

## Senate Majority Committee Clerks

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**From:** Christopher Graham <grahamz@umich.edu>  
**Sent:** Wednesday, April 11, 2018 12:17 PM  
**To:** Senate Majority Committee Clerks  
**Subject:** SB 763 Res O  
**Attachments:** StateParkFundingSchemesCorrected4Apr.xlsx; ParksFundingResCorrectedComment.pdf

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

Hi, Honorable Senators

You may know I have long served on the State Parks Advisory Committee. As such, I am writing you wearing that hat exclusively, and writing you from a vantage point of considerable knowledge about its funding.

I am opposed to the resolution and bill before you -- which has provisions that would greatly diminish the flow of funds to Michigan's State Parks.

Attached please find a memo that a couple of us presented to the Finance Subcommittee last week (and I will present to the full Parks Advisory Committee on Thursday). And, attached please find a spread sheet showing the current situation regarding the flow of funds for use by State Parks from the E. Genevieve Gillette State Parks Endowment Fund (SPEF).

As you can see from the latter, harm to the Funds flow being disbursed from the SPEF for State Parks use is damaging beginning immediately, and would steadily increase and accumulate over time -- to very significant amounts.

Between now and 2039 the lost funds disbursed for use by State Parks would be nearly \$52 million dollars.

Reaching the cap would take decades longer (if average the average contribution holds). By the time the cap is reached, many extra decades out there, the loss of money for State Parks to use would be many, many millions of dollars!

But State Parks are in far more need than many local parks, and they are not on the moon! Dollars spent on State Parks benefit local contractors, local services, local material sources -- and they are a strongly positive economic force in every district across the State.

Perhaps I would feel differently if funds flow to State Parks for operations was now adequate, if funds flow for capital and major repair were adequate. Neither is adequate (though through they are better thanks to the Passport, and oil and gas money until the cap is reached of the SPEF).

I cannot support the proposed changes unless, and until: Alternate funding is in place that IMPROVES State Park operating and capital funding.

I cannot support this change until adequate alternate funding for State Parks happens together (maybe) with the changes now proposed that would do no harm to the funds flow to the SPEF!

The Legislature needs to provide adequate operating and capital funds to State Parks BEFORE it gets into changes proposed to the funds flow to the SPEF.

I will attach the memo as a .pdf, and the Excel spread sheet in its raw form. Your staff can "fill right all the rows together to see what happens in the long run, if they wish. This chart is newly amended this morning, after more talk with the Subcommittee. The memo is not updated to reflect chart changes.

Thank you for listening.

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DATE: 2 April 2018  
TO: Ron Olson, Chief - Parks and Recreation Division  
FROM: Tom Bailey, Brad Garmon, Christopher Graham  
RE: Resolution 04-2018-04  
Cc: Parks Advisory Committee Members

Hi, Ron –

As you know we have concerns about changes being proposed to the flow of funds to the State Parks Endowment Fund.

These proposals would change the Constitution, wherein these provisions reside. They would require two thirds vote of the Legislature to get them on the ballot and then an affirmation by the voters.

We are concerned that the proposed reduction to the flow of funds to the State Parks Endowment (SPEF is not in the best long-term interest of our State Parks.

As noted in the resolution, currently 50% of State income from oil, gas, mineral leases and royalties flows to State Park operations, and 50% flows to the SPEF. Proposed changes would cut the flow of funds to the SPEF by 50%, to 25%. They would then take 20% to give via grants governed by Natural Resources Trust Fund Board to local governments, to spend on local recreation projects. The 5% balance would be in a political "waffle room" category.

State Parks projects would not be able to compete for funds from the new local government funds flow – as they can now from the much larger Natural Resources Trust Fund (whose grants already go predominantly to local projects). Given past propensities, wouldn't one expect Legislators to regularly add to their local district coffers for their projects directly, add to the list presented to them by the Trust Fund Board?

The key fact to understand is that the SPEF corpus would grow much more slowly if the proposals are approved.

