

FISCAL FOCUS

Michigan Natural Resources Trust Fund

**Prepared by
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September 2012



Mary Ann Cleary, Director

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TO: Members of the House of Representatives

Beginning in 1976, most of the mineral revenues earned from state-owned lands have been deposited into a trust fund to be used to purchase public lands that will be available in perpetuity for public recreation and resource protection. In 1984, voters amended the Michigan Constitution to allow a portion of these funds to be used for the development of public lands as well. Since 1976, the Legislature has appropriated over \$919.1 million for grants from that fund, now called the Michigan Natural Resources Trust Fund (MNRTF). These grants have funded over 1,250 state and local recreation projects throughout all 83 counties in the state.

This report includes an overview of the MNRTF Program, a discussion of the state's oil and gas lease auctions for state-owned lands, a historical review of MNRTF's revenues, a summary of the Fund's funding and distribution, and a detailed explanation of the grant application and award process.

Viola Bay Wild, Senior Fiscal Analyst, is the author of this report. Kathryn Bateson, Administrative Assistant, prepared the material for publication. We appreciate the comments and suggestions provided by Jon Mayes of the Department of Natural Resources and other DNR staff.

Please do not hesitate to call if you have questions about the information in this report.

A handwritten signature in black ink that reads "Mary Ann Cleary". The signature is written in a cursive, flowing style.

Mary Ann Cleary, Director

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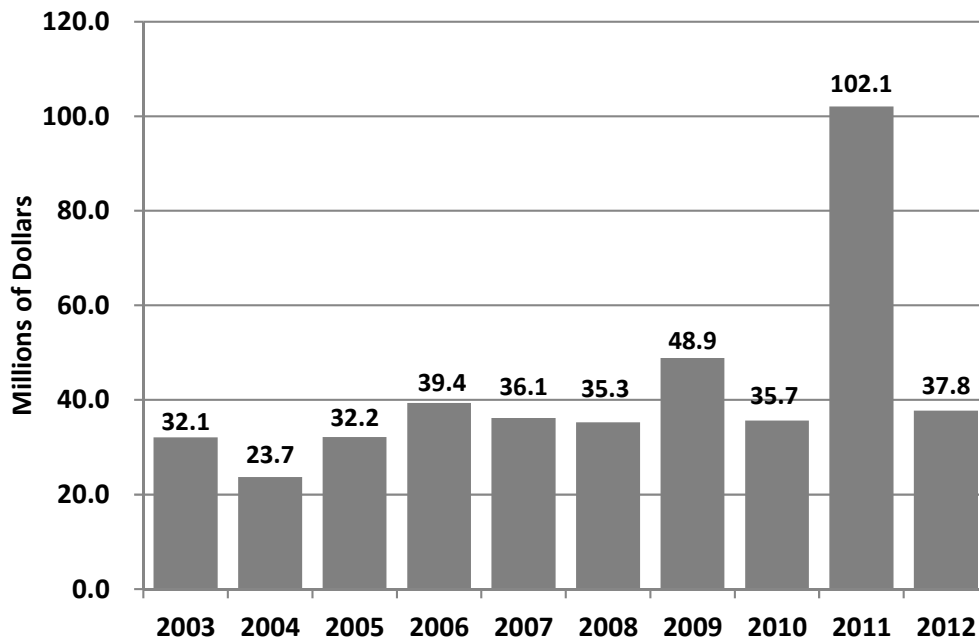
EXECUTIVE SUMMARY

The Michigan Natural Resources Trust Fund (MNRTF) was originally the Kammer Recreational Trust Fund, established in 1976 after oil was discovered in the Pigeon River Country State Forest in the northeastern portion of the Lower Peninsula. This state forest is a pristine wilderness area and home to Michigan's elk herd. At the time, debate occurred over whether energy development should be allowed that might possibly jeopardize such a natural asset. The Kammer Recreational Trust Fund was created as a compromise to allow the development of mineral resources from state lands, but require that the revenue be dedicated to the acquisition and development of additional recreational areas for public use.

The Michigan Constitution now requires that all revenues from the sale or lease of state mineral rights, including bonuses, rentals, and any subsequent royalties be deposited into the MNRTF, until the Fund reaches a \$500.0 million principal balance or "cap." Until the MNRTF reaches that cap, one-third of the annual mineral revenues and all of the annual interest and earnings may be appropriated. The Fund reached the \$500.0 million cap in May 2011. The Constitution requires that these mineral revenues from state lands must now be deposited into the Michigan State Parks Endowment Fund - until that fund attains an \$800.0 million principal balance. When that balance is reached, the \$800.0 million cap will be increased annually for the rate of inflation.

Figure 1 provides a ten-year history of the annual appropriations for MNRTF grants.

Figure 1
Michigan Natural Resources Trust Fund Grants
Appropriation History
2003 – 2012



