



PUBLIC POLICY ADVISOR

The Michigan Natural Resources Trust Fund: Land Acquisition Promise and Problems

by James Webster and William Rustem

The Michigan Natural Resources Trust Fund (MNRTF) is a special, constitutionally created fund used to (1) acquire recreation land and (2) help develop public recreation facilities. The fund, which has a current balance of \$50 million, plays a critical role in where and what kind of public recreation land and facilities are available to Michigan residents.

This fall the trust fund board will review the criteria by which it judges proposals for land acquisition and development projects to be suitable for financing. This review is timely because, as the analysis in this paper will show, most of the land acquired to date is located in northern Michigan, exacerbating the already severe regional imbalance in recreation opportunities for Michigan residents. The board deserves credit for its willingness to examine and evaluate its work.

In this paper Public Sector Consultants, Inc. examines the fund's land acquisition history, the need for public recreation land in Michigan, and the acquisition selection process. We also make recommendations for improving the land selection process better to meet state residents' needs for more recreation opportunities close to home. (This paper does not examine the MNRTF's history of or selection criteria for recreation facility development projects, which the MNRTF did not begin funding until 1987.)

BACKGROUND

The MNRTF evolved from the Kammer Recreation Land Acquisition Trust Fund. The Kammer fund, named for its legislative sponsor, was established by statute in 1976 to enable the state to acquire recreation and environmentally sensitive land. The rationale for the program was simple: Funds accruing to the state from the sale of nonrenewable natural resources such as oil, gas, and other minerals should be invested in another nonrenewable resource—land.

In practice, however, Michigan's public officials failed to live up to the long-term promises embodied in the trust fund act. The legislature borrowed from the fund on several occasions between 1976 and 1983 to balance general fund deficits. By 1984, when the fund should have been at its maximum limit of \$150 million, only \$8 million remained. To protect the purpose of the fund and prevent its diversion, a constitutional amendment creating the Michigan Natural Resources Trust Fund was placed on the November 1984 election ballot. The amendment, which voters adopted by a two-to-one margin, also expanded the scope of the fund to allow up to 25 percent of its annual expenditures to be used for the development of public recreation facilities.

The MNRTF started with the \$8 million remaining from the Kammer fund and receives, as did that fund, royalties, rentals, and income bonuses from the extraction from most state-owned land of such non-

renewable resources as oil and natural gas. The MNRTF also may receive gifts and state appropriations. In recent years, the fund's annual revenue has ranged from \$37 million to \$40 million.

The constitutional amendment states how the revenue is to be spent. Interest, earnings, and up to one-third of the fund's annual revenue are to be used for (1) acquiring land for recreation, land of particular environmental importance, and land of particular scenic beauty and for (2) developing public recreation facilities. In addition, the Michigan Strategic Fund, created in 1985 to increase the availability of business financing, receives \$20 million of the MNRTF's annual revenue through FY 1993-94. Finally, the trust fund pays for the program's operating expenses, including the property taxes on land acquired by the MNRTF.

Since Michigan voters adopted the constitutional amendment, the trust fund has been able to accumulate steadily; it contained \$50 million as of July 1988. The MNRTF will continue to receive revenue until it reaches \$200 million. After that only interest and earnings may be expended; oil, natural gas, and other mineral revenues will be deposited in the state's general fund.

The trust fund is administered by an independent board comprised of five members: four citizens appointed by the governor and the chairperson (or designate) of the Natural Resources Commission. The board's responsibility is to evaluate proposals for purchasing land or developing facilities from individuals, groups, organizations, and units of government and to make recommendations for trust fund expenditures to the legislature, which must authorize them. The Michigan Department of Natural Resources' (DNR) Recreation Division provides staff support to the board.

The MNRTF is extremely popular. From the enactment of the Kammer fund in 1976 through 1986, for every one dollar of funds available for land acquisition, more than five dollars in requests have been received.

LAND ACQUISITION HISTORY

When the MNRTF board reviews the criteria by which it selects land for purchase, two key considerations should be

- the location of past trust fund land acquisitions and
- the pattern of public land ownership in Michigan.

