APPRAISAL OF CERTAIN ECONOMIC AND FISCAL ASPECTS OF THE PITTMAN-ROBERTSON LAND PURCHASE PROGRAM IN SOUTHERN MICHIGAN

Raleigh Barlowe
USDA

Follow this and additional works at: http://digitalcommons.unl.edu/usdaarsfacpub

http://digitalcommons.unl.edu/usdaarsfacpub/1648

This Article is brought to you for free and open access by the U.S. Department of Agriculture: Agricultural Research Service, Lincoln, Nebraska at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Publications from USDA-ARS / UNL Faculty by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.
APPRAISAL OF CERTAIN ECONOMIC AND FISCAL ASPECTS OF THE PITTMAN-ROBERTSON LAND PURCHASE PROGRAM IN SOUTHERN MICHIGAN

By RALEIGH BARLOWE

DEPARTMENT OF AGRICULTURAL ECONOMICS AND BUREAU OF AGRICULTURAL ECONOMICS, U. S. DEPARTMENT OF AGRICULTURE

Between 1939 and 1950 the Michigan Department of Conservation spent approximately one million dollars in acquiring wildlife restoration and public hunting grounds in 20 southern Michigan counties. Altogether, 80,356 acres, located in 25 separate projects, were acquired for these purposes. Additional lands also were acquired for the 15 public recreational areas located in the southern part of the state.

Of the lands in the state game areas on January 1, 1950, almost 52,000 acres were acquired under the terms of the Federal Aid in Wildlife Restoration Act of 1937 (50 Stat. 917). This law, commonly referred to as the Pittman-Robertson Act, provides that revenue from the federal excise tax on sporting arms and ammunition be made available to the states for various types of game restoration work, including the purchase of lands for this purpose. The additional acreage included within the game areas represents areas acquired with other funds and lands that have tax reverted to the state.

In the period since the war there has been a substantial increase in the funds available under the Pittman-Robertson law for the purchase of additional game lands. In recent months the Conservation Commission has authorized an expanded land acquisition program. Before embarking on this program, however, the Commission first determined that a survey should be made to evaluate the results of

---

1Most of the attention in this report is given to the older established game area projects. The list of these projects includes the Barry County, Dansville, Deford, Erie, Flat River, Fulton, Gourndneck, Gratiot-Saginaw, Gregory, Lake, Minden City, Oak Grove, Pointe Moullee, Port Huron, Saginaw Bay, Three Rivers, Tuscola and Vassar projects. Pittman-Robertson funds have been used in acquiring lands for 16 of these 18 projects (all except the Erie and Fulton projects). Pittman-Robertson funds also have been used to acquire lands for the Rose Lake Wildlife Experiment Station, for the Leidy Lake, Cannonsburg, Fish Point, Stanton and Wildfowl Bay projects started in 1949, and for other projects started since the beginning of 1950. In addition, lands were purchased in the Waterloo area and later turned over to the Waterloo Recreation Area, and 418 acres have been purchased for the Petobego project in Grand Traverse County.
past expenditures. The study reported here represents only one segment of a comprehensive study of the game land acquisition program undertaken by the Department of Conservation. In this report an attempt is made to appraise and evaluate certain economic and local fiscal aspects of the wildlife area land acquisition program as it has operated in southern Michigan.

**LAND USE SITUATION**

Throughout its operation the land purchase program has aimed at putting lands to their optimum use. It has been generally recognized that good corn land can produce and support a better crop of pheasants than most undeveloped wild land. Yet proven agricultural land has seldom been acquired, even where it is available, for the simple reason that it is considered better suited for crop than for wildlife restoration use. Purchases for the most part have been limited to lands considered submarginal or of very limited value for farm use. The great bulk of the lands meeting this qualification are located in the northern counties. But the concentration of population in the southern part of the state has made it desirable to emphasize public land acquisitions in the southern counties.

Before the land acquisition program has been started in any area, relatively comprehensive surveys have first been conducted. These surveys have indicated the general value of the land for wildlife restoration purposes, the land use and cover conditions, and the appraised value of the land.