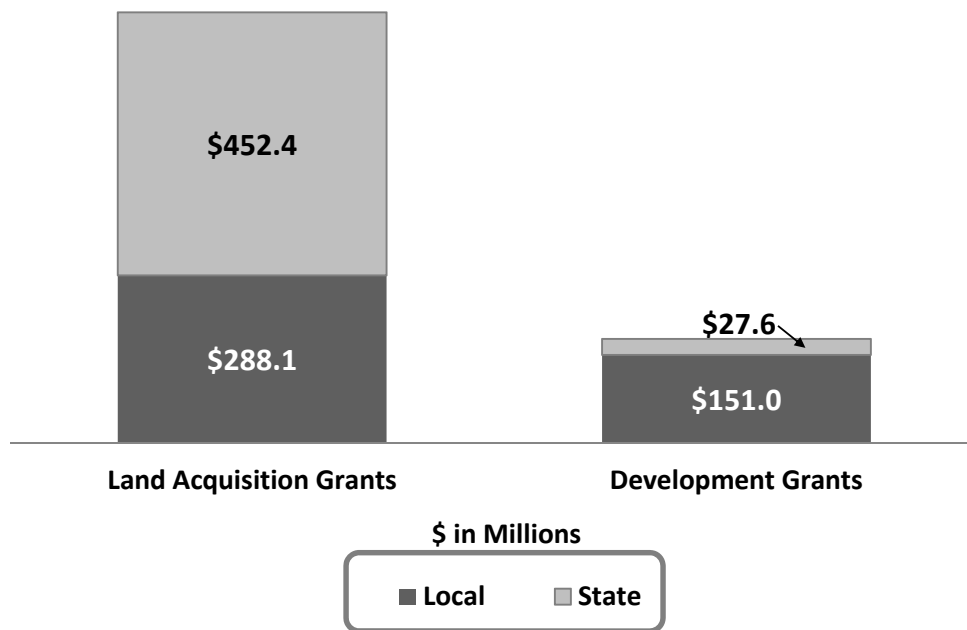
Source: House Fiscal Agency

As of January 2011, the MNRTF has funded grants totaling more than \$919.1 million for over 1,250 state and local recreation projects. All projects receiving funding must be dedicated to public use in perpetuity. There are various types of MNRTF projects, ranging from local parks, boardwalks, and beach restorations to boating accesses and state parks throughout the state. Projects have been funded in each of Michigan's 83 counties.

Both state agencies and local units of government may apply for grants; local governments must supply a match of at least 25 percent of the cost of any proposed project.

There are two categories of projects that may be funded: land acquisition and development projects. Figure 2 illustrates the amount of grants that have been awarded to both state agencies and local entities since 1976 and the amount of that funding that was awarded for land acquisition or for development projects.

Figure 2
Michigan Natural Resources Trust Fund
Distribution By Grant Type
1976 – 2011



Data Source: Department of Natural Resources

Of the \$919.1 million that has been awarded thus far, \$480.0 million was awarded for state projects and \$439.1 million for local projects. There has been a total of \$740.5 million awarded for land acquisition grants and \$178.6 million for development grants.

As of January 2012, the State of Michigan owns 165,221 acres of land that were purchased through the Fund. Whenever any of this land is sold, the revenue generated must be deposited back into the Fund.

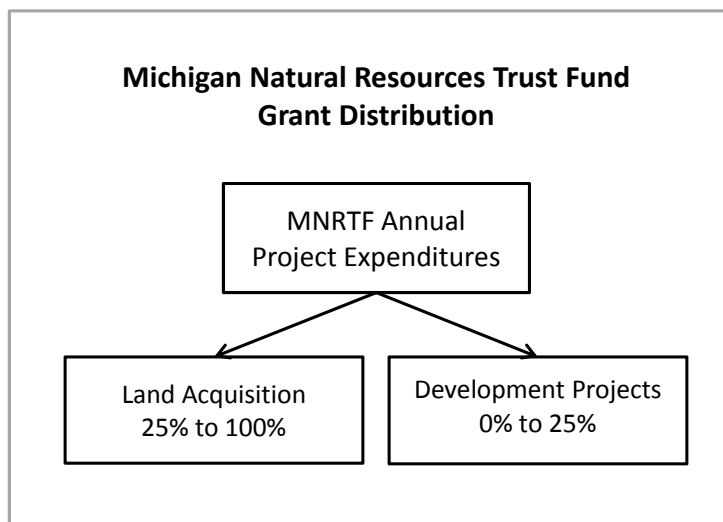
MNRTF BACKGROUND INFORMATION

The Kammer Recreational Trust Fund Act (PA 204 of 1976) established the State Recreation Land Acquisition Trust Fund, the predecessor to the MNRTF, to provide a source of funding so that the state could acquire public lands for resource protection and public outdoor recreation. Under the provisions of the act, one-third of the mineral revenue from state lands, up to \$2.5 million, plus the interest and earnings of the Fund could be spent annually to fund land acquisitions until the Fund reached a \$100.0 million cap.

In November 1984, Michigan voters passed Proposal B which amended the State Constitution to create the MNRTF and increase the Fund's principal cap to \$200.0 million. Article IX, Section 35 of the Michigan Constitution requires that all revenues from the "extraction of nonrenewable resources" from state-owned lands be deposited into the MNRTF. Nonrenewable resources include oil, natural gas, and metallic and nonmetallic minerals. All mineral revenue from the extraction of nonrenewable resources is deposited into the MNRTF except for revenue from state-owned lands that were purchased with Game and Fish Protection Funds or certain federal funds. That revenue must be deposited into the Game and Fish Protection Trust Fund. The Proposal also allowed a \$20.0 million annual transfer to the Michigan Strategic Fund.

To implement the 1984 constitutional amendment, the Legislature passed the Michigan Natural Resources Trust Fund Act of 1985 (PA 101 of 1985). The act established the MNRTF program in statute and expanded the use of revenues to the development of recreational facilities, beyond just land acquisition.

The 1984 constitutional amendment revised the language of the Constitution to require that in any one fiscal year, up to one-third of all mineral lease revenues plus the interest and earnings of the



Trust Fund can be expended. The Constitution was also amended to state that "not less than 25 percent of the total amounts made available for expenditure from the trust fund from any state fiscal year shall be expended for acquisition of land and rights in land and not more than 25 percent of the total amounts made available for expenditure from the trust fund from any state fiscal year shall be expended for development of public recreation facilities." Thus, the MNRTF Board can recommend funding development projects with an amount 25 percent or

less of available funding and funding land acquisition projects with the remaining revenue—which can range anywhere from 25 percent to 100 percent.

