

STATEWIDE BALLOT PROPOSAL

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Proposal 20-1 will appear on the ballot as follows:

Statewide Ballot Proposal 20-1

A proposed constitutional amendment to allow money from oil and gas mining on state-owned lands to continue to be collected in state funds for land protection and creation and maintenance of parks, nature areas, and public recreation facilities; and to describe how money in those state funds can be spent.

This proposed constitutional amendment would:

- Allow the State Parks Endowment Fund to continue receiving money from sales of oil and gas from state-owned land to improve, maintain and purchase land for State Parks, and for Fund administration, until its balance reaches \$800,000,000.
- Require subsequent oil and gas revenue from state-owned lands to go into the Natural Resources Trust Fund.
- Require at least 20% of Endowment Fund annual spending go toward State park improvement.
- Require at least 25% of Trust Fund annual spending go toward parks and public recreation areas and at least 25% toward land conservation.

Should this proposal be adopted? Yes [] No []

The Proposal

The proposal would amend the Michigan Constitution 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. It would also add an expenditure requirement for the Michigan State Parks Endowment Fund each year.

A “yes” vote supports making changes to how revenue in the state’s park-related funds can be spent, including 1) making projects to renovate recreational facilities eligible for grants, 2) allowing increased funds to be spent on park

development and renovation, and 3) removing the cap on the size of the Natural Resources Trust Fund.

A “no” vote opposes making changes to how revenue in the state’s park-related funds can be spent, including 1) continuing to prohibit projects to renovate recreational facilities from receiving grants, 2) continuing to limit the percentage of funds spent on park development and renovation, and 3) keeping the cap on the size of the Natural Resources Trust Fund.

The full text of the proposal is available in the Elections section of the Michigan Secretary of State website at <https://www.michigan.gov/sos/>.

Background

The Michigan Natural Resources Trust Fund (MNRTF) was created by a voter-approved constitutional amendment in 1984. The constitutional amendment required that state revenue from leases and royalties from the extraction of nonrenewable resources (oil, gas, and other minerals) from state land be placed in the fund. Proceeds from the fund were to be used to purchase and develop public recreation lands through grants to local units of government or public authorities.

Before 1984, the Michigan Land Trust Fund program had provided this funding through the Kammer Recreational Land Trust Fund Act of 1976. Adoption of the constitutional amendment in 1984 enshrined the trust fund in the state constitution (Michigan Department of Natural Resources, n.d.).

The Michigan Natural Resources Trust Fund Act of 1985 (PA 101 of 1985) specified that “in any one fiscal year, up to a third of all mineral lease revenues plus the interest and earnings of the MNRTF could be used to purchase land for resource conservation and public outdoor recreation but also to develop outdoor recreation facilities” (Michigan DNR, n.d.). The Act further specified that of “any funds made available from the fund in any fiscal year,” at least 25% must be spent on acquiring land or land rights, and no more than 25% can be spent on developing public recreation facilities (Michigan DNR, n.d.).

In 2011, when the MNRTF balance reached its constitutional cap of \$500 million, MNRTF expenditures were required to start coming out of the fund’s interest and earnings, rather than from oil, gas and mineral revenue. At that point, new oil, gas, and mineral revenue began to be deposited in the Michigan State Parks Endowment Fund (MSPEF; Michigan DNR, n.d.).

From its creation in 1985 through September 2019, the Michigan Natural Resources Trust Fund had distributed nearly \$1.2 billion for purchasing and developing public recreation lands throughout the state (Michigan DNR, 2019).

The MSPEF was created with voter approval of Proposal P in 1994. The fund helps finance operations, maintenance, capital improvements and land acquisition for state parks. The MSPEF is allowed to spend up to 50% of its revenue each year – and all of the interest and earnings gained in a given year – on state park operations, maintenance, capital improvement, and land acquisition.

The MSPEF balance at the end of the 2018–19 budget year was estimated at \$282.7 million (Scott, 2020, p. 19). The fund has a constitutionally mandated cap of \$800 million. Once that cap is reached, state mineral revenues are to be distributed “as provided by law,” but that distribution is not currently spelled out in state law.

Proposed Changes

The proposed amendment would make a series of changes to the Michigan Natural Resources Trust Fund and the Michigan State Parks Endowment Fund. These changes would:

- Allow renovation and redevelopment projects to receive MNRTF grants. This would likely expand the pool of prospective projects and increase potential grant recipients’ opportunities for funding. Currently, MNRTF grants may only be used for purchasing and developing public recreation lands.
- Change the restriction on the use of funds from the current maximum of 25% to be spent on development to a minimum of 25% to be spent on development, renovation, and redevelopment. This change matches the restriction on spending for land acquisition (minimum of 25% of funds) and allows for all proposed development, renovation and redevelopment projects to be funded in a given year, if recommended by the MNRTF board.

In the 2017–18 state budget, \$86 million was made available for MNRTF projects. The 34 applicants for land acquisition grants received a total of \$28.9 million. There were 121 applicants for development project funding seeking a total of \$29 million, but because development awards were capped at \$21.5 million (25% of the \$86 million), only 97 of them were permitted to receive MNRTF funding (Scott, 2018).
- Remove the \$500 million cap on contributions to the MNRTF from revenue from leases of state land for the extraction of nonrenewable resources once the MSPEF reaches its \$800 million cap. This would allow increased future revenue for the MNRTF and would clarify what happens with nonrenewable resource revenue after the MSPEF reaches the \$800 million cap, which currently is not addressed in state law. As mentioned earlier, the MSPEF balance at the end of FY 2018–19 was \$282.7 million (Scott, 2020, p. 19). The Michigan DNR “projects that the fund will take more than 30 years to reach its cap” (Scott, 2018, pp. 1–2).

- Require that at least 20% of the money expended from the MSPEF each year be used for capital improvement at state parks. Since 2011, total MSPEF appropriations have averaged \$27.4 million, and capital improvements (including construction, expansion, development and rehabilitation of physical infrastructure) have averaged \$3.3 million, or 12.1% of the total. Capital improvements have only exceeded 20% once since 2011. This part of the proposed amendment would not change any allowable uses of the fund, but it would increase the percentage of funds used for capital improvements. It would also decrease the average percentage used for operations and maintenance and acquisition of land for state parks.

Summary

After a proposed constitutional amendment has been approved by at least a two-thirds majority in each chamber of the Michigan Legislature, the state constitution requires it to be put to a vote of the people.

This amendment was referred to Michigan voters in 2018 with the adoption of Senate Joint Resolution O (2018) by a vote of 37-0 in the Michigan Senate and 107-0 in the Michigan House of Representatives.

References

- Michigan Department of Natural Resources. (2019). *MNRTF grant total by county as of 9/20/2019*. <https://bit.ly/2ExvuMr>
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