Valid arguments can be made for the location of game area projects on good as well as poor lands. Generally speaking, however, almost all of the Pittman-Robertson projects in Michigan are located in areas of third and fourth class lands, lands of the lowest value for farm use. While a large proportion of these lands are still undeveloped wild or marsh lands, farmers have cleared and attempted to cultivate considerable areas. This fact, however, does not provide conclusive proof that these lands are supramarginal for agricultural use.

Observations indicate that practically none of the acquired lands are suitable for commercial farm use under average conditions. With high farm prices and exceptional management some of them might provide a fair living for some farmers. Under existing circumstances, however, most of the purchased farm lands probably find their highest use in public ownership. The fact that many farmers have come to
Department of Conservation officials with offers to sell at the relatively low per acre price offered by the state and that every farmer selling out has done so on a purely voluntary basis is indicative of the feelings of the persons who have had most intimate contact with the lands in question regarding their capacity for agricultural production.

So far as the land use situation is concerned there has been no great change in the utilization practices applied on many if not most of the lands. The large areas of marsh and wild lands acquired are being preserved pretty much in their original state. In some cases, agricultural drainage ditches reaching into the areas have been dammed up to raise water levels and increase the size of marsh areas. In some of the wild land areas pines and shrubbery, such as multi-flora rose, have been planted to provide additional game cover.

Only in cases involving abandoned or purchased farm land have many land use practice changes been made. In these cases the buildings have usually been removed and the lands often are left idle with weeds, grass and brush taking over the fields while an occasional old apple tree or lilac clump stands lonely and unattended. A few of the farm lands have been retained in agriculture. The usual practice in these cases has been for the Game Division of the Department of Conservation to lease the land to a nearby farmer on a share basis. The farmer has then proceeded to plant and raise a grain crop. At harvest time he has taken off his share of the crop but usually has left the Department's share unharvested in the field. The unharvested grain thus supplements the supply of winter feed available for birds and other wildlife.

**LAND ACQUISITION COSTS**

Most of the lands acquired with Pittman-Robertson funds have relatively little commercial value for other purposes. Accordingly they are usually available for purchase at relatively low prices. Occasionally, however, key holdings will command premium prices because they involve shore frontage, improvements or timber value, or an owner's recognition and full exploitation of his bargaining position. The prices paid for these lands tend to bring up the average prices paid per acre.

Analysis of the land acquisition cost data on the areas acquired prior to January 1950 shows that the average cost per acre varies from a low of $8.11 in the Minden City project to $93.45 in the case of the small Leidy Lake project. The average per acre price paid for
lands acquired in the 1945-49 period was almost double that paid in the 1939-44 period.

Altogether, 51,959 acres were acquired with Pittman-Robertson funds at an average cost of $19.69 an acre. If the above average prices paid for the more or less special case lands in the Rose Lake Wildlife Experiment Station and the Leidy Lake, Pointe Moullee, and Wildfowl Bay projects are excluded from the totals, the average price drops to $17.94 an acre. Excluding those four projects, an average price of $18.87 an acre was paid for the lands acquired between 1939 and 1944, while an average of $26.81 an acre was paid for the lands acquired in the 1945-49 period.

The variations between projects in prices paid reflect not only differences in time of purchase or option but also differences in location, land quality, and timber and recreational values. Wide differences also can be observed within project areas. Undeveloped wild lands without timber cover usually have little value. The tracts with improvements, on the other hand, cost considerably more.

As the accompanying tabulation of relevant data on two selected acquisitions shows, high and average prices per acre do not necessarily indicate that a high price is paid for land. Actually the value assigned to the land might be quite low. The buildings acquired with the land do not represent a total loss because they are usually sold for salvage or otherwise put to use. Nor are the timber and recreation values lost with state acquisition. Instead, they ordinarily tend to appreciate as the lands are developed.