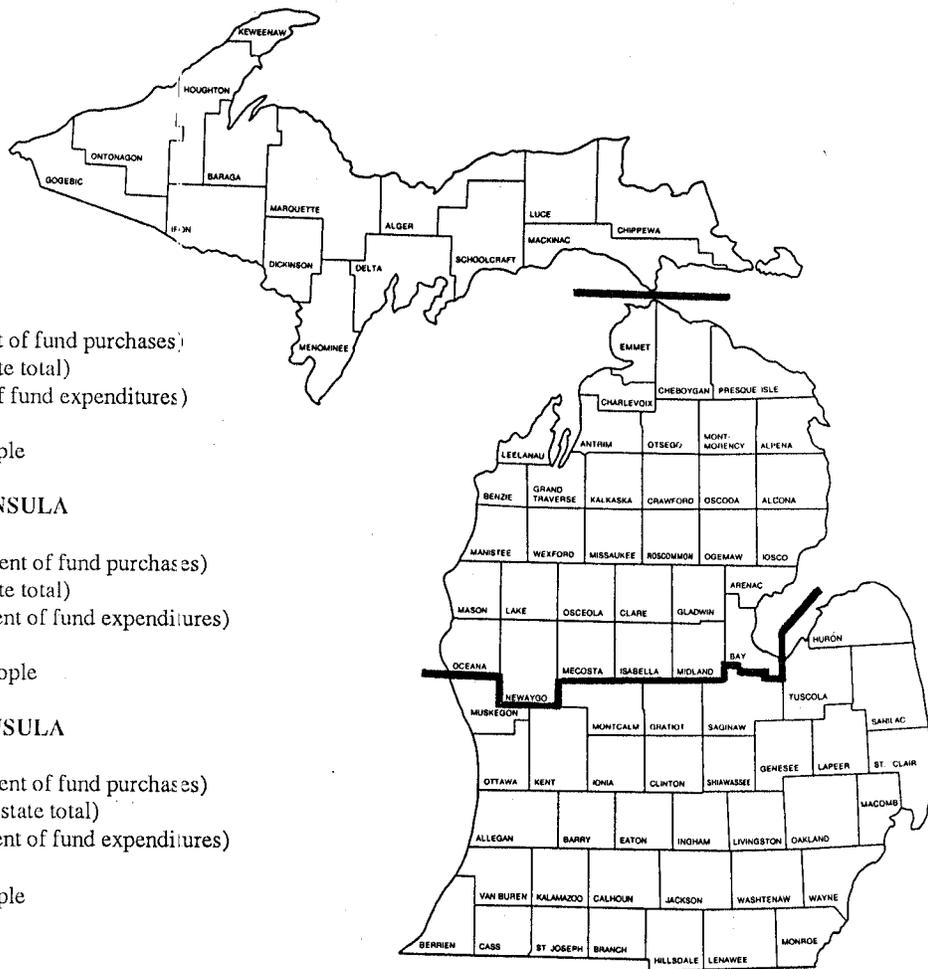
From the commencement of the Kammer fund in 1976 through November 1987 (the date of the most recently published data on land acquisitions), 59,662 acres of land had been purchased by the fund for public use. As Exhibit 1 illustrates, while the vast majority (87 percent) of the state's population is concentrated in the southern lower peninsula, 64 percent of all land purchased and 40 percent of all expenditures by the fund have been in the northern lower peninsula.

If expenditures had reflected regional population data, \$15 million more would have been spent to purchase recreation land in southern lower Michigan, \$1 million more would have been spent in the Upper Peninsula, and \$16 million less would have been spent to purchase land in northern lower Michigan.

If land acquisitions had reflected regional population figures, southern lower Michigan would have 9,200 more acres of trust fund land than it has now, the Upper Peninsula would have 3,300 more acres,

EXHIBIT 1

1978-87 Trust Fund Expenditures and 1985 Population Data, by Area



UPPER PENINSULA

2,942 acres purchased (5 percent of fund purchases)
 316,000 people (3 percent of state total)
 \$750,242 expended (1 percent of fund expenditures)
 \$2.37 expended per person
 9 acres purchased per 1,000 people

NORTHERN LOWER PENINSULA

37,956 acres purchased (64 percent of fund purchases)
 854,400 people (9 percent of state total)
 \$21,201,714 expended (40 percent of fund expenditures)
 \$24.81 expended per person
 44 acres purchased per 1,000 people

SOUTHERN LOWER PENINSULA

18,763 acres purchased (31 percent of fund purchases)
 7,917,900 people (87 percent of state total)
 \$31,534,821 expended (59 percent of fund expenditures)
 \$3.98 expended per person
 2 acres purchased per 1,000 people

SOURCES: Michigan Department of Natural Resources, *Michigan Statistical Abstract, 1986-87*; calculated by Public Sector Consultants, Inc.

and northern lower Michigan would have 29,300 fewer acres. (These calculations are based on average land prices in the three areas.)

