



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bills 1489 and 1490 (as enacted)
Sponsor: Senator Jason E. Allen (S.B. 1489)
Senator Jim Barcia (S.B. 1490)

PUBLIC ACTS 399 & 400 of 2008

Senate Committee: Hunting, Fishing and Outdoor Recreation
House Committee: Appropriations

Date Completed: 2-26-09

RATIONALE

Michigan has more than 6,000 miles of designated snowmobile trails on public and private property. Registration and trail permit fees paid by snowmobile owners and operators provide the principal source of funding for the purchase of property for trails, payments to private landowners for trail easements, law enforcement for snowmobile programs, and trail development and maintenance. An account that receives most of the trail permit fee revenue and a portion of snowmobile registration fees supports grants to trail sponsors from the Department of Natural Resources (DNR). Trail sponsors are local clubs and groups that develop, maintain, and groom snowmobile trails. Based on the existing program and level of participation, a funding shortfall of \$0.5 million was projected for fiscal year 2009-10. It was suggested that the fees be increased to avert this shortfall and offset the rising costs for fuel, equipment, and other maintenance needs, and to generate revenue for the establishment of additional permanent trails.

It also was suggested that increasing fees to acquire permanent easements and purchase property would stabilize Michigan's snowmobile trail system. According to the DNR, approximately 50% of the snowmobile trails in Michigan are located on privately owned property, such as farmland, residential property, and land owned by timber companies. Typically, the DNR and private landowners enter into year-to-year agreements for the use of their property. Therefore, if a property owner does not renew his or her agreement, that land is no longer part of the trail system.

CONTENT

Senate Bill 1490 amended Part 821 (Snowmobiles) of the Natural Resources and Environmental Protection Act to do the following:

- Increase the snowmobile trail permit sticker fee from \$25 to \$35 for fiscal years 2009-10 and 2010-2011 and to \$45 for the next five fiscal years, and then require the fee to be adjusted every five years to reflect changes in the consumer price index.
- Create the Permanent Snowmobile Trail Easement Subaccount.
- Require the Department of Natural Resources to spend Subaccount money to purchase land or secure easements for permanent snowmobile trails, or to make grants to local units or government or nonprofit charitable organizations for these purposes.
- Require proceeds from the sale of land or the termination of easements or agreements under the bill to be deposited in the Trail Easement Subaccount.
- Require the Snowmobile Advisory Committee to report to the Legislature if it determines that the public snowmobile trail system is fully developed.

Senate Bill 1489 amended Part 821 to do the following, for fees paid on or after July 1, 2009:

- Increase snowmobile registration and renewal fees from \$22 to \$30.

- **Allocate the amount of the fee increase to the Permanent Snowmobile Trail Easement Subaccount.**
- **Dedicate \$19, rather than \$14, of each registration fee to law enforcement for snowmobile programs.**
- **Discontinue the allocation of \$5 from each fee to the Recreational Snowmobile Trail Improvement Subaccount.**

The bills were tie-barred to each other, and took effect on January 6, 2009.

Senate Bill 1490

Trail Easement Subaccount

The bill creates the Permanent Snowmobile Trail Easement Subaccount as a subaccount of the Snowmobile Account (which is constitutionally created within the Michigan Conservation and Recreation Legacy Fund). The State Treasurer may receive money or other assets from any source for deposit into the Subaccount, and must credit to the Subaccount interest and earnings from its investments. Money in the Subaccount at the close of the fiscal year must remain in it and not lapse to the Snowmobile Account or the General Fund. The DNR must be the administrator of the Subaccount for auditing purposes.

The DNR may spend Subaccount money, upon appropriation, only to purchase land, or secure easements or other appropriate agreements allowing use of private property, for permanent snowmobile trails that are open to the public in this State, or to make grants for those purposes. To be eligible for a grant, an entity must be a local unit of government or be organized for educational and charitable purposes within the meaning of 26 USC 501(c)(3) that include promoting and facilitating the expansion and improvement of the existing snowmobile trail system in Michigan with permanent trails. (Section 501(c)(3) of the Internal Revenue Code exempts certain nonprofit charitable organizations from Federal income taxation.)

