



Legislative Fiscal Bureau

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February 19, 2014

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 407 and Senate Bill 343: Snowmobile Trail Use Stickers

Assembly Bill 407 was introduced on October 4, 2013, and referred to the Assembly Committee on Tourism. On January 15, 2014, the Committee recommended Assembly Amendments 4 and 5 for adoption, and recommended AB 407 for passage, as amended, all by a vote of 14 to 0. The bill was referred to the Joint Committee on Finance on January 30, 2014. Senate Bill 343 was introduced on October 14, 2013, and referred to the Committee on Agriculture, Small Business, and Tourism. On January 13, 2014, the Committee recommended SB 343 for passage, by a vote of 9 to 0. The bill was referred to the Joint Committee on Finance on February 6, 2014.

CURRENT LAW

The major source of revenue to the snowmobile account of the segregated conservation fund is the snowmobile fuel tax revenue transferred to the account. An appropriation is made annually, which, through fiscal year 2012-13, equaled the amount of motor fuel tax assessed on 50 gallons of gasoline as of the last day of March of the previous fiscal year multiplied by the number of registered snowmobiles as of the same date, with this result multiplied by 1.4. The 2013-15 biennial budget (2013 Act 20) specified that, beginning with the fiscal year 2013-14 transfer, the formula for calculation of the annual transfer of fuel tax revenues from the transportation fund to the snowmobile account of the conservation fund includes a multiplier of 1.55, rather than the prior multiplier of 1.4. The snowmobile fuel tax transfer for 2013-14, that is available for local trail aids, is expected to total almost \$4.9 million. This total is based on the number of snowmobiles registered on March 31, 2013, and the motor fuel tax rate as of that date (202,686 snowmobiles x 50 gallons per snowmobile x 30.9¢ per gallon x 1.55).

Snowmobile registrations have generally been on a modestly declining trend since reaching a peak of over 243,000 on March 31, 2002. Table 1 shows the number of registered snowmobiles used in the gas tax calculation (registered as of March 31 of the prior fiscal year) for the past 10

years, from fiscal year 2004-05 through fiscal year 2013-14.

TABLE 1

Snowmobiles Registered as of March 31 of Prior Fiscal Year

<u>Fiscal Year</u>	<u>Registrations</u>
2004-05	222,948
2005-06	223,477
2006-07	215,758
2007-08	209,783
2008-09	214,125
2009-10	219,907
2010-11	226,152
2011-12	234,773
2012-13	206,698
2013-14	202,686

The next largest revenue source for the account is registration fees. A fee of \$30 is assessed for each snowmobile registered for general use in the state, valid for two years. Snowmobiles registered in other states or countries need not be registered in Wisconsin if they are in the state for a period of less than 15 consecutive days. Non-residents may register their snowmobile in Wisconsin provided they show proof that a sales tax was paid. Other fees are charged for registering public use, commercial use, and antique snowmobiles (for example, a one-time \$20 registration fee for snowmobiles manufactured in 1966 or earlier, which are considered antique).

In addition, snowmobiles not registered in Wisconsin are required to display a \$35 annual trail use sticker to use public snowmobile corridors. Further, the snowmobile program also receives revenues from: (a) registration transfer fees; (b) instruction fees paid by participants enrolled in snowmobile safety courses; and (c) 1% of the total sales tax receipts the Department of Natural Resources (DNR) collects from people who have purchased snowmobiles and who have not provided proof that a sales tax was paid (which is required before the vehicle can be registered).

Under current law, DNR administers three primary types of snowmobile trail aids: local trail maintenance aids, local trail project aids, and supplemental snowmobile trail aids. The local maintenance and local project aids are distributed by the Department to participating counties for the maintenance, development, and acquisition of land to support almost 18,900 miles of interconnecting snowmobile trails throughout the state. Generally, these aids are provided to counties at 100% of eligible costs. The counties either develop and maintain local trails, or, more typically, redistribute aid to local snowmobile clubs that do the maintenance and development projects. (DNR also funds the maintenance of approximately 700 miles of snowmobile trails on state park, trail, recreation area, and forest lands). The first priority for local trail aids is the maintenance of the 18,900 miles of existing approved trails, up to \$250 per mile per year. Remaining county expenditures eligible for local project aids (listed in priority order) are as follows: (a) club signing programs; (b) bridge rehabilitation; (c) municipal route signing; (d) trail rehabilitation; and (e) development of new trails. In addition, a county, the state, or a snowmobile