<table>
<thead>
<tr>
<th>Acreage acquired</th>
<th>77 acres</th>
<th>110 acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aver. price per acre</td>
<td>$64.93</td>
<td>$46.50</td>
</tr>
<tr>
<td>Proportion of appraised value assigned to—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>24.5%</td>
<td>47.6%</td>
</tr>
<tr>
<td>Buildings</td>
<td>65.7</td>
<td>50.5</td>
</tr>
<tr>
<td>Timber and recreational value</td>
<td>9.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Prorated average acreage price of land</td>
<td>$15.90</td>
<td>$22.13</td>
</tr>
</tbody>
</table>

TAX PROBLEM

The purchase of privately owned lands for state game areas and the dedication of tax-reverted lands to this use reduce the property tax base of the local units of government. In times past, and for some
local units in particular, this type of program has given rise to critical fiscal problems. To avoid this type of situation, the Michigan Legislature in 1931 authorized payments of 10¢ an acre in lieu of taxes on all lands acquired by the Department of Conservation either through tax reversion or public purchase. These payments were earmarked for use by the townships and school districts and were prorated between them according to the ratio between their respective tax levies.

This state payment program was of considerable help to many local units of government, particularly in the northern counties where large areas tax forfeited to the state. With the acquisition of state game and recreation area lands in southern Michigan it also became important in this region. Whereas the 10¢ an acre payment program provided as much or more revenue per acre as most of the lands were capable of paying in taxes in the northern counties, it proved to be hardly an equitable arrangement on most of the recreation area lands and on some of the game area lands.

To remedy this situation the Legislature in 1946 amended the 1931 law (Act 5, P.A. 1946, Section 10a) to provide that all land and other real property south of town line 16 owned by the state, controlled by the Department of Conservation, and acquired by purchase since January 1, 1933, should be subject to regular taxation by the local units but should be assessed at an amount equal to 50 percent of the average assessed value of the property in the five years preceding its acquisition by the Department. Under this new arrangement the state paid many times its regular 10¢ an acre on some of the high value recreational lands near Detroit. At the same time, however, it found itself paying less than 10¢ an acre on many of the less valuable game lands. In some of these cases, questions have been raised regarding the general equity of the state’s payment-in-lieu-of-tax program.

**EFFECTS ON LOCAL UNITS**

The state’s land acquisition and tax payment program affects the fiscal affairs of four types of local units—the counties, townships, school districts and drainage districts. All of these units can share in the present tax payments based on half of the assessed valuation that are

---

2Examination of the records on state payments shows that very few recreation area lands receive less than 10¢ an acre while a considerable acreage receives more than $1 an acre. By projects the average acreage payments made on the 1948 tax levy were: Bald Mountain project 32.7¢, Brighton 19.8¢, Bundy Hill 18.3¢, Highland 55.9¢, Holly 25.5¢, Island Lake 23.7¢, Metamora 29.4¢, Onsted 25.0¢, Ortonville 31.5¢, Pinckney 15.3¢, Pontiac Lake 34.5¢, Proud Lake 31.7¢, Rochester 36.2¢, and Waterloo 14.4¢.
paid on purchased lands. Only the townships and school districts, however, share in the 10¢ an acre payments made on tax-reverted game area lands.

In the case of the counties the loss of this revenue represents a minor item. With the drainage districts, it may be more important, depending upon the size and nature of the project and the area of game land involved. In this regard it should be pointed out that although state lands are not subject to special drainage taxes, under the drainage laws state land administering agencies can consent to pay varying proportions of drainage tax assessments. Up until a few years ago the Department of Conservation did not assume drainage taxes. Partly as an outgrowth of this policy the Tuscola County Board of Supervisors in June, 1944, adopted a resolution requesting the Department to refrain from buying other than Saginaw Bay frontage land in that county. This resolution has not as yet been rescinded. The Department policy regarding drainage assessments, however, has been modified. Outstanding drainage assessments are now paid up on all newly acquired lands. Tributary drains on some lands as in the Gratiot-Saginaw area have been abandoned. In other projects (notably in Sanilac, Tuscola, and Ingham counties) special drainage payments have been made by the state. These voluntary payments have not been based on the uniform per acre levies made by the county drain commissioner. Instead, they reflect a combination of negotiation and the Department's calculation of the benefit value of the drainage projects to its lands.

