



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 552 (as passed by the Senate)
Sponsor: Senator Goeff Hansen
Committee: Outdoor Recreation and Tourism

Date Completed: 10-10-17

RATIONALE

Part 811 of the Natural Resources and Environmental Protection Act regulates the operation of off-road vehicles (ORVs) in Michigan and, subject to several exceptions, prohibits a person from operating an ORV unless it is licensed each year. The current fee is \$26.25 for a license that does not allow operation on State ORV trails, or \$36.25 for a license that does allow operation on those trails. These fees were increased in 2013 from \$16.25 and are scheduled to expire in 2019. Revenue from the license fees is deposited in the Off-Road Vehicle Account, which must be distributed according to a formula in the Act. This formula requires at least 50% of the money in the Account to be distributed as grants to public agencies and nonprofit incorporated clubs and organizations for planning, improving, constructing, signing, and maintaining ORV trails, areas, and routes, leasing land, and acquiring permits, easements, and other agreements for the use of land for ORV trails, areas, and routes. In addition, at least 12.5% of the funds must be distributed as grants to those entities for the restoration of natural resources on public land damaged by ORV use. The balance of the Account primarily is dedicated to enforcement of Part 811. In order to retain funding for these purposes, it has been suggested that the license fees be kept at their current levels for an additional five years.

CONTENT

The bill would amend Part 811 of the Natural Resources and Environmental Protection Act to extend the following until a date in 2024:

- **The current fees for an off-road vehicle license.**
- **A requirement that the Secretary of State credit to the Transportation Administration Collection Fund the commercial look-up fee for ORV records.**

The bill would take effect 90 days after enactment.

ORV License

An ORV license issued under Part 811 is valid for the 12-month period beginning on April 1 and ending on March 31 each year. The fee is \$26.25 for a license that does not authorize operation of the ORV on State trails, and \$36.25 for a license that does authorize operation on State trails. These fees will continue to apply to a license valid for the 12-month period beginning April 1, 2018.

For an ORV license valid for a 12-month period beginning April 1, 2019, or a subsequent April 1, there will be no fee.

Under the bill, there would be no fee for an ORV license valid for a 12-month period beginning April 1, 2024, or a subsequent April 1.

ORV Record Look-Up Fee

Part 811 permits the Secretary of State (SOS) to provide a commercial look-up service of ORV

operation, title, and registration records. For each record looked up, the Secretary of State must charge a fee specified annually by the Legislature or, if there is none, a market-based price established by the SOS.

Through October 1, 2019, the SOS must credit the fees to the Transportation Administration Collection Fund. The bill would extend this requirement until October 1, 2024.

MCL 324.81114 & 324.81116

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's designated ORV trail and route system covers more than 3,800 miles throughout the State, and includes the frozen surface of public waters as well as several hundred acres of special ORV-use areas and State forest roads. The system gives individuals and families an opportunity to enjoy outdoor recreation throughout the year, in natural settings that might otherwise be inaccessible. At the same, ORV enthusiasts help boost local economies by filling restaurants and motels, especially when communities host events designed to attract riders. In order to retain and enhance these benefits, the Department of Natural Resources, nonprofit agencies, and private clubs make continuous efforts to expand, maintain, and improve the trail system, ensure that it is safe for users, and repair damage to natural resources. These activities are supported by ORV license fees, including the additional \$10 that users pay in order to operate on State trails. Since the fees were increased in 2013, the annual revenue they generate has grown from approximately \$3.1 million to just over \$7.0 million. Ridership also is growing, with an 8.8% increase in permit sales from 2016 to 2017, according to the Department. By retaining the license fees for another five years, the bill would ensure the continuation of this funding.

Response: Legislation enacted in 2016 will potentially make thousands of miles of State forest roads open to ORVs, without providing an additional revenue source to maintain them or restore areas affected by ORV use, such as road-stream crossings, sandy areas, and other sensitive environments. While the license fees might be adequate to maintain and improve the existing ORV trail system, some people are worried that the current funding will be diverted to the new miles of trails. This concern is shared by the ORV Advisory Workgroup. According to the draft minutes of its June 14, 2017, meeting, the workgroup adopted the following motion: "The ORV fund cannot sustain the funding liabilities of maintaining, signing, repair, improvement, or enforcement of roads that are not part of the designated trail system."

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have a positive fiscal impact on the Department of Natural Resources (DNR) and county sheriffs after October 1, 2019, and no fiscal impact before that. The bill would delay the sunset of license fees for off-road vehicles. In total, these fees generate about \$7.0 million to \$7.5 million per year, which is required by statute to be spent as follows:

- Not less than 50% must be distributed as grants for planning, improving, constructing, signing, or maintaining ORV trails.
- Not less than 31.25% must be spent on law enforcement; 24% of this amount must be distributed as grants to county sheriffs.
- Not less than 12.5% must be distributed as grants to public agencies or nonprofits for the repair of damage done by ORVs on public land.
- Not more than 3.125% must be spent by the DNR for administration.
- The remaining 3.125% must be distributed as grants for planning, improving, constructing, signing, or maintaining ORV trails, or for law enforcement.

The bill also would have a negligible fiscal impact on the Department of State. While the current fee for a record look-up is \$11, the Department has stated that there are relatively few requests for the records of off-road vehicles. Any fees received by the Department of State for record look-ups are deposited into the Transportation Administration Collection Fund (TACF), which is the main funding source for the Department. In FY 2016-17, the total funds collected in the TACF are estimated at \$130.0 million. Again, according to the Department, the revenue received annually for ORV records is minimal.

Before the fees were deposited into the TACF, they were deposited into the Record Look-Up Fee fund, which also was used as a funding source by the Department. If the sunset takes place, the fees presumably will be allocated as they were in the past.

Fiscal Analyst: Joe Carrasco
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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.