club contracting with a county or DNR, is eligible for supplemental trail aid payments up to a total of \$750 per mile, if actual eligible costs exceed the maximum of \$250 per mile for basic trail maintenance aids. Of the costs incurred, actual trail grooming costs must exceed \$150 per mile per year. Supplemental trail aids are funded from the multiplier to the snowmobile fuel tax transfer formula (40% through 2012-13, and the 55% multiplier beginning in fiscal year 2013-14). Additionally, \$32 from each \$35 non-resident trail pass sticker sold is allocated for supplemental trail aids. If the supplemental aid payable to counties exceeds funding available from these two sources, the Department may either prorate payments and/or request that the Joint Committee on Finance take action to transfer funding from basic trail aids (local maintenance and local projects) for supplemental payments.

SUMMARY OF BILL

Assembly Bill 407 and Senate Bill 343 are identical and are referred to as "the bill." The bill would retain the current law \$30 snowmobile registration, which is valid for two years. In addition, the bill would require all persons to display an annual trail use sticker to use public snowmobile corridors in Wisconsin. The bill would specify that the fee, including a 75¢ issuing fee, for the annual trail use sticker would be: (a) \$15 for a snowmobile that is registered in Wisconsin and that is owned by a person who is a member of a snowmobile club; (b) \$35 for a snowmobile that is registered in Wisconsin and is owned by a person who is not a member of a snowmobile club; or (c) \$45 for a snowmobile that is exempt from registration in Wisconsin (covered by a valid registration in another state, province or country, provided there is some identification of registration displayed on the snowmobile and it has not been in this state for more than 15 consecutive days; or is in the registration application process in another state, province or country, if proof of the application for registration is carried on the operator and the snowmobile has not been in this state for more than 15 consecutive days). The bill defines "snowmobile club" as "an association organized in this state the members of which are members of the Association of Wisconsin Snowmobile Clubs and that meets at least three times per year; that has at least 10 members, and that promotes responsible snowmobiling." In addition, the bill would specify that there is no fee for a trail use sticker issued for a snowmobile that is registered in Wisconsin and that has a model year that is at least 25 years earlier than the year in which the trail use sticker is issued.

In addition, the bill would alter the formula for the calculation of a portion of the funding for supplemental snowmobile trail aids. Rather than crediting \$32 per trail use sticker (of the current \$35) sold in the prior year to an appropriation for supplemental trail aids, the bill would specify that, beginning in fiscal year 2016-17, DNR would calculate an amount equal to the number of trail use stickers issued for a snowmobile that is exempt from registration (registered or in the process of registering in another state, province, or country) in the prior year multiplied by \$44.25 (of the \$45 fee under the bill) and credit this amount to the appropriation for supplemental trail aids.

The bill would be effective on July 1, 2015.

The following describes the two amendments adopted by the Assembly Committee on Tourism. The Senate Committee did not adopt any amendments. However, SA 4 and SA 5 were

offered after the executive action was taken and are identical to AA 4 and AA 5.

ASSEMBLY AMENDMENT 4

Amendment 4 would specify that the fee, including a 75¢ issuing fee, for the annual trail sticker would be: (a) \$10 for a snowmobile that is registered in Wisconsin and is owned by a person who is a member of a snowmobile club, rather than \$15 under the original bill; and (b) \$30 for a snowmobile that is registered in Wisconsin and is owned by a person who is not a member of a snowmobile club, rather than \$35 under the original bill.