In addition, PA 101 of 1985 authorizes the use of Trust funds to make the annual payments in lieu of taxes (PILT) to local units of government that are required by Part 21 (Subpart 14) of the Natural Resources and Environmental Protection Act (NREPA), 451 PA 1994, as amended. Trust funds are used for PILT payments for the land purchased by the DNR using MNRTF funds.

In 1994, voters approved Proposal P which also amended the Constitution and increased the Fund's accumulated principal limit to \$400.0 million. The 1994 amendment created the Michigan State Parks Endowment Fund (MSPEF) in the Constitution and required an annual deposit of up to \$10.0 million from the MNRTF into the MSPEF, but limited the deposit to not more than fifty percent of the total revenues from leases and royalties received in that year. The MSPEF can be expended for operations, maintenance, capital improvements, and land acquisition for state parks. The 1994 amendment also eliminated the previous provision that allowed an annual deposit into the Michigan Strategic Fund.

Voters approved a final constitutional change in 2002 by approving Proposal 2 which increased the principal cap on the Fund to \$500.0 million and required that, once that cap was reached, all revenues would then be deposited into the MSPEF until it reaches an investment corpus of \$800.0 million. The 2002 amendment also allowed the State Treasurer to invest the MNRTF in a wider array of investments.

The Constitution requires that recommendations for projects to be funded by the MNRTF be made by the MNRTF Board. The Board consists of five members: the Director of the DNR or a member of the Natural Resources Commission and four members appointed by the Governor with the advice and consent of the Senate. The appointed members serve four-year terms. The Board is required by statute to meet six times per year, record its proceedings, and ensure all meetings are open to the public (MCL 324.1906).

The Board annually reviews applications for land acquisition and recreational development projects and submits a list of projects to be funded to the Governor each fall. The amount of project funding recommended is based upon the amount of funding available from the MNRTF revenues that year. The Governor then submits an appropriation bill to fund these recommended projects to the Legislature for final approval and appropriation.

STATE OIL AND GAS LEASE AUCTIONS

Although the DNR also leases metallic and nonmetallic mineral rights for exploration, the majority of the revenues come from oil and natural gas extraction. The DNR conducts an oil and gas lease auction for state-owned lands two times each year, normally in May and October. Individuals offer bids on specific parcels for the right to extract oil and natural gas from state land. The primary term of these leases is for five years and they can continue as long thereafter as oil and gas are produced in paying quantities. The buyer pays a per-acre rental rate and any subsequent royalties to the state; these revenues are deposited into the appropriate fund, either the MNRTF or the Game and Fish Protection Trust Fund. The Department publishes a catalog of the offered parcels of land in each auction on their website for prospective buyers.

The DNR began tracking the revenue of these auctions in 1929. In the years from 1929 until May 2010, the state had received a total of \$190.0 million in bonus payments from these auctions. On Tuesday, May 4, 2010, the DNR held a record-breaking oil and gas lease auction that netted \$178.0 million in bonus payments. The highest revenue one auction had ever produced previously was \$23.6 million in 1981. The May 2010 auction netted \$178.0 million in one day, which is almost as much as the total amount the state had collected in the previous 81 years. Of this \$178.0 million, \$113.9 million was deposited into the MNRTF and \$64.5 million into the Game and Fish Protection Trust Fund. These additional revenues from the success of this auction helped the MNRTF to reach its \$500.0 million constitutional cap the following year in May 2011—approximately five years before the cap was anticipated to be met.

This historic auction sale was driven by a recent successful gas flare test at an exploratory test well for natural gas. The well is located approximately 30 miles southeast of Traverse City in Missaukee County. The favorable speculation associated with this successful test well and the advancement of technology in the hydraulic fracturing process, an advanced method of retrieving natural gas, helped fuel the record sales of these leases.

In the May 2010 auction, a total of 118,117 acres of state land was leased in 22 counties. Before this sale, the most recent average price paid per acre for a lease was \$26. However, in the May 2010 auction, the average price paid per acre was \$1,507. The highest bid in the auction was \$5,500 per acre for land located in Charlevoix County.

Despite high expectations for the next auction, in October 2010, the state netted only \$10.2 million from the sale. Of that amount, \$9.0 million was deposited into the MNRTF and \$1.2 million was deposited into the Game and Fish Protection Trust Fund. The next lease auction held in May 2011 netted a dramatically lower amount of revenue, only \$771,994.

Table A presents the revenues for the auctions of oil and gas leases held between May 2008 and May 2012 and the amounts deposited into the MNRTF.

Table A
Revenue from Oil and Gas Lease Auctions for State-Owned Land
May 2008 – May 2012

<u>Date of Auction</u>		<u>Total Acres Leased</u>	<u>Total Revenue to State</u>	<u>Total Revenue to MNRTF</u>
May	2008	149,548	\$ 13,904,295	\$ 12,053,258
October	2008	223,218	4,472,570	3,679,998
May	2009	32,039	714,145	690,523
October	2009	6,147	176,014	158,398
May	2010	118,117	178,319,191	113,449,874
October	2010	273,689	10,227,847	8,963,970
May	2011	35,052	771,994	676,159
October	2011	46,659	1,471,507	0
May	2012	91,225	4,064,329	0

