

MEMORANDUM



DATE: 1/29/2013
TO: Interested Parties
FROM: Viola Bay Wild, Senior Fiscal Analyst
RE: Michigan State Waterways Fund

This memo contains information concerning the Michigan State Waterways Fund appropriations and capital outlay projects within the DNR budget.

Michigan State Waterways Fund

The two major sources of revenue to the Michigan State Waterways Fund are from watercraft registration fees (51 percent of the fees) and a portion (80 percent) of the tax revenues derived from two percent of the state gas tax collected from the sale of gasoline in the state. Funding in the Michigan State Waterways Fund may be expended for the construction, operation, and maintenance of recreational boating facilities, acquisition of land, law enforcement, account administration, and grants to local government units and state colleges and universities to develop harbors of refuge and public boating access sites.

The Michigan State Waterways Fund is part of the Waterways Account established in the Constitution which includes the revenues of three separate funds, two of which were merged in FY 2009. The State Waterways Fund was created by PA 320 of 1947 and is now incorporated as Part 781 of Natural Resources and Environmental Protection Act (NREPA). The second fund is the Harbor Development Fund that was created by PA 65 of 1988 and is now incorporated in Part 781 of NREPA as well. These two funds were combined in FY 2009 and are now known as the **Michigan State Waterways Fund**. The third fund that is included in the Waterways Account in the Constitution is the Marine Safety Fund which was created by PA 303 of 1967 and is now incorporated within Part 801 of NREPA. The Marine Safety Fund receives 49% of all watercraft registration fees and is to be used for the enforcement of watercraft laws and education. This fund provides the funding for the Marine Safety Grants within the DNR budget.

Michigan Conservation and Recreation Legacy Fund (MCRLF)

The Michigan Constitution establishes five restricted funds that are appropriated in the DNR budget that have constitutional restrictions on the revenues that must be deposited into the funds and on how the funding may be used. These five funds are:

- Michigan Natural Resources Trust Fund (MNRTF)
- Michigan State Parks Endowment Fund (MSPEF)
- Michigan Conservation and Recreation Legacy Fund (MCRLF)
- Michigan Game and Fish Protection Trust Fund
- Michigan Nongame Fish and Wildlife Trust Fund

The Waterways Account is one of seven funds that comprise the **MCRLF**. The MCRLF is established in Article IX, Section 40 of the Michigan Constitution. Voters approved House Joint Resolution (HJR) Z on November 7, 2006 (Proposal 06-01) to add new language to the Michigan Constitution that established the Fund and provided constitutional restrictions concerning the use of the funding.

State Waterways Fund FY 2012-13 Appropriations

The Michigan State Waterways Fund received \$21.6 million in revenues in FY 2010-11 and, after expenditures and encumbrances, had a fund balance of \$1.4 million at the end of FY 2010-11. The Fund is anticipated to have a **balance of \$2,041,400** at the end of FY 2011-12.

The appropriations from the Michigan State Waterways Fund in the DNR budget for FY 2012-13 can be found in Section 114 of Article XIV of **P.A. 200 of 2012** (the DNR Appropriations Article for FY 2012-13). In FY 2012-13, there was \$27.2 million appropriated from the Fund to various DNR programs. The majority of the Michigan State Waterways Fund is allocated to two programs within the DNR -- the Recreational Boating line item received \$14.0 million and the Capital Outlay - Waterways Boating Program received \$5.0 million.

The following table lists the amounts of Michigan State Waterways Fund appropriated for specific program areas within DNR for FY 2012-13:

Michigan State Waterways Fund FY 2012-13 Appropriations

Program Area	Amount Appropriated
Executive Operations	\$179,300
Department Support	534,000
Communications	140,900
Law Enforcement	20,300
Parks and Recreation <i>(Recreational Boating line item)</i>	13,992,800
Forest Resources	48,000
Information Technology	468,500
Capital Outlay	4,950,600
Total	\$27,221,100

The \$4,950,000 million appropriated for Capital Outlay projects were designated for the five line items listed below.