If a grant recipient ceases to exist, any interest allowing the use of private property to establish permanent snowmobile trails that the recipient obtained with grant money must vest in the State, subject to the terms

of the instrument creating the interest, including terms concerning the scope of the easement.

The Department of Attorney General must review grants and other instruments proposed to be used for these purposes.

In consultation with the Michigan Snowmobile Advisory Committee, the DNR must promulgate rules for the administration of the Subaccount.

Any proceeds from the sale of land purchased under the bill or the termination of easements or other agreements secured under the bill must be deposited into the Subaccount.

If, at any time after July 1, 2010, the Snowmobile Advisory Committee, by the affirmative vote of at least five members, determines that the public snowmobile trail system in Michigan is developed fully and not capable of expansion by the addition of further permanent trail easements, the Committee must report its determination to the DNR. Within 60 days, the DNR must submit a report to the Senate and House Appropriations Committees and standing committees with primary responsibility for outdoor recreation issues. The report must set forth the DNR's recommendations concerning dissolution of the Permanent Snowmobile Trail Easement Subaccount, the disposition of revenue in it, and other relevant issues under Part 821.

(The Michigan Snowmobile Advisory Committee is created within the DNR and consists of seven individuals appointed by the Department Director, who must represent groups identified in Part 821. The Committee is responsible for advising the DNR on matters listed in the Act.)

Trail Permit Fee

Under Part 821, in addition to registering a snowmobile, a person who wishes to operate a snowmobile in this State must purchase a Michigan snowmobile trail permit sticker. The trail permit is valid for a one-year period, beginning on October and ending on the following September 30. The bill increases the current \$25 fee to the following amounts:

Senate Bill 1489

- \$35 for permits valid for the one-year period beginning on October 1, 2009, or October 1, 2010.
- \$45 for permits valid for the one-year period beginning on October 1 in 2011, 2012, 2013, 2014, or 2015.

For permits valid for the one-year period beginning on October 1, 2016, and every fifth year after that, the State Treasurer must adjust the permit fee by an amount that reflects the cumulative percentage change in the consumer price index (CPI) for the most recent five-year period for which CPI statistics are available, rounded to the nearest dollar. The adjusted fee must remain in effect for five years. (As used in this provision, "consumer price index" means the most comprehensive index of consumer prices available for this State from the Bureau of Labor Statistics of the U.S. Department of Labor.)

Previously, revenue from the trial permit fee had to be allocated as follows:

- \$23.50 deposited in the Recreational Snowmobile Trail Improvement Subaccount.
- 50 cents retained by the DNR for administrative costs.
- \$1 retained by the agent selling the permit.

The bill continues the 50-cent allocation to the DNR and the \$1 allocation to the agent, and requires the balance to be deposited into the Recreational Snowmobile Trail Improvement Subaccount.

(The Recreational Snowmobile Trail Improvement Subaccount is a subaccount of the Snowmobile Account. The Trail Improvement Subaccount may be used for the following purposes:

- Planning, constructing, maintaining, and acquiring trails and areas for the use of snowmobiles, or access to those trails, and basic snowmobile facilities.
- Financial assistance to local units of government and nonprofit incorporated snowmobile clubs or organizations considered eligible by the DNR.
- The DNR's administrative costs of the first two purposes.)

Registration Application & Fee

Under Part 821, before operating a snowmobile, the owner must apply for registration with the Department of State. If the snowmobile was purchased from a Michigan retail dealer, application for initial registration must be made with the dealer at the point of sale. The application must include the new signature and, beginning July 1, 2009, the new owner's name and bona fide residence address, as well as the names and addresses of holders of any security interest in the snowmobile and its accessories in order of priority. (Part 821 previously required this information but the bill added the July 1, 2009, date.)