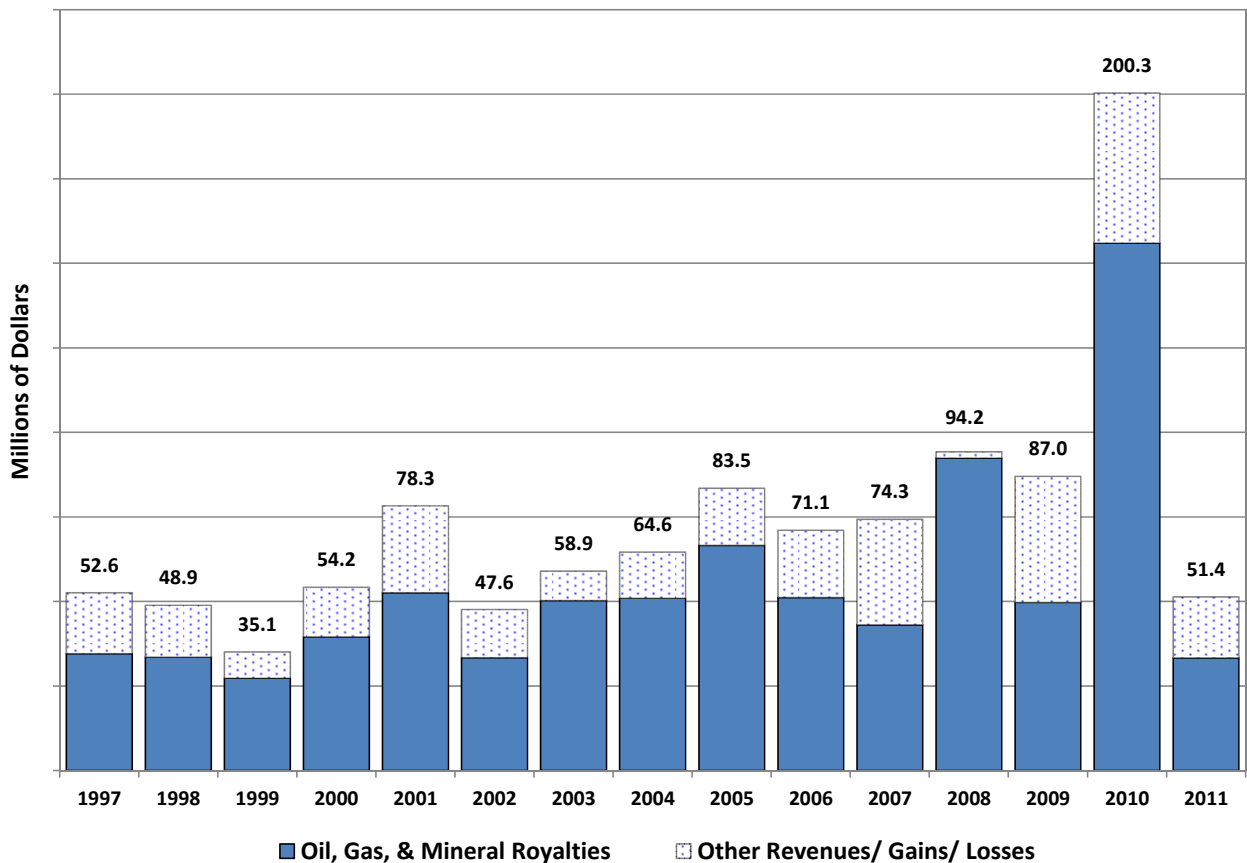
Data Source: Department of Natural Resources

The MNRTF received no mineral revenues from the October 2011 and May 2012 auctions because the Fund had reached its constitutional cap before that date; the revenues from these sales were required to be deposited into the MSPEF.

HISTORICAL REVENUE INFORMATION

Until the MNRTF reached its \$500.0 million cap, the annual revenue to the MNRTF included not only the state mineral lease and rental revenues and all mineral royalties, but also the interest earned on the corpus fund balance of the MNRTF. Figure 3 below provides a fifteen-year history of the annual revenues to the MNRTF.

Figure 3
Michigan Natural Resources Trust Fund Revenue
1997 – 2011



Note: 2006, 2007, and 2008 oil, gas, and minerals revenue amounts were offset (lowered) by multiple payments to Motor City Four (MC4) for royalties belonging to MC4 from a previous servicing agreement. (Reductions were: \$24.3 million in 2006, \$20.3 million in 2007, and \$3.0 million in 2008.)

Data Source: Department of Natural Resources

During the last fifteen years, from 1997 to 2011, the Fund has received \$1.1 billion in revenues. However, because the Constitution allows one-third of the mineral revenues and all of the interest and earnings to be expended annually, the Fund only deposits the remaining portion of those revenues into the investment corpus balance. Thus, even though the Fund received \$1.1 billion during this period, it did not reach the \$500.0 million cap until May 2011.

Figure 3 also highlights the portion of the annual income that was generated from gas, oil, and mineral revenues and the portion yielded from investment interest, earnings, or losses. The average annual revenue to the MNRTF over this fifteen-year span was \$73.5 million. The greatest annual amount, \$200.3 million, was earned in 2010—mainly because of the record oil and gas lease auction held that year. Of that \$200.3 million, \$156.0 million came from mineral revenues to the state. The year with the lowest annual revenue was 1999 in which the Fund received \$35.1 million total revenues. Of this amount, \$27.3 million was generated from mineral revenues.

The amount of revenue that has been deposited into the MNRTF over the past six years and the estimated revenues for 2012 are listed in Table B. The revenue in 2010 is a record high because of the highly successful oil and gas lease auction sale held in May of that year. The amount deposited in 2011 is lower than previous years because after May, mid-way through the year, state mineral royalties revenues began to be deposited into the MSPEF. In 2012, no state mineral revenues will be deposited into the MNRTF; the amount shown for that year consists mainly of the Fund's interest and earnings revenues.