FY 2012-13 Capital Outlay Appropriations

Smaller "Lump Sum" waterways boating funding:

1. Infrastructure improvements, state infrastructure improvements - routine maintenance, paving, small-scale projects at state facilities, and boating access land acquisition -- **\$2,828,400** (\$200,000 federal, \$2,628,400 state)

Harbors and docks, state facilities:

2. Port Austin state harbor, Huron County, dredging, utilities, replacement of western docks and finger piers, phase III (total authorized cost is \$7,283,600; federal share \$1,100,000; state share is \$6,183,600). Amount appropriated in bill is **\$2,283,600**.

Harbors and docks, local facilities:

3. Manistique, Schoolcraft County, marina improvements, floating docks, replacement of bin-walls, phase II (total authorized cost is \$2,660,000; state share is \$1,330,000; local share is \$1,330,000). Amount appropriated in bill is **\$500,000**.

4. Presque Isle, Marquette County, marina improvements, removal and reconstruction of existing boat launch, phase I (total authorized cost is \$402,400; state share \$201,200; local share \$201,200). Amount appropriated in bill is **\$201,200**.
5. Munising, Alger County, extension of east breakwall, phase I (total authorized cost is \$874,800; state share is \$437,400; local share is \$437,400). Amount appropriated in bill is **\$437,400**.

These five appropriations total **\$6,250,600** -- of that amount, **\$4,950,600** represents the state share for each project and is appropriated from the Michigan State Waterways Fund. However, according to the DNR, as of January 22, 2013, any of this funding which is dedicated to projects with unexecuted waterways grant agreements has been **placed on hold** pending a re-evaluation of waterway priorities in the state.

State Waterways Fund FY 2011-12 Appropriations

The Capital Outlay Projects that were funded all or in part by the State Waterways Fund in the previous year, FY 2011-12, can be found in Section 114 of Article XIV of **P.A. 63 of 2011** (the DNR Appropriations Article for FY 2011-12). The following projects received appropriations - the state share listed below for each project is funded with the Michigan State Waterways Fund:

FY 2011-12 Capital Outlay Appropriations

Smaller "Lump Sum" waterways boating funding:

1. Infrastructure improvements, field initiatives - routine maintenance, paving, small-scale projects at state facilities, and boating access land acquisition -- \$3,430,000
((\$1,200,000 federal, \$2,230,000 state)

State boating access projects:

2. South Higgins Lake, Roscommon County: new entrance, launch ramp, maneuver area, parking and traffic flow improvements -- \$1,000,000
(total authorized cost \$1,000,000; federal share \$750,000, state share \$250,000)
3. Cass Lake, Oakland County: parking improvements, maneuver area, launch ramp/ road traffic flow improvements -- \$2,000,000
(total authorized cost \$2,000,000; federal share \$1,500,000; state share \$500,000)

Harbors and docks, state facilities:

4. East Tawas, Iosco County: harbor renovation, dock replacements, dredging, fueling station, new electrical/utilities, phase I -- \$1,000,000
(total authorized cost \$1,000,000; state share \$1,000,000)
5. Fayette, Delta County: replace and expand existing dock, phase I -- \$400,000
(total authorized cost \$400,000; federal share \$300,000, state share \$100,000)

Harbors and docks, local facilities:

6. Cedarville, Mackinac County: dredging, steel sheet piling, parking improvements, launch ramps, docks, updated electrical/utilities, service building -- \$1,020,000
(total authorized cost \$2,040,000; state share \$1,020,000; local share \$1,020,000)
7. Manistique, Schoolcraft County: marina improvements, new docks, new service building, phase I -- \$830,000
(total authorized cost \$1,660,000; state share \$830,000; local share \$830,000)

These seven appropriations total \$9.7 million. Of this amount, **\$5,930,000** of funding was appropriated from the Michigan State Waterways Fund for FY 2011-12.

State Waterways Capital Outlay Process

The Waterways Program Grants are funded through the Michigan State Waterways Fund and usually require matching federal and/or local dollars. Statute requires that the DNR administer the program and the Department's Parks and Recreation Division is responsible for the program's oversight.

