

Public Lands Held and Managed for Natural Resources Values

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Public lands which are held and managed for natural resources conservation and natural resource-related outdoor recreation are an important component in buffering the effects of certain trends. However, the conservation and outdoor recreation values of these lands are also strongly and most often negatively impacted by land-use trends in Michigan.

ISSUES

- Most of the public land management units administered by the Department of Natural Resources (DNR) suffer from at least two aspects of fragmentation. First, most of these units include a significant portion of private parcels liberally scattered among the public parcels. Commercial and residential development near or adjacent to these public lands can have a serious negative impact on the outdoor recreation use of those public lands and the natural resource management options. For example, because of legal safety zones around dwellings (450 feet), a new house constructed adjacent to public hunting lands can eliminate hunting on many acres of adjacent public lands. The attractiveness of living next to public lands means that these new houses can have a significant impact on hunting opportunities even though the lands remain in public ownership.

In addition, the management of the public lands within these management units is often further fragmented because different parcels may have been acquired through means (tax reversion, purchase, gift, etc.) or purchased with different funding sources (Game and Fish Fund, Land and Water Conservation Fund, Natural Resources Trust Fund, etc.). Each means and each funding source may carry with it restrictions on management options for that land parcel. Moreover, each of means and funding sources may require separate accounting for some of the management costs and much of the derived revenue from the sale of timber, oil and gas, sand and gravel, easements, etc. To further complicate the matter, the public does not always own both the surface rights and the mineral rights for all parcels, or the two sets of rights may have been acquired through different means or with different funding sources.

- Adjacent development soon turns in to pressure to release additional public lands to allow for additional development. Developers see the adjacent public lands as the logical location for their next housing development or shopping center. In certain instances, it is possible to protect conservation and outdoor recreation values by accommodating this growth. For example, the DNR worked with the City of Grayling to develop a plan to allow for the sale of certain public lands

- adjacent to Grayling's industrial park and adjacent to I-75. This helped to direct commercial and industrial development in preferred areas with adequate public services rather than scattered across isolated private parcels further from the City.
- Adjacent development drives up local land values and for purchased lands administered by the Department of Natural Resources, drives up the Payments-in-Lieu-of-Taxes obligations on these public lands. (See Attachment A for additional information.) This could lead to a halt in the acquisition of lands important to the future of natural resource conservation and our citizens' natural resource-related outdoor recreation.
 - Depending on their interests, some people believe that there is much too little public land available for outdoor recreation in Michigan and others believe there is too much. The Natural Resource Commission recently adopted a new policy on land holdings administered by the DNR to help direct the evaluation of current lands and the needs to address both natural resource conservation and natural resource-related outdoor recreation. (See Attachment B.)
 - Some large private forest land owners are moving to liquidate their land holdings in Michigan, leading to further fragmentation of forest stands, wildlife habitats, recreational trails, and important nature ecosystems. The DNR is working in partnership with The Nature Conservancy, the Natural Resource Trust Fund, and other conservation partners to experiment with the large-scale use of conservation easements to keep some of these lands in forest production and available to the public for outdoor recreation.
 - Michigan is blessed with more than 11,000 lakes, 33,000 miles of rivers and streams, and 3,000 miles of Great Lakes shoreline. The presence of this great and highly sought after resource does not assure its availability to Michigan's citizens and its visitors. The public's access to these public waters and their natural resource-related outdoor recreation potential is almost exclusively dependent on state, federal, and local public ownership of waterfront property.
 - The majority of Michigan's public lands are found in the more northern portions of the state, while the majority of Michigan's citizens live in the more southern portions of the state. Although purchasing additional public lands in southern Michigan generally provides the most additional public recreation opportunities, those lands generally have the highest acquisition costs and the highest payments-in-lieu-of-taxes costs.
 - In many cases, public lands are the sole remaining locations of fragile ecosystems and species at risk, such as Oak/Pine Barrens, Lake Plain Prairie, Karner blue butterfly, Kirtland's warbler, etc.
 - Increased personal wealth, free time, ease of travel, and new recreation pursuits have increased the outdoor recreation demands on Michigan's public lands.