This study of the effects of the state payment program on local finances is limited mostly to its impact on township and school district taxes. Consideration should be given to three aspects of this problem: 1) the assessment procedure, 2) the effect on tax rates, and 3) comparison of the present tax payment program with the 10¢ an acre payment program.

The practice of assessing the lands purchased by the Department in the southern part of the state at 50 percent of their average assessed value in the five years previous to their acquisition can be questioned on two points: 1) the use of the 50 percent figure, and 2) basing the assessed value on a historical period. The procedure followed naturally gives the local units a smaller tax return than they would receive if the state's payment were based on 75 or 100 percent of the assessed valuation. At the same time, however, the state is under no compul-
sion to pay taxes to its local units. Its willingness to make payments based on taxation of half the assessed value represents a generous compromise—an arrangement that the local units have gladly accepted.

The use of a historical base in computing assessment values is more subject to criticism. It gives a slight advantage to those taxing districts in which lands have been assessed at a high proportion of their true value in the past. Also, in theory, it should give an advantage to those districts in which lands are purchased in periods of high land values. This assumes that land value assessments are or should be raised and lowered in accordance with trends in land values.

An illustration of the effect of changing price trends on land assessment values is found in the Gratiot-Saginaw area. An attempt was made in this area to follow through the assessment histories of comparable lands some of which were acquired by the Department and some of which remain in private ownership. The necessity for limiting comparisons to lands of comparable value tends to eliminate all properties with buildings, other improvement or timber value. This narrows the comparisons to wild undeveloped lands. In the survey made of this area before the acquisition program started, most of the lands in this class were appraised at $3.50 an acre. Their average full assessed value in the five years before many of them were purchased was $4 to $5 an acre. By 1949, however, the average assessed value of most of the remaining privately owned wild lands had increased to $10 an acre. A part of this increased value may represent timber growth; part of it may reflect anticipation of more state purchases in the area.

Even though this increase in assessed values probably reflects more than the usual proportionate upward adjustment in assessed property values found in Michigan during the past decade, it does suggest the unfortunate effect that the use of a historical base for assessment values can have on current tax levies and collections. It should be observed, however, that the use of the historical base approach protects the state against possible unwarranted increases in assessed valuations.

At the time this study was undertaken it was recognized that the Department's land acquisition and tax payment program meant a

---

3In a number of townships with state game lands attempts have been made to increase assessed valuations. In a few of these cases local officials have objected to the state's use of the historical base in assessments and have requested adjustments to what they consider a fair assessed value.
reduction in the tax base and tax revenues of the local units. It was assumed that this reduction in revenues should reflect itself in higher tax rates on the remaining tax base. Under ordinary circumstances, assuming no reduction in need for public services, this would be the case. Illustrations of this situation were easy to find in the late 1920s and 1930s when thousands of acres were tax delinquent.

Actually, however, this has not been the case in the past few years. In some instances, it is possible that the land acquisition program has brought some reduction in public services (less need for school and road maintenance, abandonment of public drains and less need for police protection). The greater part of the reason, however, is found in the workings of the Michigan sales tax diversion amendment of 1946.

The diversion of state-collected sales tax revenues to the local units has so increased the funds at their disposal that many townships have found it possible to eliminate their general property tax levies. At the same time, many school districts have cut their taxes to or even below the 4-mill levy required by law for qualification for other state educational grants.

Examination of the 1948 tax data for the 45 townships with state game lands shows that 31 townships, 69 percent of the total number, made no regular property tax levy in 1948. Eleven townships made tax levies of one or less mills ($1 or less per $1000 of assessed valuation), while only three townships had regular levies of more than one mill.