For example, assuming a constant \$14 million dollars per year in the current arrangement is placed in the SPEF, the corpus would grow to \$475 million by 2039. If proposed changes are approved, it will grow to only \$326 million by then (it is currently about \$256M). The trouble begins in 2024, when more dollars would be disbursed from the corpus for State Parks use each year under the current arrangement than would be received for use by Parks under the proposals. That disparity will grow measurably each year, providing a total lost income for State Parks use from the SPEF by 2039 of nearly \$20 million. From then until the cap is reached – at a much later date, tens of millions dollars of income will be lost for use by State Parks. We are opposed to these changes because they are decidedly not in the long term best interests of our State Parks.

We also are concerned about using any funds from the exploitation and use of our natural capital (oil, gas, and mineral deposits) to support what are recognizably routine maintenance and operations expenses. Specifically, controlling Phragmites near water bodies and on the shorelines of the Great Lakes is an ongoing, maintenance expense that will never go away. This provision (aquatic invasive species control) should be stricken from these proposals and alternate funding found. It is disturbing enough that funds currently disbursed from the SPEF (in addition to the 50% of these dollars already going directly to Parks) are being used for Parks operations and normal maintenance rather than for capital and major maintenance projects.

This points to the elephant in the room: We have not adequately solved the funding problem for State Parks. We have not solved it on the operations side, and we certainly have not solved it on the capital/major improvement/new development side! The proposed changes to the flow of funds to the SPEF will not do that either. Though there will be some short-term gain, it is MUCH LESS than the need.

Currently project costs for capital expense and major improvements (not related to anything on State Park Master plan's action lists viewed as non-urgent, meaning no new things are counted) is \$264 million. It would take 10 years to do these things, if \$25 million per year was available. We can progress at only a several million dollar a year pace now, much less than urgent need. There are many things our State Park customers have asked for and so are on our Master Plan action lists that we cannot even think about satisfying.

It should be noted that in the 1970's general fund support for Parks was \$70 million plus per year. In addition, there were several ongoing major State bond issues for Parks capital work from which to draw in those years. Adjusting for inflation, if the State were supporting State Parks from the general fund the same level today, State Parks would have a budget of \$374 million a year. That would solve the problem. (We can tell from this how many staff and expenses have been cut, why infrastructure in State Parks is in such trouble!) Instead, the State has cut general fund support for State Parks to zero (it did so more than a decade ago), though it has been helping modestly with expenses on Belle Isle and some Trail System costs, some other onetime items, lately. It therefore seems imperative that we change to an "opt out" arrangement of the Passport legislation.

If proposals on this should go ahead, will the opt out be designed in a way to maximize income? It will not work well if "opting out" can occur at the time of plate purchase/renewal, in the SOS offices. Idaho requires folks to send in a request for refund. Won't folks in Michigan now used to saying no to the Passport fee be a bit angry about this change?

If an opt out approach for the Passport were approved, local governments would be helped both by the additional funds which would come to them from it, and perhaps by an increase in the percentage of those funds they receive (from now 10% to 15%). That would seem to appease Legislators anxious to have more money for local recreation projects and truly benefit State Parks in the long run.

We suggest that the opt-out provision must precede or be an integral part of any proposal for changes to the funds flow to the SPEF.

Both the immediate needs of State Parks operations funding, the immediate and urgent needs for capital and major maintenance funding need to be solved. Ultimately, the long-term flow funds to State Parks should not be injured.

Investment and expenditure on State Parks is investment in local communities, across the State. Those funds support local sources of supply, local contractors, local businesses which care for State Park visitors and employees. We understand Legislators' desires to move money away from acquisition to recreational development and a proposal that changes the percentages of funds granted by the NRTF Board from the Natural Resources Trust Fund. But the proposal for the State Park Endowment Fund needs work in order to be financially sustainable and sensible for the long term. It appears that the current proposal leaves State Parks short of funding in the long run.

It is likely the three of us will urge our fellow Parks Advisory Committee members to at least support a tabling of this resolution – in order and until the more important and immediate shortfalls in funding for State Parks are resolved, and until the language of the proposals addresses the concerns raised here. It is likely the lack of support for the proposals as they now stand by the Michigan Environmental Council (and no doubt most of its 70-member organizations) will continue.