BACKGROUND

Public Lands Ownership—Summary

Over seven million acres of Michigan's land surface is owned by the public and managed on their behalf by the State of Michigan, through the DNR, and by the United State of America, primarily through the U.S. Forest Service, the U.S. Park Service, and the U.S. Fish and Wildlife Service. (See map, page 6.)

Public Ownership—State Forests

The largest portion of these public lands is encompassed in Michigan's State Forests administered by the DNR's Forest Mineral and Fire Management Division. There are approximately 3.81 million acres of State Forest land. The Upper Peninsula contains 1.9 million acres and the Northern Lower Peninsula has 1.91 million acres.

Although the majority of these State Forest lands were obtained through tax reversion in the 1930s and 1940s, approximately one-fifth of the State Forest acreage was purchased during the same period with hunting license fees both to provide opportunities for public hunting as well as to conserve wildlife habitat. In the last decade, the acreage in State Forests has changed about 1 percent, adding approximately 57,700 acres and disposing of approximately 14,400 acres through exchanges, legislative transfers, purchases, and gifts. Perhaps the most notable acquisition was the more than 6,000 acres purchased near the tip of the Keweenaw Peninsula. These lands were purchased with funding from the Natural Resources Trust Fund in partnership with The Nature Conservancy to assure that the lakes, rivers, and many miles of Lake Superior shoreline remained available to Michigan's citizens.

Although Forest, Mineral and Fire Management Division administer Michigan's State Forests, since 1946 they have shared management authority and decision-making with the Wildlife Division, when the Natural Resources Commission merged the license fee purchased lands in the north with the State Forests' tax reverted lands in the north to simplify administration.

Public Ownership—Federal Forests

The National Forests in Michigan currently include approximately 2.85 million acres. This includes approximately 1.88 million acres in the Upper Peninsula made up of the Ottawa National Forest and the Hiawatha National Forest and 0.98 million in the Northern Lower Peninsula's Huron/Manistee National Forest. The acreage in Michigan's National Forests was accumulated primarily prior to World War II and has remained relatively static in the last decade.

Public Ownership—State Game and Wildlife Areas

The State Game and Wildlife areas encompass approximately 400 thousand acres, primarily in the Southern Lower Peninsula. These areas include both tax reverted lands and lands purchased with hunting license fees. Many of these acres were purchased after World War II and into the 1950s in partnership with the U.S. Fish and Wildlife Service using a combination of Michigan's hunting license fees and federal taxes on hunting arms

and ammunition under the Federal Pittman-Robertson Act. These game and wildlife areas are required by law to be managed for the restoration of wildlife species and their habitats as well as to provide for wildlife-related outdoor recreation such as hunting, trapping, and wildlife viewing.

Public Ownership—National Wildlife Refuges

The U.S. Fish and Wildlife Service administers approximately 115 thousand acres in three refuges. Seney National Wildlife Refuge, in the Upper Peninsula, encompasses approximately 95 thousand acres. Shiawassee National Wildlife Refuge in the Southern Lower Peninsula encompasses a little over 17 thousand acres. The newly established Detroit River International Wildlife Refuge encompasses only 384 acres at present but will eventually grow somewhat, although that will mainly be in partnership with the State of Michigan and with local units of government to protect the remaining wetlands along the Detroit River and Lake Erie. The majority of these refuges were purchased in 1940s, 1950s, and into the 1960s. More recently, their emphasis has been on acquiring private in-holdings.

Management of the National Wildlife Refuges in Michigan is primarily directed toward migratory birds, especially waterfowl. The National Wildlife Refuge System has purchased some lands in the Northern Lower Peninsula to help in conservation of habitats for the federally listed Kirtland's warbler.

Public Ownership—State Parks and Recreation Areas

Michigan's 97 State Parks, Recreation Areas, and Linear Parks encompass approximately 280 thousand acres and more than 244 miles of designated trails. In addition, more than 20 thousand acres are encompassed in approximately 1,300 boating and public water access sites.