Table B
Michigan Natural Resources Trust Fund Revenue
2006 – 2012

<u>Year</u>	<u>Revenue Deposited</u>
2006	\$ 71,062,400
2007	74,266,600
2008	94,233,500
2009	86,977,400
2010	200,329,900
2011*	51,372,300
2012 (estimated)	25,578,000

* Fund reached its \$500.0 million cap in May 2011. Mineral revenues from state land are now deposited into the MSPEF.

Data Source: Department of Natural Resources

The MNRTF received \$200.3 million in revenue in 2010, the year of the record-breaking auction. Of this amount, \$156.0 million was from bonuses, rentals, delayed rentals, and royalties; \$44.1 million was from interest earnings; and \$200,000 was from miscellaneous revenue. Table C provides a detailed breakdown of the total revenues received by the MNRTF in 2010 and 2011 and the estimated amounts that will be received in 2012.

Table C
Michigan Natural Resources Trust Fund
Revenue Detail
2010 – 2012

<u>Application Year</u>	<u>Mineral Revenues</u>	<u>Interest Income</u>	<u>Miscellaneous Income</u>	<u>TOTAL</u>
2010	\$ 155,996,400	\$ 44,128,400	\$ 205,100	\$ 200,329,900
2011*	33,341,100	16,132,000	1,899,200	51,372,300
2012 (estimated)	0	25,178,000	400,000	25,578,000

**2011 mineral revenues are lower because the Fund reached its \$500.0 million cap in May.*

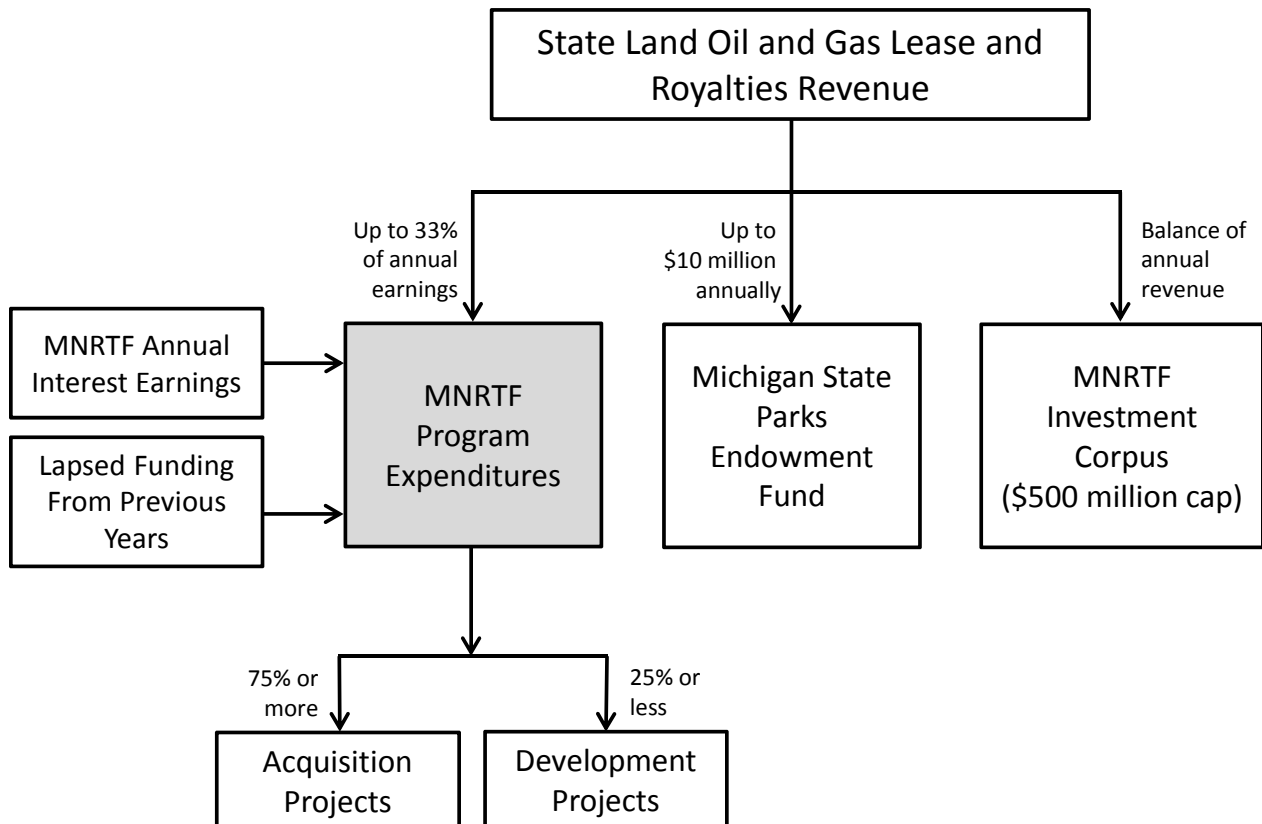
Data Source: Department of Natural Resources

FUNDING AND DISTRIBUTION

Article IX, Section 35 of the Michigan Constitution requires that all state mineral revenues be deposited into the MNRTF—except for those from state-owned lands purchased with Game and Fish Protection Trust Funds or with certain federal funds. The Constitution describes what the purposes are for the Fund and provides that the mineral revenues are to be deposited into the Fund until it reaches an accumulated principal balance of \$500.0 million. The Fund reached the \$500.0 million cap in May 2011. Until this cap was reached, the Legislature was permitted to appropriate up to one-third of all mineral revenues received in a fiscal year to purchase land and to develop recreational facilities.