The current application fee is \$22. Under the bill, fee will increase to \$30 if it is paid on or after July 1, 2009.

Upon receiving the application in approved form, the Department of State must enter it into the Department's records and issue a certificate of registration and decal. The certificate must contain the number awarded to the snowmobile, the owner's name and address, other information the Department considers necessary, and, beginning July 1, 2009, the names and addresses of the holders of secured interests. (Part 821 previously required this information but the bill added the July 1, 2009, date.)

The bill prohibits a person from operating a snowmobile that is required to be registered in Michigan unless he or she possesses the certificate in legible form. The bill deleted a requirement that the certificate be pocket size, accompany the vehicle, and be legible.

Registration Renewal Fee

A snowmobile certificate of registration and decal authorize the operation of the snowmobile for a three-year period. The certificate and decal may be renewed beginning July 1 of the expiration year by payment of a \$22 fee. The bill increases the fee to \$30 for payment on or after July 1, 2009.

Distribution of Registration Fee Revenue

Under Part 821, \$17 of each registration fee must be deposited into the Snowmobile Registration Fee Subaccount (but if the

balance of that subaccount exceeds \$1.6 million, the excess must be transferred to the Trail Improvement Subaccount). From the \$17 deposited, up to \$3 must be appropriated to the Department of State for administration of the registration provisions of Part 821, and \$14 must be appropriated to the DNR for law enforcement for snowmobile programs, including financial assistance to county sheriff departments and local law enforcement agencies.

In addition, \$5 from each registration fee must be deposited in the Recreational Snowmobile Trail Improvement Subaccount and administered by the DNR for the purposes of planning, construction, maintenance, and acquisition of trails and areas for snowmobile use, or access to those trails and areas, and basic snowmobile facilities.

Under the bill, from each registration fee paid on or after July 1, 2009, \$19 must be appropriated to the DNR for snowmobile program law enforcement programs. The \$5 deposit in the Trail Improvement Subaccount applies to registration fees paid before July 1, 2009.

From each fee paid on or after that date, the bill requires \$8 to be deposited into the Permanent Snowmobile Trail Easement Subaccount. The bill states that this money is intended to supplement other money spent for snowmobile-related activities of the DNR, and not as a replacement of those expenditures.

Previously, in planning the expenditures of the money from the Trail Improvement Subaccount, the DNR had to consider providing recreational opportunities for bicyclists, hikers, equestrians, and other nonconflicting recreational trail users as ancillary benefits of the program. The bill deleted that requirement.

MCL 324.82105 et al. (S.B. 1489)
324.82110a & 324.82118 (S.B. 1490)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Michigan is known by snowmobilers nationwide for its unique combination of

abundant and dependable snow, exciting terrain, and extensive trail network. The 6,000-plus miles of snowmobile trails are located throughout Michigan in six State forests and three national forests, and on many acres of privately owned land. According to the DNR, Michigan is one of only three states that offer a large system of interconnected snowmobile trails. These trails provide an outdoor recreational opportunity for residents and nonresidents alike, which can contribute significantly to the State and local economies. According to the Michigan Snowmobile Association, however, revenue from trail permit and registration fees has not kept pace with the rising costs to groom and maintain the trails, and the 2009-10 snowmobiling season would have been in jeopardy unless the fees were increased. As noted above, the DNR projected a \$0.5 million shortfall in the snowmobile program by that fiscal year.

While the economy has steadily worsened, there have been great increases in the costs of equipment, signs, and maintenance (as well as fuel, until recently). At the same time, people have less discretionary income for recreational activities, including snowmobiling. Nevertheless, it is important that the trails be well maintained and groomed, in order to preserve the existing trail system, sustain current levels of participation, and attract new riders. Well maintained and groomed trails also are essential to the safety of snowmobiling. Since the trail system is supported entirely by the fees paid by snowmobile owners and operators, in addition to a small portion of the gas tax revenue, it is necessary for those who use the trails to pay more for their upkeep and development.

