the Senate Fiscal Agency suggests. However, the DNR estimate includes an anticipated \$40 million appropriation from the proposed sale of the Accident Fund, as provided under House Bill 5248. According to the department, the provision of the bills would have an indeterminate impact on the state parks budget, depending on the eventual size of the endowment fund. (4-13-94)

According to the Research and Technology Division of the Michigan Strategic Fund, within the Department of Commerce, the Strategic Fund contains approximately \$30 million in uncommitted funds at present. This amount includes anticipated revenues from investment income and loans. If no new grants or loans are made from the fund, it will total \$38 million by 1998. Money is held in reserve for all the fund's commitments, with the exception of the Michigan Biotechnology Institute (MBI). The fund's commitment to MBI was made conditional upon the renewal of revenues from the trust fund.

Senate Bill 952. Accord to the Senate Fiscal Agency, the governor's revised recommendation for the 1994-95 fiscal year includes an appropriation of \$250,000 in private funds to the foundation established under the bill. The actual amount of contributions anticipated is not available at this time. (3-23-94)

Senate Bill 970. According to the Senate Fiscal Agency, DNR estimates are that the provisions of the bill would have no impact on state funds. Although the bill would increase the limit on the number of state park revenue bonds that could be issued from \$20 million to \$100 million, the department has no plans to issue additional bonds in the near future. (3-15-94)

Senate Bill 971. The DNR already has an informal adopt-a-park program, according to the Senate



Fiscal Agency. The bill would simply place current practice in statute. An increase in public participation could result in an indeterminate savings from volunteer labor. (3-14-94)

## **ARGUMENTS:**

### ***For:***

According to a report issued by the Senate Majority Policy Office, Michigan ranks first in terms of state-owned parks, campsites, and attendance, but ranks among the lowest in the nation in terms of state funding for its parks. Michigan ranks forty-first nationally in terms of general fund support. Senate Joint Resolution E, House Bill 5246, and Senate Bills 952, 970, and 971 are part of a package of 12 bills named the Michigan State Park Initiative. The package of bills would place on the November, 1994, ballot the question of ending all further diversions of revenue from the Natural Resources Trust Fund (NRTF) to the Michigan Strategic Fund. The bills intend that some of this money be deposited, instead, into a State Park Endowment Fund. Further, they would establish a state parks foundation, that would be independent of the Department of Natural Resources and focus on fostering public awareness and appreciation of the park system. It will solicit funding for certain projects in the areas of education, visitor information services, and interpretive facilities, and will provide support for volunteer activities and an employee support program. The package of bills would also provide for an earlier transfer of funds to state parks by allowing taxpayers to use a state income-tax checkoff to buy annual state park passes. In addition, the bills would recodify the act regulating state park improvements to repeal outdated laws and to reflect organizational changes caused by the recent executive reorganization of the DNR. If successful, the provisions of the bills would aid in revitalizing the state parks by providing them with a stable, consistent source of funding for years to come.

### ***For:***

Visitors to Michigan's state parks must notice the economies that the system has undergone in recent years. Park staffing has been decreased by one-third during the past ten years, many park programs have been canceled, toilet facilities are sometimes out of repair, and paths and stairways are deteriorating. Michigan's state parks obtain about twenty percent of their operating funds from general fund appropriations, and user fees account for the

rest of the parks' budget. However, when weather conditions are poor, as was the situation during the summer of 1993, attendance declines. Senate Bill 971's Adopt-A-Park program, would encourage volunteers to work to alleviate the staff reductions the parks have suffered in recent years. The Adopt-A-Park program is similar to the current Adopt-A-Highway program, which received enthusiastic public acceptance and has achieved some success in cleaning up state highways; and it should result in substantial savings to the Department of Natural Resources, since work performed by volunteers would reduce personnel costs.

### ***For:***

In the November, 1984, general election, the people of the state approved a ballot proposal that became Article IX, Section 35 of the state constitution and established the National Resources Trust Fund Act. The National Resources Trust Fund Act replaced the Kammer Recreational Land Trust Fund Act and the Heritage Trust Act, under which quarterly payments of \$5 million each were to be transferred to the Michigan Economic Development Fund, from which the Michigan Economic Development Authority (MEDA) makes payments on economic development revenue bonds, until September 30, 2032. The Michigan Strategic Fund then inherited these payments from the economic development fund. There is some debate as to whether it was intended that the \$20 million annual commitments to MEDA would end when the debt service on MEDA's series 1982A bonds were paid off in September, 1994. In any case, the 1985 constitutional amendment, designed to prevent future diversions from the National Resources Trust Fund (NRTF), may actually have opened the door for additional diversions until 2032 by allowing the diversion of \$20 million to the Strategic Fund. In fact, the NRTF has been the subject of controversy during the past few years because it has been the target of several proposed "raids." Legislation was introduced in 1991, for example, that would have diverted \$20 million from the trust fund as seed money to help local governments raise additional funds to repair or replace existing sewers. Senate Joint Resolution E would end this controversy by preventing the trust fund from ever being raided again. Hopefully, it will now be allowed to function as intended by the voters a decade ago.

### ***Response:***

Michigan already owns more property than any other industrialized state and the purchase of more land cannot be justified when cities are dying. In

1985, the Michigan Strategic Fund became the successor to the Michigan Economic Development Fund, and acquired all its rights and responsibilities, including the right to make loans and grants to businesses. For example, the fund has distributed approximately \$200 million in grants for such projects as the Michigan Biotechnology Institute (MBI) in Lansing, the Center for Microbial Ecology at Michigan State University, the Industrial Technology Institute in Ann Arbor, and the Center for Display Technology and Manufacturing at the University of Michigan. The fund also came to the rescue of a Michigan steel company with a \$5 million loan. These loans and grants all have the effect of either creating or saving valuable jobs. Senate Joint Resolution E, however, would end payments from the Natural Resources Trust Fund, and drastically restrict the Strategic Fund's ability to make these loans and grants. Although MEDA bonds will be paid off by September 30, 1994, many believe it is reasonable that a portion of the revenues derived from the extraction of nonrenewable resources should be devoted to develop a renewable economic heritage. Revenues should continue to be allotted to the Strategic Fund to allow capital to be channelled into projects that would stimulate economic growth and employment.

The Department of Commerce has no position on the bills. (4-18-94)

### ***POSITIONS:***

The Department of Natural Resources supports the bills. (4-13-94)

Representatives of the Michigan United Conservation Clubs and of Allegan County testified in support of the bills. (4-18-94)

The Michigan Environmental Council supports the bills. (4-18-94)

The Michigan Recreation and Parks Association supports the bills. (4-18-94)

A representative of the Michigan Association of Private Campground Owners (MAPCO) testified that MAPCO supports the concept of the bills, but believes that the state park system should focus its attention and resources on noneconomic recreation, such as trails, wetland preservation, wildlife, beaches, forest management, and day uses of state parks, that will not compete with the state's private campground industry. (4-12-94)