The situation with regard to school districts is somewhat similar. Examination of the school district tax data for 1948-49 for the 41 reporting districts with state game lands in Barry, Gratiot, Ingham, Lapeer, Montcalm, Saint Clair, Saginaw, Sanilac, and Tuscola Counties indicates that 10 districts have tax levies of 4 mills or less, 14 have levies of between 4.1 and 6 mills, 6 have levies of between 6.1 and 8 mills, 4 have levies of between 8.1 and 10 mills, and 5 have levies of 10.1 mills or more. Of the districts with levies of between 8.1 and 10 mills only two have extensive holdings, while only one of the districts with levies of more than 10 mills has a large area of state-owned land.

An overall picture of the amount and distribution of the state’s payments-in-lieu-of-taxes on its purchased Pittman-Robertson game lands is reported in Table 1. From these data it is seen that on the
**Table 1—Summary of 1948 data on tax-assessed acreages and values and state payments-in-lieu-of-taxes on Pittman-Robertson lands in southern Michigan**

<table>
<thead>
<tr>
<th>Projects</th>
<th>Tax-assessed acreages and values*</th>
<th>State payments-in-lieu-of-taxes</th>
<th>Amounts needed to bring average payments per township up to a minimum of 10¢ per acre</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total acres</td>
<td>Value of half assessed value</td>
<td>Total acres</td>
</tr>
<tr>
<td>Barry County</td>
<td>11,662</td>
<td>$68,712</td>
<td>11,669</td>
</tr>
<tr>
<td>Dansville</td>
<td>2,645</td>
<td>23,435</td>
<td>2,640</td>
</tr>
<tr>
<td>Deford**</td>
<td>3,804</td>
<td>17,880</td>
<td>3,803</td>
</tr>
<tr>
<td>Flat River</td>
<td>4,425</td>
<td>31,425</td>
<td>4,496</td>
</tr>
<tr>
<td>Fulton</td>
<td>625</td>
<td>5,450</td>
<td>632</td>
</tr>
<tr>
<td>Gourddeck</td>
<td>1,262</td>
<td>14,575</td>
<td>1,057</td>
</tr>
<tr>
<td>Gratiot-Saginaw</td>
<td>6,263</td>
<td>31,425</td>
<td>6,056</td>
</tr>
<tr>
<td>Gregory</td>
<td>644</td>
<td>7,790</td>
<td>775</td>
</tr>
<tr>
<td>Lapeer</td>
<td>2,542</td>
<td>23,550</td>
<td>2,567</td>
</tr>
<tr>
<td>Minden City</td>
<td>2,799</td>
<td>14,287</td>
<td>2,784</td>
</tr>
<tr>
<td>Oakgrove</td>
<td>664</td>
<td>7,875</td>
<td>664</td>
</tr>
<tr>
<td>Pte. Moullee</td>
<td>2,609</td>
<td>61,790</td>
<td>2,608</td>
</tr>
<tr>
<td>Port Huron</td>
<td>5,229</td>
<td>41,892</td>
<td>5,234</td>
</tr>
<tr>
<td>Saginaw Bay</td>
<td>1,239</td>
<td>8,460</td>
<td>1,258</td>
</tr>
<tr>
<td>Three Rivers</td>
<td>1,204</td>
<td>204</td>
<td>204</td>
</tr>
<tr>
<td>Tuscola</td>
<td>2,759</td>
<td>9,000</td>
<td>2,759</td>
</tr>
<tr>
<td>Vassar</td>
<td>1,263</td>
<td>5,963</td>
<td>1,263</td>
</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td><strong>50,465</strong></td>
<td><strong>$373,959</strong></td>
<td><strong>50,442</strong></td>
</tr>
</tbody>
</table>

*Total assessed values reported represent one-half of the average assessed value of the land in the five years previous to state acquisition.

**The state's payments to many townships include drainage assessments and this inclusion raises the average acreage payments somewhat. For example, of the $158.68 paid to Wells township (Deford project) on 1948 levies, $70.50 was paid on a drainage assessment. This raised the average acreage payment in the township from 8.1¢ to 14.6¢.