The disparity between population and purchase is even more pronounced when the location of all state and federal public recreation land in Michigan is analyzed. A breakdown of Michigan's 6.9 million acres of state and national forest and park land shows that the majority is located in the Upper Peninsula (55.7 percent) and northern lower Michigan (40.5 percent); only a fraction (3.8 percent) is located in southern lower Michigan. (See Exhibit 2.)

These disparities were recognized by the DNR in the development of its federally required 1985-90 state recreation plan, but this has had little if any effect on trust fund acquisitions.

In the recreation plan the DNR divided Michigan into 17 regions/subregions and assessed the state's recreation opportunities in each. (See Exhibit 3.) As of November 1987, in the eight regions/subregions entirely within southern lower Michigan, the trust fund acreage per capita was lower than the statewide average; in seven, the expenditure per capita also was less than average. In three of the four regions entirely within northern lower Michigan, there was above-average acreage, and in all four there also were above-average expenditures. (Region 14 and subregion 7A straddle the northern/southern lower peninsula dividing line; their data were not included in this particular analysis.) In the Upper Peninsula, in two of the three regions acreage was above average, and in all three expenditures were below average.

Since November 1987 the purchase of thousands of additional acres has been approved for funding by the legislature, and the acquisitions are being negotiated with the landowners. Although acreage information is lacking, cost estimates are available. Public Sector Consultants has combined expenditure data on acquisitions as of November 1987 with estimates of purchases approved as of August 1988. (See Exhibit 4.) The data show that, when finalized, the recently approved purchases will increase the fund's expenditures from \$53 million to approximately \$97 million. The purchases will more than double the Upper Peninsula's share of total trust fund expenditures and bring it in line with the statewide per capita average. Northern lower Michigan's share will drop about four percentage points, but the per capita expenditures in the area still will be almost four times the statewide average. In southern lower Michigan, trust fund expenditures will increase by approximately two percentage points, but expenditures in the area will remain well below the statewide average per capita. Recently approved purchases will have a greater effect on region/subregion distribution. The percentages of total acquisition expenditures in regions/subregions 3, 7B, 11, and 14 will more than double; the percentages of the total in regions/subregions 2, 4, 5, 7A, and 8A will drop by more than 25 percent.

MICHIGAN'S RECREATION NEEDS

The 1985-90 Michigan Recreation Plan, which was written by the DNR and adopted by the Michigan Natural Resources Commission, sets forth the state's recreation policy. Michigan's eligibility for federal matching funds to purchase recreation land and develop recreation facilities is contingent on the existence of such a plan. Its overall goals are to meet state residents' recreation needs and strengthen the state economy through tourism development. The plan identifies recreation close to home as a key objective and documents the shortage of opportunities in and near Michigan's major population centers.

EXHIBIT 2**State and National Forest and Park Land in Michigan,
by Area, and Percentage of State Total****UPPER PENINSULA**

State forest land: 1,596,900 acres (46.5 percent of the total)
 National forest land: 1,569,100 acres (61 percent of the total in the state)
 State park land: 110,078 acres (43 percent of the total)
 National park land: 571,790 acres (89 percent of the total in the state)
Total state and national forest and park lands: 3,847,868 acres (56 percent of the total in Michigan)

Total area (land and inland water): 10,950,924 acres (29 percent of the state total)
State and national forest and park land as percentage of all area land: 35 percent

NORTHERN LOWER PENINSULA

State forest land: 1,825,100 acres (53 percent of the total)
 National forest land: 859,500 acres (33 percent of the total in the state)
 State park land: 41,334 acres (16 percent of the total)
 National park land: 71,000 acres (11 percent of the total in the state)
Total state and national forest and park lands: 2,796,934 acres (40 percent of the total in Michigan)

Total area (land and inland water): 11,514,611 acres (31 percent of the state total)
State and national forest and park land as percentage of all area land: 24 percent