Figure 4 details the constitutional provisions concerning distribution of oil and gas revenues from state lands into the MNRTF and the Fund's expenditures before the principal \$500.0 million cap was reached.

Figure 4
Michigan Natural Resources Trust Fund
Revenue Distribution
(Before May 2011, when Fund reached \$500 million cap)



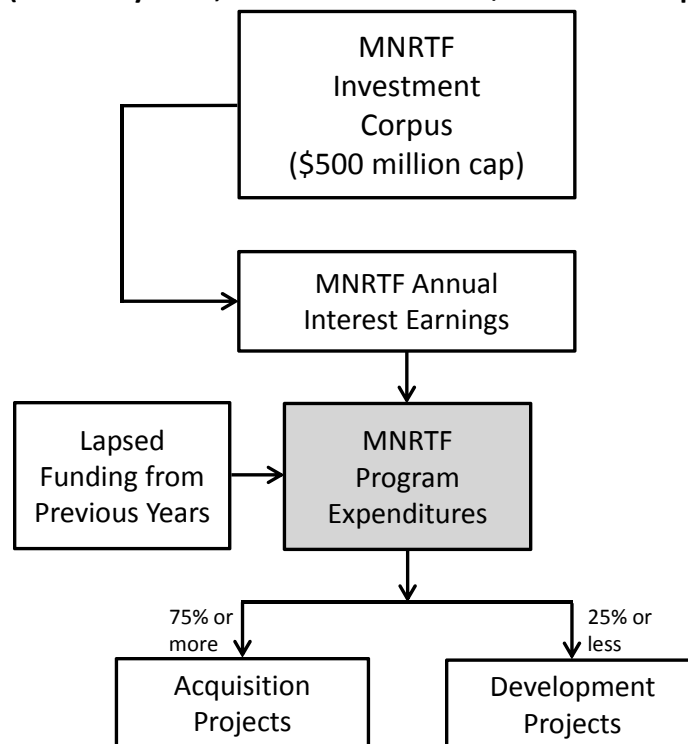
In addition, the Constitution requires that up to \$10.0 million of the revenues to the MNRTF each year be deposited into the Michigan State Parks Endowment Fund (MSPEF), but not more than fifty percent of the total revenues from leases and royalties in any given year may be deposited, until the MNRTF reaches the \$500.0 million principal cap.

Once the MNRTF investment corpus reached its \$500.0 million principal cap, the Constitution requires that state mineral revenues must then be deposited into the MSPEF, until that fund reaches an \$800.0 million balance. When that principal cap has been achieved, the \$800.0 million accumulated principal limit will be adjusted annually and increased for the rate of inflation.

Until the MSPEF reaches its cap, one-half of the annual revenue, plus interest and earnings, may be appropriated by the Legislature for the purpose of operating and maintaining Michigan's state park system. The Constitution further provides that once the MSPEF reaches its \$800.0 million cap, then the state mineral revenues will be distributed "as provided by law." Currently, this distribution mechanism has yet to be addressed in statute. At the close of FY 2010-11, the MSPEF had a balance of \$155.5 million—so it is unlikely that the \$800.0 million cap will be reached in the foreseeable future.

Because the MNRTF has now reached the cap and will no longer receive revenues from the sale of oil and gas on state lands and is no longer required to make a \$10.0 million annual deposit into the MSPEF, the Fund will now make expenditures only from the interest and earnings of the Fund and any lapsed project funding from previous years that has been reauthorized. Figure 5 illustrates how the revenue to the MNRTF will be distributed now that the Fund has reached the constitutionally-mandated \$500.0 million cap.

Figure 5
Michigan Natural Resources Trust Fund
Revenue Distribution
(After May 2011, when Fund reached \$500 million cap)



Assuming a 5.0% return on the \$500.0 million fund balance, the Fund is anticipated to receive approximately \$25.0 million annually from interest and earnings.

The Michigan Constitution provides that MNRTF revenue may be used to fund MNRTF projects and program administration, which includes payments in lieu of taxes (PILT) to local units of government for state-owned land within their jurisdictions. The administrative expenditures funded by the Fund include costs of the minerals management program within the Forest Management Division, funding for the grants and acquisition staff within the Grants Management and Real Estate Divisions, information technology costs paid to the Department of Technology, Management, and Budget, and PILT payments for state-owned lands purchased with MNRTF funding. In 2011 the total administrative expenditures were \$4.1 million. Of this amount, \$521,200 funded PILT payments.

In order to minimize the impact of potential investment losses and avoid large fluctuations in funding, the Board has limited the spending of investment income to 5% annually. Any additional earned investment income is deposited and carried forward in the Stabilization Reserve of the MNRTF.

GRANTS

MNRTF grants are awarded to local entities or units of government and the DNR.¹ Part 19 of the Natural Resources Trust Fund Act (1994 PA 451) defines a local unit of government as a city, village, township, county, or a combination of these entities. Other eligible entities include the Huron-Clinton Metropolitan Authority, regional recreation authorities, and trailway commissions. In addition, certain school districts may also be eligible.

The two types of MNRTF grants are awarded for different specific purposes. Land acquisition grants must be used for obtaining land or specific rights in land for public outdoor recreation or the protection of the land for its environmental importance or beauty. There is no limit on the amount of funding that can be awarded for a land acquisition grant.

Eligible applicants for grants include:

- *Local Units of Government:*
 - *Cities*
 - *Villages*
 - *Townships*
 - *Counties*
- *Recreation Authorities*
- *Trailway Commissions*
- *Multi-Jurisdictional Parks and Recreation Committees*
- *School Districts*
- *Department of Natural Resources*

Recreation development grants can be used to develop various types of public outdoor recreational projects which include fishing and hunting facilities, beaches, boating accesses, picnic areas, campgrounds, winter sports areas, playgrounds, ball fields, tennis courts, and trails. Funding may also be used for facilities needed for recreation, such as nature centers, park visitor headquarters, restrooms, and storage buildings. The amount awarded for a development grant may range from \$15,000 to \$300,000.

