



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 1489 (as reported without amendment)
Senate Bill 1490 (Substitute S-1 as reported)
Sponsor: Senator Jason E. Allen (S.B. 1489)
Senator Jim Barcia (S.B. 1490)
Committee: Hunting, Fishing and Outdoor Recreation

Date Completed: 10-30-08

RATIONALE

Michigan has more than 6,000 miles of designated snowmobile trails on public and private property. Revenue from registration and trail permit fees paid by snowmobile owners and operators provides 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. Some people believe that the fees should be increased in order to generate revenue for the establishment of additional permanent trails and for trail maintenance.

The development, maintenance, and grooming of snowmobile trails are performed by trail sponsors, which are local clubs and groups that receive grants from the Department of Natural Resources (DNR). The grants are funded from an account that receives most of the trail permit fee revenue and a portion of snowmobile registration fees. Based on the current program and level of participation, a funding shortfall of \$0.5 million is projected for fiscal year 2009-10. It has been suggested that a fee increase would avert this shortfall and offset the rising costs for fuel, equipment, and other maintenance needs.

It also has been 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 (S-1) would amend Part 821 (Snowmobiles) of the Natural Resources and Environmental Protection Act to do the following:

- Increase the snowmobile trail permit sticker fee.
- Create the Permanent Snowmobile Trail Easement Subaccount.
- Require the Department of Natural Resources to spend Subaccount money for grants to nonprofit charitable entities to purchase land and secure easements or other agreements allowing use of private property for permanent public snowmobile trails.
- 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 Trail Easement Subaccount to be dissolved and any money in it transferred to the Recreational Snowmobile Trail Improvement Subaccount upon the full development of the public snowmobile trail system.

Senate Bill 1489 would amend Part 821 to do the following:

- **Increase snowmobile registration and renewal fees from \$22 to \$30.**
- **Allocate the amount of the fee increase to the Permanent Snowmobile Trail Easement Subaccount.**
- **Increase the maximum fine for operating a snowmobile without proper registration from \$50 to \$200, and designate a violation a misdemeanor.**

The bills are tie-barred to each other, and are described in detail below.

Senate Bill 1490 (S-1)

Trail Easement Subaccount

The bill would create 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 could receive money or other assets from any source for deposit into the Subaccount, and would have to credit to the Subaccount interest and earnings from its investments. Money in the Subaccount at the close of the fiscal year would remain in it and would not lapse to the Snowmobile Account or the General Fund. The DNR would be the administrator of the Subaccount for auditing purposes.

The DNR could spend Subaccount money, upon appropriation, only for grants for the purpose of purchasing land, or securing easements or other appropriate agreements allowing use of private property, to establish permanent snowmobile trails that were open to the public in Michigan. To be eligible for a grant, an entity would have to have been organized at least three years before the bill took effect for educational and charitable purposes within the meaning of 26 USC 501(c)(3) that included 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.)

In consultation with the Snowmobile Advisory Committee, the DNR would have to

promulgate rules for the administration of the Subaccount.

Proceeds from the sale of land purchased under the bill or the termination of easements or other agreements secured under the bill would have to 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, determined that the public snowmobile trail system in Michigan was developed fully and not capable of expansion by the addition of further permanent trail easements, all of the following would apply:

- Any money in the Permanent Snowmobile Trail Easement Subaccount would be transferred to Recreational Snowmobile Trail Improvement Subaccount.
- The Trail Easement Subaccount would be dissolved.
- All future revenue that otherwise would be deposited in the Trail Easement Subaccount would have to be deposited in the Trail Improvement Subaccount.

(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 one year, and the current fee is \$25. Under the bill, the fee would be the amount shown below or \$15 less than that amount if paid by November 15 of the respective year:

- In 2009 and 2010, \$50 (or \$35).
- In 2011, 2012, and 2013, \$60 (or \$45).
- In 2014 and each subsequent year, \$75 (or \$60).

Currently, revenue from the trail permit fee must be allocated as follows:

- \$23.50 must be deposited in the Recreational Snowmobile Trail Improvement Subaccount.

- 50 cents must be retained by the DNR for administrative costs.
- \$1 must be retained by the agent selling the permit.

The bill would retain the 50-cent allocation to the DNR and the \$1 allocation to the agent, and require 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.)

Senate Bill 1489

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 owner's name, signature, 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. Under the bill, the requirement that the application include the new owner's name and residence address, and the names and addresses of security interest holders would apply beginning July 1, 2009.

The current application fee is \$22. The bill would increase the fee to \$30.

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, the names and addresses of the

holders of secured interests, and other information the Department considers necessary. Under the bill, the requirement that the certificate contain the names and addresses of the holders of secured interests would begin July 1, 2009.

The bill would prohibit a person from operating a snowmobile that was required to be registered in Michigan unless he or she possessed the certificate in legible form. The bill would delete 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 for a \$22 fee. The bill would increase the renewal fee to \$30.