The Michigan park system dates back to 1919, with the legislative creation of the State Park Commission and acquisition of the properties of Interlochen and D.H. Day State Parks. By 1929, there were 52 parks in the system. During this time period, a number of smaller State Parks were transferred to local ownership.

The greatest expansion and development of State Parks occurred in the 1930s and early 1940s through the efforts of various Federal relief programs. The largest park in the system, Porcupine Mountains Wilderness State Park, was established in 1944, when a special appropriation of \$1.0 million purchased 58,000 acres in the western Upper Peninsula. The late 1940s and early 1950s saw another phase with the acquisition of recreational properties in southeastern Lower Michigan, which became 14 recreation areas totaling 66,000 acres

In the last decade State Parks have acquired approximately nine thousand acres, much of it in in-holdings within the parks, and have disposed of approximately one thousand acres, much through exchanges.

The State Parks are managed to conserve and protect special parts of Michigan's natural environment and to provide camping, hiking, boating, and other outdoor recreation opportunities for Michigan's citizens and their visitors. Boating and public water access sites provide water-related recreation opportunities for all of Michigan's citizens, especially the owners and operators of the more than one million boats registered in Michigan (national leader).

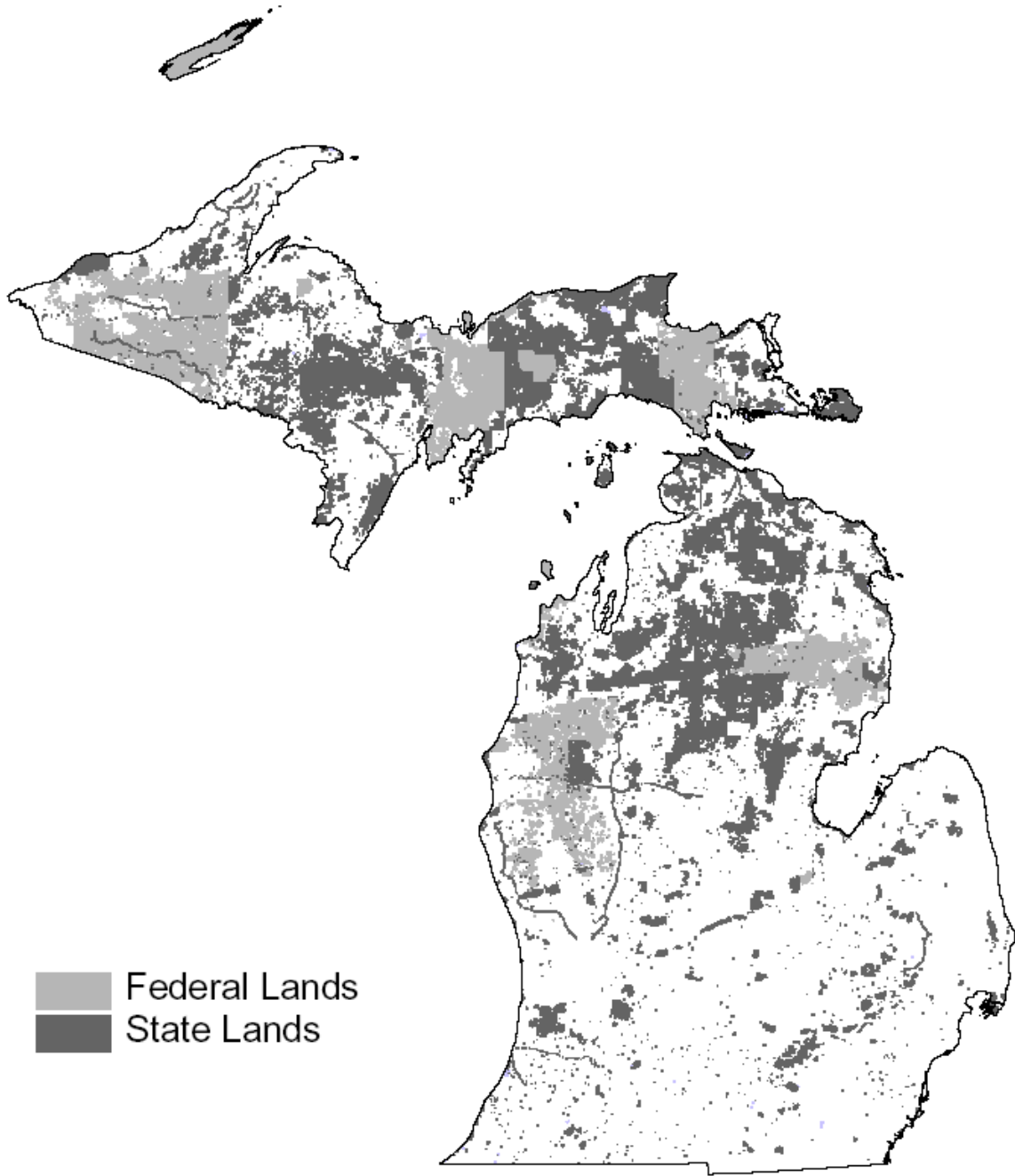
Public Ownership—National Parks and National Lake Shores