While only state and local governments may apply for a land acquisition grant, any individual, group, or organization may nominate land to be considered for acquisition. A nomination is made by completing a short form (PR1909) and serves as a suggestion that the DNR consider that specific property. If a division of the Department is interested in the property, then that division will submit a completed grant application.

The MNRTF program is a reimbursement program for development projects. Funding is provided after project expenditures have been made and submitted for reimbursement. Reimbursement requests may be submitted periodically, but only four times throughout the project period. The DNR will make payments to the grantee of up to only 80 to 90 percent of the grant amount until the project is finished. Once the final inspection and audit are completed, the final funding will be released.

For both types of grants, local governments must provide a minimum of 25% of the project cost. For land acquisition grants, costs can be met by general funds, cash donations, other grants, or a

¹ The Department of History, Arts, and Libraries received a one-time \$261,600 development grant for the Iron Industry Museum Interpretive Trail System in 2006.

donation by the seller of a portion of the value of the land. For development grant projects, the applicant match cannot be met by land acquisition costs or land donations.

Before work can begin on a project, the grantee must sign a Project Agreement with the DNR in which it commits to completing the project within a specified time period—one year for acquisition projects and two years for development projects. The DNR has the sole discretion to extend the project period if the Department deems an extension is warranted.

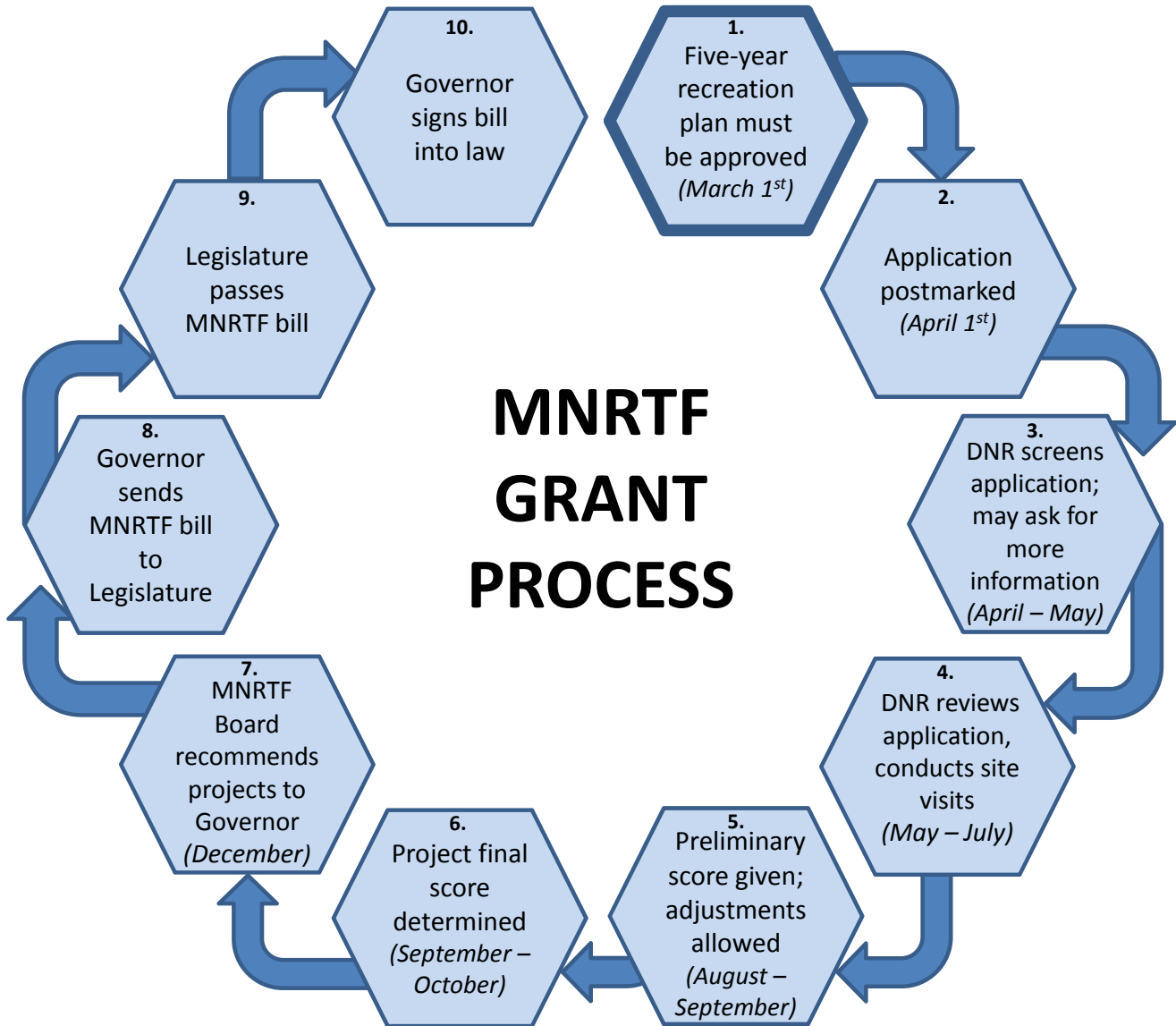
GRANT APPLICATION AND AWARD PROCESS

Grant funding from the MNRTF is awarded annually to state and local governments for approved projects. The grant process itself is a complicated multi-step process that begins on April 1st of each year when project applications are due and usually takes twelve to eighteen months to complete—at which time grants are awarded. Applicants submit their grant applications to the Grants Management Division of the DNR which administers the MNRTF and reviews and scores the applications before sending them to the Board for consideration.