SOUTHERN LOWER PENINSULA

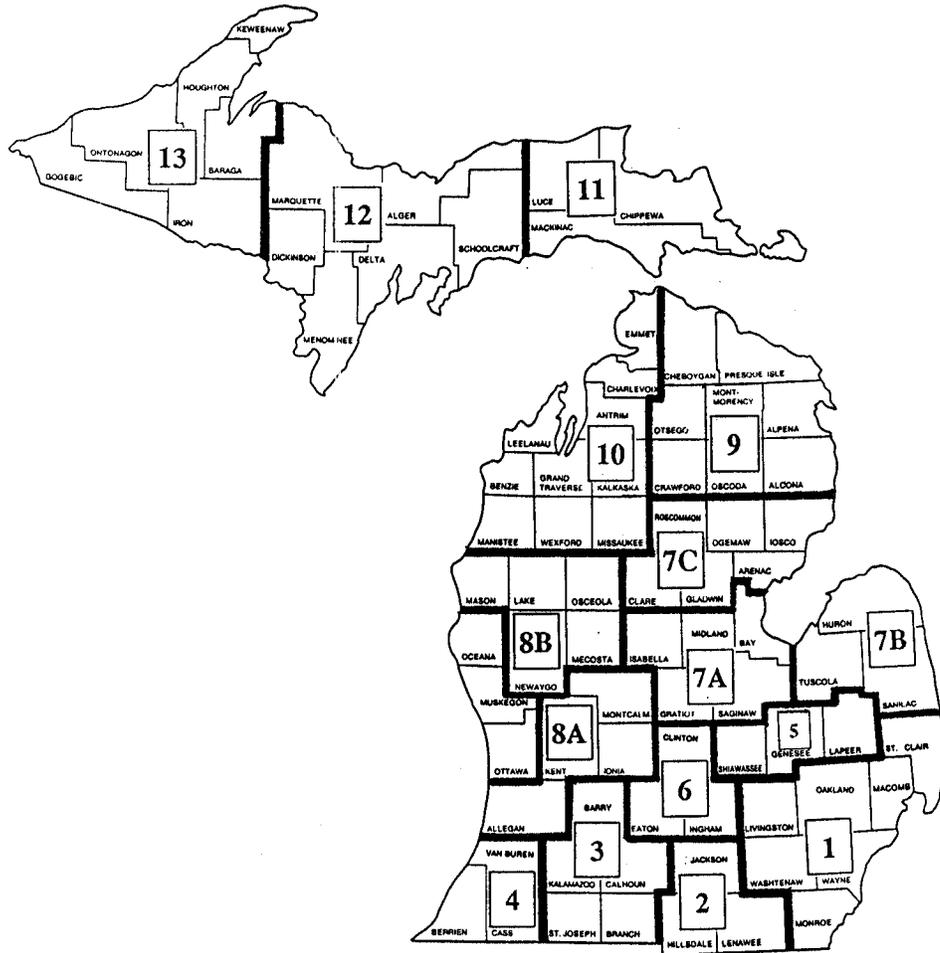
State forest land: 12,900 acres (0.5 percent of the total)
 National forest land: 149,300 acres (6 percent of the total in the state)
 State park land: 103,534 acres (41 percent of the total)
 National park land: 0 acres (0 percent of the total in the state)
Total state and national forest and park lands: 265,734 acres (4 percent of the total in Michigan)

Total area (land and inland water): 14,991,892 acres (40 percent of the state total)
State and national forest and park land as percentage of total all area land: 2 percent

SOURCES: Michigan Department of Natural Resources, "Land Status of Michigan State Park and Recreation Areas," and "Michigan State Parks"; AAA Michigan, "Michigan Outdoor Guide," 1988; and Forest Management Division, Michigan Department of Natural Resources.

EXHIBIT 3

MNRTF Purchases, Population, and Purchases per Capita,
by Michigan Recreation Plan Region/Subregion