Michigan is home to one National Park and two National Lakeshores, encompassing approximately 673 thousand acres. Isle Royal National Park (established 1940) and Pictured Rocks National Lakeshore (established 1967) are found in the Upper Peninsula and encompass approximately 616 thousand acres. Sleeping Bear Dunes National Lakeshore (established 1967) is found in the Northern Lower Peninsula and encompasses approximately 57 thousand acres in federal ownership and approximately 14 thousand acres in private ownership. Although it appears that there is little effort to add acreage to the National Parks, when there is an interest it is being pursued through partnerships.

Public Ownership—Great Lakes Bottomlands

The DNR holds title to approximately 25 million acres of Great Lakes bottomlands on behalf of the citizens of Michigan.

Public Lands Distribution



ATTACHMENT A

Payment in Lieu of Taxes

Public property belonging to the state is exempt from taxation under the General Property Tax Act (Act 206 of 1893)

Public Act 91 of 1925 [*Subpart 14, Part 21 of the Natural Resources and Environmental Protection Act, 451 PA 1994, as amended (Act 451)*] requires the Department of Natural Resources (DNR) to make payments in lieu of taxes (PILT) to local governments for purchased lands

- Payments must be made for all lands purchased by the DNR after 1933
- Payments are based on land values
 - Values set annually by State Tax Commission
 - Values based on unimproved value; agricultural class
 - DNR lands qualify for the agricultural homestead exemption, which leads to deduction of the 18 mills school operation levy
 - DNR does not pay administrative fees or special assessments
- Payments are made based on tax bills submitted by local governments
 - Taxes are paid at the ad-valorem rate only, based on local millage rates which can vary annually
 - Payments made for summer and winter tax bills submitted to the DNR
 - Bills are submitted by over 920 taxing jurisdictions for over 60,000 individual parcels
 - Payments over a single tax year (calendar year) are split between two fiscal years
 - DNR is required to pay a penalty for late payments as set forth in the General Property Tax Act (penalties consist of one percent applied monthly and an additional four percent county administrative fee that can be applied in March)
- Funding Sources:
 - When available, PILT payments are made from the same restricted source used to purchase the land
 - For most acreage, a restricted source is not available
 - The PILT program has a large general fund obligation

During Tax Year 2001 (Fiscal Years 2000/2001 and 2001/2002), \$9.1 million in PILT payments were made for 1,006,467 million acres of DNR-purchased land. During the last five years the amount of purchased land owned by the Department on behalf of Michigan's citizens has only increased about 4.4 percent while the PILT obligation has increased 18.1 percent.

NOTE on PILT: *Governor Granholm has proposed statutory modifications to the PILT program. Specifically, beginning in calendar year 2003, the governor recommends that local units of government receive a flat rate of \$2 per acre for over the one million acres of land purchased by the department. This proposed payment level is consistent with that of comparable programs in other states, as well as a similar program operated by the federal government. The proposal will result in a savings of \$1.9 million to the general fund and will reduce local and state administrative costs associated with processing tax bills. Various other aspects of this proposal are still being evaluated.*

Swampland Payment

Public Act 116 of 1917 [Subpart 13 of Part 21 of the Natural Resources and Environmental Protection Act, 451 PA 1994, as amended] requires payments on lands under the control and supervision of the DNR that was purchased prior to 1933, gifted or tax-reverted.