The DNR makes grant application forms and related material available in January. Before a local government can apply for a grant, they must have a five-year recreation plan that has been adopted locally and approved by the DNR. The plan and any amendments must be approved by the Department by March 1st of that year and should include proof of public input, a recreation inventory of parks already owned or managed, and the recreation and resource protection needs of the community.

The flowchart in Figure 6 outlines the basic steps within the MNRTF grant process, beginning with the recreation plan approval and ending with the Governor signing the MNRTF appropriation bill into law.

Figure 6



Grant applications must be completed and postmarked by April 1st or the first weekday in April. The Grants Management staff of the DNR then conducts a preliminary screening of applications to determine eligibility. During this process, applicants may be sent written requests for further information or clarification concerning their application. Throughout May, June, and July, the DNR staff completes an in-depth review of all applications that passed the preliminary screening. During this review process, the staff meets with the applicants and conducts site visits of the projects.

Applicants are provided with a preliminary scoring of their application in either August or September. At that time, they are allowed to make minor adjustments to their materials to help strengthen their application. During the months of September and October, the Grants Management staff will complete the scoring of all applications and provide the Board with a list of projects ranked by their assigned score for their review.

Each year the MNRTF Board develops the criteria for evaluating grant applications and assigns points to specific aspects of the projects. The DNR staff evaluates each application using the criteria developed by the Board for that year and eventually ranks the projects using these point scores. Land acquisition and development applications are ranked on separate lists by their final scores. The Board uses slightly different scoring criteria for the two types of projects. For the 2012 application year, there are nine core criteria for development projects and eight core criteria for land acquisition applications.

In addition to core criteria, the MNRTF Board also develops annual priority project types to be used to score applications. These are listed at the bottom of Tables D and E below. An application may only receive points under one of these project types. For both land acquisition and development projects, the Board has made trails and urban area projects a priority. For land acquisition projects only, the Board has listed wildlife, ecological corridor, and winter deeryard projects, as well.

The tables below present the criteria used in the 2012 application year for each grant type and the total possible points that may be awarded for each specific criterion. Table D provides the scoring criteria for development grants.

Table D
Application Scoring Criteria for MNRTF
Development Projects (2012)

Criteria	Possible Points
Need for Project	60
Site and Project Quality	120
Applicant History	70
Natural Resource Based Recreation Opportunities	40
Financial Need of the Applicant	40
Urban Area Recreation Opportunities	40
Amount of Applicant Match	40
Entrance Fees	30
Universal Access Design	30
POSSIBLE POINTS FOR CORE DEVELOPMENT	
CRITERIA	470
Priority Project Types of MNRTF Board (Projects may only qualify for one of following:)	
-Trails	
-Urban Area Projects	50
TOTAL POSSIBLE POINTS FOR DEVELOPMENT	
CRITERIA	520

Data Source: DNR Grants Management

In total, a development project may earn up to 520 points in the scoring process. Table E below provides the scoring criteria for land acquisition projects which may each earn up to 530 points.

Table E
Application Scoring Criteria for MNRTF
Land Acquisition Projects (2012)

Criteria	Possible Points
Need for Project	60
Site and Project Quality	100
Applicant History	70
Natural Resource Protection and Use	80
Financial Need of the Applicant	40
Urban Area Recreation Opportunities	40
Amount of Applicant Match	60
Entrance Fees	30
POSSIBLE POINTS FOR CORE ACQUISITION	
CRITERIA	480
Priority Project Types of MNRTF Board (Projects may only qualify for one of following:)	
-Trails	
-Urban Area Projects	
-Wildlife/Ecological Corridors/ Winter Deeryards	50
TOTAL POSSIBLE POINTS FOR DEVELOPMENT	
CRITERIA	530

Data Source: DNR Grants Management

In December of each year, the completed project list with final scores is made available to the public, and the MNRTF Board meets to vote on its funding recommendation. The Board considers staff recommendations and other factors that it deems appropriate in making its final decisions. The number of projects recommended for funding is based upon the amount of revenue available that year. The Board then submits its recommendations to the Governor and, in either December or January, an appropriation bill is prepared and submitted to the Legislature for final approval and the appropriation of funding. Once both houses of the Legislature have approved the appropriation bill, the Governor signs it into law. Grant recipients must then enter into Project Agreements with the DNR. After these agreements have been executed, work may begin on the approved projects.

OUTLOOK FOR FUTURE MNRTF PROJECT FUNDING

The DNR estimates that, now that the MNRTF has reached its cap, the Fund will earn approximately \$25.0 million in interest and earnings annually from the \$500.0 million corpus, based upon a 5.0% investment return rate. It is this amount plus any lapsed or reauthorized funding from previous years that will be available for expenditures each year for MNRTF projects and the other expenditures enumerated in the Constitution.

Other allowable expenditures from the Fund include the program's administrative costs and PILT payments and related education mills for land purchased using MNRTF funding. These expenditures totaled \$4.1 million in 2011. Of that amount, \$521,200 was for PILT payments.

Because the MNRTF will no longer receive any mineral revenues in the future, the amount of revenue to the Fund and the total amount of annual grants awarded will now remain fairly constant. In future years, it is estimated that the amount of funding available for MNRTF grant awards will range from \$20.0 to \$30.0 million annually, depending upon the amount of interest earned that year, the amount of lapsed or reauthorized funding from previous years, and the amount of funding appropriated for administrative costs.



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