**Current Arrangement (Dollars State Parks Endowment Funds flows only)**

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
<b>BAL</b>		255	267.817	280.49814	293.04486	305.458584	317.740723	329.892671	341.915809	353.811501	365.5811	377.22594	388.747345	400.146623	411.425069	422.583963	433.624573	444.548153	455.355942	466.049169	476.629048	487.09678
<b>Int</b>	<b>2%</b>	5.1	5.35634	5.6099628	5.86089719	6.10917168	6.35481446	6.59785343	6.83831618	7.07623003	7.31162199	7.5445188	7.7749469	8.00293246	8.22850138	8.45167926	8.67249146	8.89096305	9.10711884	9.32098338	9.53258096	9.7419356
		260.1	273.17334	286.108103	298.905757	311.567756	324.095537	336.490525	348.754125	360.887731	372.892722	384.770459	396.522292	408.149556	419.65357	431.035642	442.297065	453.439116	464.463061	475.370153	486.161629	496.838716
<b>Income</b>		16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16
		276.1	289.17334	302.108103	314.905757	327.567756	340.095537	352.490525	364.754125	376.887731	388.892722	400.770459	412.522292	424.149556	435.65357	447.035642	458.297065	469.439116	480.463061	491.370153	502.161629	512.838716
<b>To SP</b>	<b>-3%</b>	8.283	8.6752002	9.06324308	9.4471727	9.82703267	10.2028661	10.5747157	10.9426238	11.3066319	11.6667816	12.0231138	12.3756688	12.7244867	13.0696071	13.4110693	13.7489119	14.0831735	14.4138918	14.7411046	15.0648489	15.3851615
<b>BAL</b>		267.817	280.49814	293.04486	305.458584	317.740723	329.892671	341.915809	353.811501	365.5811	377.22594	388.747345	400.146623	411.425069	422.583963	433.624573	444.548153	455.355942	466.049169	476.629048	487.09678	497.453554

**Proposed Arrangement**

<b>BAL</b>		255	260.057	265.060396	270.010756	274.908642	279.75461	284.549211	289.292989	293.986484	298.630227	303.224747	307.770564	312.268196	316.718153	321.120941	325.477059	329.787002	334.05126	338.270317	342.444651	346.574738
	<b>2%</b>	5.1	5.20114	5.30120792	5.40021511	5.49817283	5.5950922	5.69098422	5.78585979	5.87972968	5.97260454	6.06449493	6.15541129	6.24536393	6.33436307	6.42241882	6.50954118	6.59574005	6.6810252	6.76540633	6.84889303	6.93149476
		260.1	265.25814	270.361604	275.410971	280.406814	285.349702	290.240195	295.078849	299.866213	304.602832	309.289242	313.925976	318.51356	323.052517	327.54336	331.9866	336.382742	340.732285	345.035723	349.293544	353.506233
<b>Income</b>		8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8
		268.1	273.25814	278.361604	283.410971	288.406814	293.349702	298.240195	303.078849	307.866213	312.602832	317.289242	321.925976	326.51356	331.052517	335.54336	339.9866	344.382742	348.732285	353.035723	357.293544	361.506233
<b>To SP</b>	<b>-3%</b>	8.043	8.1977442	8.35084811	8.50232912	8.65220443	8.80049107	8.94720586	9.09236548	9.2359864	9.37808495	9.51867725	9.65777927	9.79540681	9.9315755	10.0663008	10.199598	10.3314823	10.4619686	10.5910717	10.7188063	10.845187
<b>BAL</b>		260.057	265.060396	270.010756	274.908642	279.75461	284.549211	289.292989	293.986484	298.630227	303.224747	307.770564	312.268196	316.718153	321.120941	325.477059	329.787002	334.05126	338.270317	342.444651	346.574738	350.661046
<b>Delta to SP</b>		-0.24	-0.477456	-0.71239497	-0.94484358	-1.17482824	-1.40237506	-1.62750988	-1.85025828	-2.07064554	-2.2886967	-2.50443651	-2.71788949	-2.92907986	-3.13803161	-3.34476848	-3.54931393	-3.7516912	-3.95192328	-4.15003289	-4.34604254	-4.53997449
<b>Cumulative</b>		-51.7121925																				

Assumptions: Average income going forward to SPEF is \$16M; Proposal is to cut that 50%, to \$8M What happens?

Funds available to be disbursed from SPEF for State Parks use each year would begin to be less immediately, go down steadily relative to what they would be if current scheme remain. Cumulative shows damage each year as it adds up.