Since this was land left unclaimed and remained in the State's name primarily due to being "swampland," it is commonly referred to as the "swampland payment."

The legislatively mandated payment has increased from \$0.05 an acre (in 1917) to the current rate of \$2.00 per acre (since 1994).

State law requires these payments be made with General Funds.

For Tax Year 2001 (FY02), \$7.068 million in payments were made for 3.5 million acres of "swamplands."

For Tax Year 2002 (FY03), \$7.068 million in payments were made for 3.5 million acres of "swamplands."

ATTACHMENT B

DNR - COMMISSION POLICY

Number 2627 Issued March 7, 2003

Preparing Division

Executive Division

Subject

DEPARTMENT LAND HOLDINGS

Preamble

The Michigan Department of Natural Resources is committed to the conservation, protection, management, use and enjoyment of the State's natural resources for current and future generations. As part of fulfilling that mission, the Department of Natural Resources currently holds title to approximately 4.5 million acres of Michigan's land surface and almost 6 million acres of its mineral rights on behalf of the citizens of this State. The Department manages these lands to conserve, protect, and provide public use and enjoyment of the natural resource, recreational, ecological, cultural, and historical values of all these lands for present and future generations of Michigan citizens and visitors to the State.

A substantial portion of these lands were purchased specifically for the natural resource and outdoor recreation values using restricted funds including, but not limited to, revenues from the hunting and fishing licenses, state park fees, and sale of forest products, to name but a few. The Department has acquired important lands through grants from the Michigan Natural Resources Trust Fund which is based on funds derived from the extraction of oil, gas, and minerals from State-owned mineral rights. The Department has also acquired key lands in part with federal funds such as Pittman-Robertson Fund, Wallop-Breaux Fund, and Land and Water Conservation Fund.

Still, the majority of the lands managed by the Department came into State ownership as a result of tax reversion in the 20th Century. While most of these lands acquired through tax reversion contribute significantly to helping the Department fulfill its mission, some do not. It appears that the costs associated with managing some of the more scattered land holdings may outweigh the conservation and outdoor recreation values those lands provide. In some cases it appears that the Department's cost of managing marginal land holdings may detract from achieving the best overall management of the more critical lands. Income from the sale of those tracts that are determined to contribute little to fulfilling the Department's mission would provide funds to acquire important private in-holdings within the State's lands. In addition, the costs and staff time which had been

tied up in managing those marginal land holding could then be redirected to enhance the Department's ability to manage its remaining land.

Whether the lands were acquired by purchase or by tax reversion, the State of Michigan currently makes payments in lieu of taxes or swamp tax payments on all of these lands to local governments through appropriations to in the Department's budget. In recent years, appropriations have not increased enough to cover tax obligations, creating a deficit.

General Policy

The Commission and the Department shall work to assure that the Department's land holdings are managed to enhance and conserve Michigan's natural resources and outdoor recreational values.

The Department shall undertake a thorough review of its entire land holdings to identify those specific lands which are not contributing strongly to the fulfillment of the Department's mission as well as those private in-holdings and other private lands which, if brought into public ownership, would enhance the Department's ability to accomplish its mission.

The Department shall actively work to consolidate its land holdings through timely and focused use of its authority to exchange lands with willing owners and to purchase lands or rights in lands from willing sellers.

The Department shall use its authority to sell lands which it identifies as non-essential and use the resulting funds to purchase in-holdings and other lands which would enhance the Department's ability to better accomplish its mission.

The Department shall actively utilize other funding sources whenever possible to accomplish their mission.

The Department shall actively pursue partnerships and alternate land management and ownership arrangements where appropriate and effective in helping the Department to achieve its mission.

The Department shall work with the Natural Resources Commission, the Governor of Michigan, the Michigan Legislature, conservation organizations, and other private or public interests to appropriately address payments in lieu of taxes on the lands held and managed by the Department on behalf of the citizens of Michigan.

The Department may develop procedures as needed to implement this policy.