Region/ Subregion	MNRTF Purchases (Acres)	Percentage of Total MNRTF	MNRTF Expenditures	Percentage of Total MNRTF Expenditures	1985 Estimated Population	Percentage of Total Population	MNRTF Purchases per 1,000 People (Acres)	MNRTF Expenditures per Person
1	7,732.51	12.96%	\$15,659,293	29.28%	4,511,500	49.64%	1.71	\$3.47
2	1,386.60	2.32	1,210,550	2.26	273,900	3.01	5.06	4.42
3	110.84	0.19	520,050	0.97	496,200	5.46	0.22	1.05
4	1,085.41	1.82	5,007,919	9.36	278,800	3.07	5.89	17.96
5	1,829.09	3.07	1,963,307	3.67	571,700	6.29	3.20	3.43
6	1,004.37	1.68	1,118,256	2.09	418,400	4.60	2.40	2.67
7A	2,930.98	4.91	3,513,046	6.57	501,000	5.51	5.85	7.01
7B	826.09	1.38	627,750	1.17	131,300	1.44	6.29	4.78
7C	968.33	1.62	945,879	1.77	127,200	1.40	7.61	7.44
8A	3,027.96	5.08	2,958,900	5.53	656,200	7.22	4.61	4.51
8B	846.76	1.42	1,019,000	1.91	129,400	1.42	6.54	7.87
9	31,768.16	53.25	13,394,850	25.04	115,800	1.27	274.34	115.67
10	2,916.77	4.89	4,319,735	8.08	214,500	2.36	13.60	20.14
11	729.81	1.22	173,000	0.32	45,200	0.50	16.15	3.83
12	341.51	0.57	167,742	0.31	180,400	1.98	1.89	0.93
13	1,871.17	3.14	409,500	0.77	90,400	0.99	20.70	4.53
14	285.83	0.48	478,000	0.89	346,400	3.81	0.83	1.38
	59,662.19		\$53,486,777		\$9,088,300		6.56	\$5.89

SOURCE: Michigan Department of Natural Resources, Michigan Statistical Abstract 1986-87; calculations by Public Sector Consultants, Inc.

EXHIBIT 4

**MNRTF Purchases and Approved Expenditures, by Area
and by Michigan Recreation Plan Region/Subregion, 1976-88**

UPPER PENINSULA	NORTHERN LOWER PENINSULA	SOUTHERN LOWER PENINSULA
\$3,309,942 (3 percent of fund total) \$10.47 per person	\$34,293,194 (35 percent of fund total) \$40.14 per person	\$59,279,146 (61 percent of fund total) \$7.49 per person

Region/ Subregion	MNRTF Expenditures	Percentage of Total Expenditures	MNRTF Expenditures per Person
1	\$25,934,018	26.77%	\$5.75
2	1,480,050	1.53	5.40
3	4,200,800	4.34	8.47
4	6,439,419	6.65	23.10
5	2,719,607	2.81	4.76
6	1,777,506	1.83	4.25
7A	3,599,546	3.72	7.18
7B	5,885,750	6.08	44.83
7C	1,210,879	1.25	9.52
8A	3,269,500	3.37	4.98
8B	2,583,000	2.67	19.96
9	19,276,130	19.90	166.46
10	9,700,935	10.01	45.23
11	1,431,500	1.48	31.67
12	579,442	0.60	3.21
13	1,259,000	1.34	14.37
14	5,455,200	5.67	15.86
TOTAL	\$96,882,282		\$10.66

SOURCES: Michigan Department of Natural Resources, *Michigan Statistical Abstract 1986-87*; calculations by Public Sector Consultants, Inc.

The plan contains an extensive recreation needs analysis based on an inventory of existing opportunities compiled by the DNR, one of the most comprehensive ever developed for the state. It also identifies the ratio of recreation opportunities to population. The analysis quantifies opportunities in the 17 regions/subregions and identifies those that are deficient in 14 types of recreation based on a natural resource, such as fishing, hiking, camping, and swimming. The analysis shows that the regions/subregions in which Detroit (1), Flint (5), and Grand Rapids (8A) are located are most deficient. (See Exhibit 5.) Despite this demonstration of need, trust fund land acquisitions have fallen far short of meeting it.

The concentration of land acquisitions in northern lower Michigan runs contrary to the needs assessment in the recreation plan and, thus, to the needs of the state's residents. While region 9 in northern Michigan, in which more than half of all land purchased by the fund is located, is not deficient in any of the 14 types of resource-based recreation, three regions/subregions in southern Michigan (1,5, and 8A) are deficient in all.

The MNRTF, the state's best resource for acquiring recreation lands, should be guided in its acquisition decisions by the policy initiatives in the state recreation plan. While it is impossible to acquire a sufficient amount of recreation land within the boundaries of large cities, the trust fund board can buy land for urban users in neighboring communities in the same region or subregion.