***Totals do not include assessed acreage or value data for Three Rivers project nor any data on the Erie project. Slight discrepancies between the total assessed acreage and acres on which state payments in lieu of taxes were made are for the most part traceable to differences in the manner in which the total areas involved were reported on two separate sets of records.

basis of 1948 tax assessments and levies the state paid $5,883.24 to the local units on 50,442 acres of purchased game lands, an average of 11.66¢ per acre. The average acreage payment by projects ranged from a low of 6.6¢ on the Minden City project lands to 28.7¢ on the Gourdneck project holdings. On a township basis the average acreage payments ranged from 3.8¢ on the Deford project lands in Kingston township of Tuscola County to 83.3¢ on the Pointe Moullee project lands in Brownston township of Wayne County.

Altogether the state paid an average of 10¢ or more per acre on its purchased game lands in 24 townships while it made average payments of less than 10¢ an acre in 21 townships. Tabulation of the
average acreage payment data for eleven principal projects shows that an average of 10¢ or more per acre was paid on approximately 388 legal descriptions (mostly 40s), while an average of less than 10¢ was paid on approximately 710 descriptions.

It will be remembered that before the 1946 amendment to the state's payment-in-lieu-of-tax program was passed, 10¢ an acre was paid on all acquired lands regardless of whether they were acquired by purchase or reversion. At the time the amendment was passed it was assumed that tax payments based on half the assessed value of the property would bring larger revenues to the local units. This has been the case on the recreational area lands and in the majority of the townships with game area lands. This amendment has resulted in a net loss in revenue in many cases, however, and has created an anomalous situation in which a full 10¢ an acre is received on lands that tax reverted to the state while less than this amount is received on the lands the state found it necessary to purchase.

Various local officials have objected to this situation and contended that the state should pay a minimum of 10¢ an acre on all lands. As a substitute for this suggestion, a minimum average of 10¢ an acre could be set up for all the Department holdings in any township. A computation of the additional costs that the state would incur under this arrangement is included in the final column of Table 1. From this tabulation it appears that this modification would have cost the state only $669.62 on the 1948 taxes paid early in 1949.

**SUMMARY AND CONCLUSIONS**

On the basis of this analysis of the Pittman-Robertson land purchase program in southern Michigan the following conclusions seem in order:

1. The 80,356 acres thus far acquired by the state for wildlife restoration and public hunting grounds are far more suitable for recreational and game land uses than for agricultural purposes. By acquiring, developing, and administering these areas for game restoration and public recreational uses the state is probably putting these lands to their highest use and at the same time is helping to meet the demand for more public hunting grounds in the southern counties. Insofar as other lands of comparable type and value are available in

---

*The Barry County, Dansville, Deford, Flat River, Gratiot-Saginaw, Lapeer, Minden City, Port Huron, Oak Grove, Tuscola and Vassar projects.*
southern Michigan, additional Pittman-Robertson funds probably should be used in acquiring them for public ownership and use.

2. Except for special sites, the average acreage price paid for the state game lands has been relatively low, about $18 per acre. The prices paid have varied considerably by projects and over time. Largely because of inflationary land market trends after the war, the average acreage price paid for the lands acquired since 1945 has been approximately double the average acreage prices paid between 1939 and 1944.

3. The exact effects of the public land acquisition program on the tax and fiscal problems of the local units of government have been complicated in recent years by the diversion of state sales tax receipts to the local units. This arrangement has made it possible for many local units to lower or even discontinue their usual property tax levies.

In theory at least, the removal of lands from the tax rolls through public acquisition should have an adverse effect on the tax base of the local units of government. The legislature recognized this problem in 1931 when it authorized annual payments of 10¢ per acre in lieu of taxes. Later this arrangement was modified in the southern counties to base the annual acreage payments on normal taxation of one-half of the average annual assessed value of the land in the five years previous to its public acquisition. Examination of the 1948 records shows that almost one-half of the townships with state game areas lost varying amounts as a result of this change in arrangements. This has caused a certain amount of friction and annoyance. On the basis of 1948 tax data, it appears that a modification of the present arrangement to permit the local units to choose the state payment arrangement most beneficial to them would cost the state approximately $670 in increased payments a year. This added cost would probably more than pay for itself in local good will.