In addition, increased fees can stabilize the trail system through the purchase of private property that the trails traverse or the acquisition of permanent easements on private land. As mentioned above, approximately half of the existing trails are on private property, and current easements or other agreements are negotiated on a yearly basis. Therefore, if there is an incident that upsets a landowner, such as a snowmobiler's leaving the trail, or if the property is sold to another person, the trail use agreement might not be renewed and the land in question then will no longer be part of the trail system.

The bills address these concerns by raising both the trail permit fee and the registration fee. The increased permit fee will generate additional income for the Recreational Snowmobile Trail Improvement Subaccount, which supports grants to trail sponsors. The additional registration fee revenue will fund the new Permanent Snowmobile Trail Easement Subaccount, which the DNR must use to purchase land or secure easements for permanent snowmobile trails, or to make grants to a local unit of government or charitable nonprofit entity for these purposes.

The legislation also allocates \$5 of each registration to law enforcement for snowmobile programs, rather than trail improvement. Until recently, the DNR had a fund balance that helped pay for law enforcement, but that funding is no longer available. As a result, funding for law enforcement for snowmobile programs now is limited to annual revenue.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The increases in registration and trail sticker fees will bring additional revenue to the State of about \$2.7 million annually for snowmobile purposes.

According to the Department of State, there were 262,007 snowmobiles registered in the State in FY 2007-08. Since the registration fee is paid once every three years, the total additional revenue of \$2.1 million collected from the higher registration fee in Senate Bill 1489 will be spread out over those years for a total of approximately \$700,000 annually to the Snowmobile Registration Fee Subaccount. Also, the increased cost of registration may result in a reduction in the number of snowmobiles registered.

The distribution formula for the revenue is revised under the bill. The current distribution formula for registration fees provides \$14 per registration to law enforcement grants, \$5 per registration to snowmobile trail improvement purposes, and \$3 per registration for administrative purposes. Beginning July 1, 2009, the bill increases the amount allocated to law enforcement grants to \$19 per registration. It also redirects the \$5 spent on trail purposes, plus an additional \$3 generated by the fee increase, to the newly created

Permanent Snowmobile Trail Easement Subaccount, which will be used to support grants for purchasing land or securing easements to allow use of snowmobiles on private land and to establish permanent snowmobile trails in the State. The \$3 per registration that is currently provided for administrative purposes remains unchanged. The revised formula for distribution registration fee revenue will decrease the amount provided for snowmobile trail purposes; however, the trail fees are increased in Senate Bill 1490 for a net gain to that program, as discussed below.

The increase in the snowmobile trail permit sticker fee under Senate Bill 1490 will increase revenue to the Recreational Snowmobile Trail Improvement Subaccount an indeterminate amount. The current annual permit fee of \$25 for a trail sticker will increase to \$35 for the one-year periods beginning on October 1, 2009, and October 1, 2010. The fee then will increase to \$45 for the one-year periods beginning on October 1 in 2011 through 2015, and will be adjusted for inflation every fifth year beginning in 2016. According to the Department of Natural Resources, in FY 2007-08, \$5.0 million was collected from the sale of 199,600 snowmobile trail stickers. Under the bill, the revenue will increase to about \$7.0 million in FY 2009-10 and FY 2010-11. The increased cost of a trail sticker may result in a reduction in the number of trail stickers purchased.

Distribution of the revenue from the trail sticker does not change significantly under the bill, with the same amounts being dedicated to administration and the selling agent. The balance of each fee is deposited into the Recreational Snowmobile Trail Improvement Subaccount. The additional revenue of \$10 from each trail sticker will be partially offset with the redirection of the revenue from the registration fee that is currently deposited into the Trail Improvement Fund. There will be a net increase of approximately \$1.6 million annually to the Recreational Snowmobile Trail Improvement Subaccount.

Fiscal Analyst: Jessica Runnels

A0708\1489ea

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.