THE ACQUISITION SELECTION PROCESS

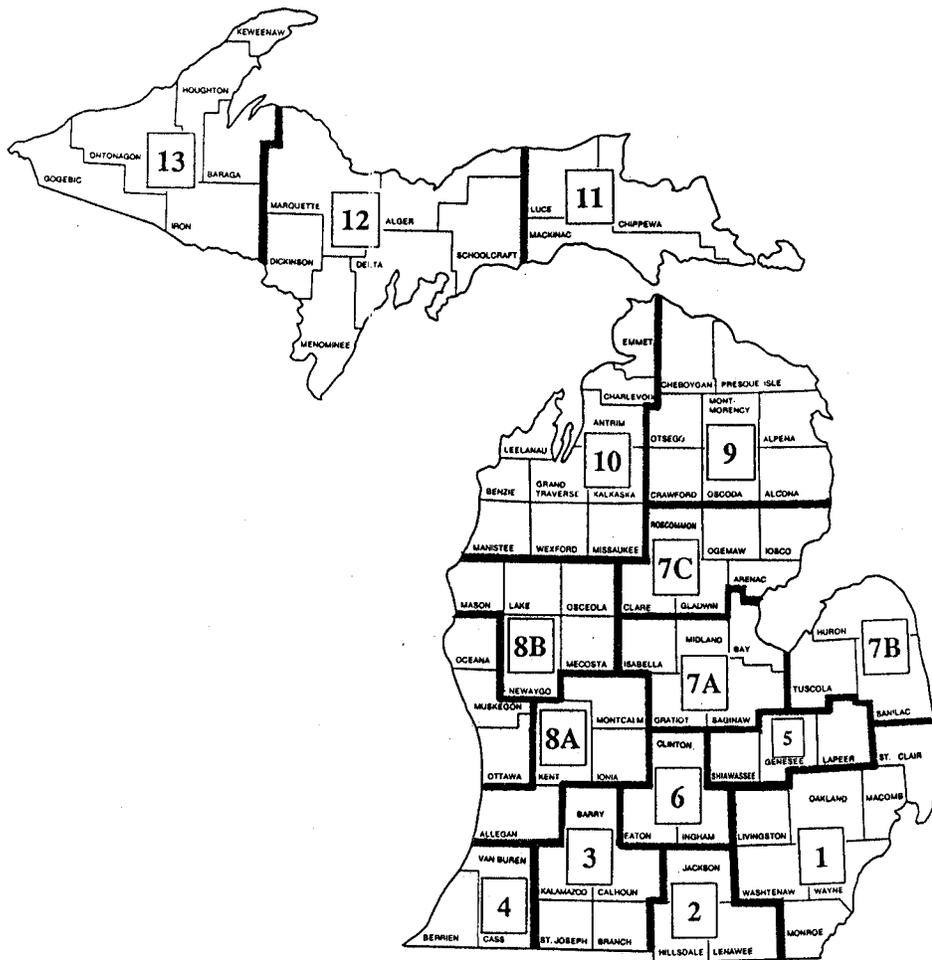
The MNRTF board receives many land acquisition proposals every year (147 in 1987). The DNR Recreation Division staff performs an initial review of all requests and makes recommendations to the board. The board eliminates proposals that are ineligible, insufficient, or not of interest to the board, local units of government, or the DNR's land management divisions. The staff scores the remainder according to established criteria. Although the board uses this score in evaluation, it is not the sole factor considered; others include cost, feasibility, and public comment. Each year the board selects what it believes to be the best proposals (40 of the 147 received in 1987). These are recommended to the legislature the following January for authorization as part of the enactment of the state budget. To date the legislature has approved all the board's recommendations.

The present scoring system does little to encourage recreation land acquisitions in southern Michigan. Of a possible 167 points, a maximum of 10 are awarded for location; only 5 are awarded to parcels within one hour's driving time of a major city, only 7 to parcels within one-half hour's drive, and only 10 to projects in an urban area. (In comparison, a proposal involving private land still held within the boundaries of the Pigeon River Country State Forest receives 10 points.) A maximum of 10 more points may be awarded for fulfilling need; 7 points if a parcel fulfills a documented need of the target population and 3 if it offers opportunities not readily available to the target population. Virtually all the remaining 147 points are awarded for a site's existing environmental values rather than on the public's need for recreation land.