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. In planning the expenditures of the money from this Subaccount, the DNR must consider providing recreational opportunities for bicyclists, hikers, equestrians, and other nonconflicting recreational trail users as ancillary benefits of the program. The bill would refer to "off-season" recreational opportunities.

Currently, money appropriated for snowmobile trails and facilities may be spent

for the acquisition, development, and maintenance on any land in the State; and may be used to purchase land or secure easements, leases, permits, or other appropriate agreements permitting use of private property for snowmobile trails, basic facilities, and areas that may be used by bicyclists, hikers, equestrians, and other nonconflicting off-season recreational trail users, if the easements, leases, permits, or agreements provide public access to the trail, use areas, and support facilities. The bill would delete these provisions, but would allow money in the Trail Improvement Subaccount to be used to purchase land or secure easements, leases, permits, or other appropriate agreements authorizing use of private property for snowmobile trails and basic snowmobile facilities.

The bill also would require \$8 from each registration fee to be deposited into the proposed Permanent Snowmobile Trail Easement Subaccount. The bill provides that this money would be intended to supplement other money spent for snowmobile-related activities of the DNR, and not as a replacement of those expenditures.

Penalty

Under Part 821, a snowmobile may not be operated unless the owner first obtains a certificate of registration and a registration decal (unless the snowmobile is operated exclusively on land owned by or under control of the owner, or is used entirely in a safety education and training program). A person who is convicted of a violation is subject to a \$50 maximum fine. Under the bill, a violator would be guilty of a misdemeanor punishable by a fine of up to \$200.

MCL 324.82103 et al. (S.B. 1489)
324.82118 et al. (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 is not keeping pace with the rising costs to groom and maintain the trails, and the 2009-10 snowmobiling season will be in jeopardy unless the fees are increased. As noted above, the DNR projects a \$0.5 million shortfall in the snowmobile program by the next fiscal year.

While the economy has steadily worsened, the costs of fuel, equipment, signs, and maintenance have greatly increased. 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, the trail system could be stabilized and potentially expanded if increased fees paid for the establishment of permanent public trails, 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 going off 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 would address these concerns by raising both the trail permit fee and the registration fee. The increased permit fee

would generate additional income for the Recreational Snowmobile Trail Improvement Subaccount, which supports grants to trail sponsors. The additional registration fee revenue would fund the proposed Permanent Snowmobile Trail Easement Subaccount, which the DNR would have to use for grants to a charitable nonprofit entity that would buy land or secure easements for permanent snowmobile trails.

Response: Although it might be necessary to increase fees for the establishment and maintenance of trails, current fee revenue also supports local law enforcement for snowmobile programs. 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 the snowmobile program now is limited to annual revenue and has been reduced by \$1.0 million. The increased fees, however, could not be used for this purpose.

Also, according to the DNR, only one entity would meet the criteria for a grant recipient under Senate Bill 1490 (S-1). This is the Snow Country Trails Conservancy, which was incorporated in 2003 by the Michigan Snowmobile Association.

In addition, the bill does not address such issues as who would hold title to the land or permanent easements acquired by the grantee, who would handle the transactions, or who would be responsible for addressing violations.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The proposed increases in registration and trail sticker fees would bring additional revenue to the State of about \$4.9 million annually for snowmobile purposes.

According to the Department of State, there were 264,348 snowmobiles registered in the State in FY 2006-07. Since the registration fee is paid once every three years, the total additional revenue of \$2.1 million collected from the higher registration fee proposed in Senate Bill 1489 would be spread out over those years for a total of approximately \$700,000 annually. Also, the increased cost of registration could result in a reduction in the number of snowmobiles registered. The additional revenue from the registration fees would be deposited into the Permanent

Snowmobile Trail Easement Subaccount and 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. No additional revenue would be deposited into the Snowmobile Registration Fee subaccount, nor would the Department of State retain any more of the revenue for administrative purposes than it currently does.

The proposed increase in the trail permit sticker fee under Senate Bill 1490 would increase revenue to the Recreational Snowmobile Trail Improvement Subaccount an indeterminate amount. The current annual permit fee of \$25 for a trail sticker initially would be doubled to \$50; however, the bill would provide for a \$15 discount if the trail sticker were purchased by November 15 of each year. According to the Department of Natural Resources, in FY 2006-07 \$4.8 million was collected from the sale of 190,600 trail stickers. Under the bill, this revenue could double to \$9.5 million in FY 2008-09, but an unknown number of people would purchase the trail sticker at the discounted price, so the increase in revenue would be somewhat less. Also, the increased cost of a trail sticker could result in a reduction in the number of trail stickers purchased. If 20% of people purchasing a snowmobile trail sticker were to do so at the discounted price of \$35, the total additional revenue to the Recreational Snowmobile Trail Improvement Subaccount would be \$4.2 million.

The increased trail sticker fee of \$50 would be effective in 2009 and 2010 only. It would increase to \$60 (or \$45 if purchased by November 15) for 2011, 2012, and 2013. Then, it would increase again to \$75 (or \$60 if purchased by November 15) in 2014 and thereafter.

Fiscal Analyst: Jessica Runnels

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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.