To receive a Waterways Grant, applicants apply to the DNR for grant funding. The DNR Parks and Recreation Division then evaluates, scores, and presents the grant applications to the State Waterways Commission for review and recommendation. The State Waterways Commission provides a recommendation on projects, but the DNR is responsible for the final approval of projects. The Legislature must then appropriate funding in order for any Grant Award Agreement to be entered into with a local entity. According to the DNR, this process can take up to 18 to 24 months.

The Michigan State Waterways Commission consists of seven members that are appointed by the Governor and is responsible for the acquisition, construction, and maintenance of recreational harbors, channels, docking and launching facilities, and the administration of commercial docks in the Straits of Mackinac.

Waterways Grants provide funding assistance for the design and the construction of public recreational harbors, marinas, and boating access site facilities. Grants are available only to local units of government (cities, villages, townships, or counties) and public universities.

Grant applications must be transmitted to the DNR Parks and Recreation Division by 5:00 pm, Eastern Standard Time, on April 1st of each year to be considered for an award that fiscal year. Grant applications that provide high local match funding are given preference.

Attached to this memo is a listing of the new Waterways Grant Awards that have been approved as of April of 2012. These projects total \$1.8 million. This list of projects includes mainly those that comprise the group of smaller projects listed in the appropriations bill in the line item entitled "infrastructure improvements". (These projects are referred to as "lump sum" projects because they appear grouped together in one line item in the budget bill.) The larger projects that receive their own line items have not been listed on the DNR website yet. While these smaller projects have been granted approval by the DNR, they have not yet received funding by the Legislature through the appropriation process.

I hope you find this information useful. If you have any questions, feel free to contact me at 373-8080.

Attachment: 2012 Waterways Grant Recommendations

FY 2012 Grant-In-Aid Waterways Projects Grant Applications*

Project	Grant Request Amount	Community Share	Total Project Amount
EMERGENCY REPAIRS (FY 2012 Lump Sum)			
City of Traverse City Electrical repairs	\$35,039	\$35,040	\$70,079
SMALL PROJECT APPLICATIONS (FY2012 Lump Sum)			
City of Rogers City ADA Floating fuel and service dock	\$27,000	\$27,000	\$54,000
City of Harrisville Dock Replacement	\$32,500	\$32,500	\$65,000
City of Grand Rapids Butterworth parking lot engineering	\$9,100	\$9,100	\$18,200
City of Traverse City Boat Launch improvements	\$156,200	\$193,750	\$349,950
City of Grand Haven Boat launch maintenance dredging	\$90,000	\$90,000	\$180,000
Village of L'Anse Master plan engineering	\$12,500	\$12,500	\$25,000
City of East Jordan Diversion Wall	\$26,500	\$26,500	\$53,000
Elmwood Township Engineering Study for Harbor	\$35,000	\$35,000	\$70,000
Briley Township Boat Launch	\$10,000	\$10,800	\$20,800
City of Traverse City Breakwall repairs	\$24,485	\$24,485	\$48,970
City of Port Huron Dredging 2013	\$71,913	\$71,913	\$143,826
City of Gladstone Marina improvements Phase 1	<u>\$225,000</u>	\$225,000	\$450,000
SUBTOTAL	\$720,198		
LARGE PROJECT APPLICATIONS (FY 2014 Line Items)			
City of Manistique Binwalls and floating piers (#1-12) Phase 4	\$500,000	\$500,000	\$1,000,000
City of Munising Dredging Phase 3	\$230,500	\$230,500	\$461,000
Newaygo County Boat Launch renovation	<u>\$294,875</u>	\$3,299,900	\$624,865
SUBTOTAL	\$1,025,375		
2012 Applications Total	\$1,780,612		
FY 2012 Small project/Lump Sum funds available	\$480,000		
FY 2014 Large project/Line Items	\$1,025,375		
<i>(FY 2014 Line Item Funding projected at \$1,138,500)</i>			

* According to the DNR, as of January 22, 2013, any of this funding which is dedicated to projects with unexecuted waterways grant agreements is placed on hold at this time pending a re-evaluation of waterway priorities in the state.

Data Source: DNR, Parks and Recreation Division
April 19, 2012