The emphasis on existing environmental value fails to recognize that if the state were to purchase farmland, woodland, and wetlands in southern Michigan, these could develop into prime natural preserves and provide needed recreation opportunities. Instead of assessing proposed purchases primarily on the basis of existing flora, fauna, and aesthetics, the board needs to be more mindful of the potential of sites that at one time have been cleared, particularly those in southern Michigan. MNRTF acquisitions

EXHIBIT 5

Regional Deficiencies in Resource-Based Recreation Opportunities



■ Regional Deficiency □ No Regional Deficiency

Type of Opportunity	1	2	3	4	5	6	7A	7B	7C	8A	8B	9	10	11	12	13	14
Boat launches	•	•			•	•	•				•						•
Campgrounds	•				•	•	•				•						
Cross-country ski trails	•	•	•	•	•	•	•	•	•	•	•						•
Fishing access	•		•	•	•	•	•	•	•	•	•						
Fishing piers	•				•	•	•				•						•
Hiking trails	•	•	•	•	•	•	•	•	•	•	•						•
Horseback riding trails	•	•	•	•	•	•	•	•	•	•	•	•		•		•	•
Nature areas	•		•		•	•				•					•		
Nature trails	•	•	•	•	•					•							•
Off-road vehicle areas	•	•	•	•	•	•	•	•	•	•	•						
Off-road vehicle trails	•	•	•	•	•	•	•	•	•	•	•				•		•
Snowmobile land	•		•	•	•	•				•							
Snowmobile trails	•	•	•	•	•	•	•	•	•	•	•						•
Swimming beaches	•	•	•		•	•	•			•							

SOURCE: Michigan Department of Natural Resources, *Building Michigan's Recreation Future: The 1985-90 Michigan Recreation Plan*.

should be made with not only current needs in mind but also those of the next century. Although the scoring system is only a guideline to the board, it is fair to say that it gives insufficient weight to the need for recreation close to home.

Another aspect of the selection process deserving scrutiny is the distribution of fund expenditures to the DNR. Each year the department sponsors several land acquisition proposals (65 in 1987) and is awarded a substantial percentage of trust fund monies. In 1987 and 1988 the DNR received \$7.6 million and \$9.9 million, respectively, 50 percent and 65 percent of total MNRTF land acquisition expenditures.

Of the \$9.9 million in 1988, the DNR Wildlife, Park, Fisheries, Recreation, and Forest Management divisions received a total of \$7.2 million in lump-sum grants to spend according to their own land acquisition priorities. Although the trust fund board awarded almost half its land acquisition budget in 1988 to DNR divisions, it has little say about where or how this money is to be spent. When the board does exercise its influence, the result is constructive; for example, at the board's prodding, the Wildlife Division is using its grants to acquire additional game and wildlife land in southern Michigan.

COMMENT

Michigan long has been recognized as a leader in providing recreation opportunity to its residents. From the time of admission to the Union, Michigan has taken special care to assure that the promise of its bountiful natural resources can be shared by its citizens.

Despite good intentions, Michigan, which possesses more state public recreation land than any state east of the Mississippi River, has failed to serve many of its residents, particularly those in the southern part of the state.

- It has failed the senior citizen whose health or financial resources preclude the ability regularly to make the long drive "up north."
- It has failed families who can afford neither the time nor the expense of a northern Michigan vacation.
- It has failed many young people who desire the chance to see, touch, and walk on the wild lands that are Michigan's heritage.
- It has failed the urban child whose vision of "outdoors" is more one of concrete and buildings than woods, streams, lakes, and shorelines.
- It has failed many people who have only a few hours to escape to the outdoors or limited means to enjoy recreation opportunities.

The Michigan Natural Resources Trust Fund, a unique program among the states, can correct these inequities and fulfill Michigan's promise to all its residents. We believe that the trust fund board should reassess its priorities and begin aggressively addressing the need for more recreation opportunities in and near Michigan's population centers.

- In cooperation with the DNR, the board should develop a sorely needed southern Michigan land acquisition strategy.
- The board should redesign its acquisition selection criteria to give greater weight to lands near major cities. The Michigan Recreation Plan's analysis of recreation deficiencies should be incorporated into the criteria.

- In evaluating potential purchases, the board should consider the existing distribution of public land in a particular region/subregion. The goal should be to produce greater equity in the distribution of public land resources throughout the state.
- Although in many cases the DNR has done an excellent job of disbursing its lump-sum grants, the board should establish a clear system of oversight to ensure that all grants are administered in accordance with the policy and goals of the MNRTF.

The MNRTF board deserves high praise for its willingness to undertake a thorough review of its selection process this fall. It has the opportunity to produce a well-defined land acquisition policy that will benefit not only present generations but also those yet unborn. Assuring recreation opportunity for all Michigan residents—no matter where they live or what their economic or health status—should be the board's primary goal.

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