ASSEMBLY AMENDMENT 5

Amendment 5 would specify that the fee for a trail use sticker for a snowmobile that is exempt from registration in Wisconsin would be \$50 (including the 75¢ issuing fee), rather than \$45 under the original bill. In addition, Amendment 5 would clarify that, in order to be eligible to purchase the discounted \$10 trail sticker, the owner of the snowmobile must be a member of both a (local) snowmobile club and a member of the Association of Wisconsin Snowmobile Clubs (AWSC). (Some local snowmobile clubs may not be members of the AWSC and a person may join the AWSC without joining a local snowmobile club; the bill would require a person to be a member of both a local club and the AWSC in order to be eligible to purchase a discounted trail sticker). The language requiring the local club to meet at least three times per year, have at least 10 members, and promote responsible snowmobiling, would remain unchanged. Amendment 5 would also specify that there is no fee for a trail use sticker issued for a snowmobile that is registered in Wisconsin and that has a model year that is at least 30 years earlier than the year in which the trail use sticker is issued, rather than 25 years earlier under the original bill. Finally, the amendment would specify that, beginning in 2016-17, for each \$50 snowmobile trail use sticker sold in the prior year, the Department shall credit \$49.25 to an appropriation for supplemental trail aids, rather than \$44.25 per sticker under the original bill.

FISCAL EFFECT

The bill would require a trail use sticker for all snowmobiles, regardless of whether the snowmobile is registered in Wisconsin (currently trail use stickers are only required for snowmobiles not registered in Wisconsin). The bill, as amended, would specify that the fee for the annual trail use sticker would be: (a) \$10 for a snowmobile that is registered in Wisconsin and that is owned by a person who is a member of both a snowmobile club and a member of the Association of Wisconsin Snowmobile Clubs (AWSC); (b) \$30 for a snowmobile that is registered in Wisconsin and is owned by a person who is not a member of both a snowmobile club and a member of the AWSC; or (c) \$50 for a snowmobile that is exempt from registration in Wisconsin (covered by a valid registration in another state, province or country). According to the AWSC, as of September 30, 2013, there were 22,683 members in 591 AWSC affiliated clubs. AWSC affiliated clubs send the AWSC an annual membership fee of \$10 per family (defined as a husband and wife and children under the age of 19).

DNR would be required to specify how proof of club membership would be determined since the bill does not specify a method. Agency officials indicate they have not determined what

method for verifying club membership would be utilized. Currently, nonresident trail passes may be purchased at: (a) DNR service centers; (b) select DNR agents that also sell hunting and fishing licenses using an automated system (ALIS); (c) registration agents (certain snowmobile dealers); and (d) online through the Department's website.

TABLE 2
Annualized Registration and Trail Use Sticker Fees

	<u>Snowmobile Registered in WI</u>			<u>Snowmobile Not Registered in WI</u>	
	<u>Current Law</u>	<u>Amended Bill</u>		<u>Current Law</u>	<u>Amended Bill</u>
		<u>Club Member</u>	<u>Not Club Member</u>		
Registration	\$15*	\$15*	\$15*	\$0	\$0
Trail Use Sticker	<u>0</u>	<u>10</u>	<u>30</u>	<u>35</u>	<u>50</u>
Total	\$15	\$25	\$45	\$35	\$50

* Half of the \$30 two-year registration amount.

The Department estimated that issuance of trail use stickers under the bill, AB 407/SB 343 as introduced, would generate approximately \$5.6 million in increased annual revenue beginning in 2015-16. Updating DNR's estimates to reflect the trail use sticker fees under the bill, as amended, would be expected to result in approximately \$4.8 million in increased annual revenue to the segregated snowmobile account. This assumes that approximately 25% of an estimated 200,000 registered snowmobiles would be owned by members of AWSC clubs. Therefore, the trail pass stickers issued to snowmobiles registered in Wisconsin could generate revenues of approximately \$4,850,000 annually $[(200,000 \times .25) \times \$9.25] + [(200,000 \times .75) \times \$29.25]$. However, AA 5/SA 5, would exempt snowmobiles 30 years or older from purchasing a trail use sticker (the original bill would have exempted snowmobiles 25 years or older). According to DNR, there are currently 11,175 registered snowmobiles with a manufactured date of 1984 or earlier. As these snowmobiles would continue to be registered but would not require trail use stickers, the estimated annual revenues would be reduced by approximately \$271,000. In addition, owners of snowmobiles not registered in Wisconsin would be able to utilize public snowmobile corridors provided they purchased a \$50 trail use sticker. DNR's estimate of non-resident trail use sticker revenue under the original bill was based on a preliminary estimate of fiscal year 2012-13 non-resident trail pass sales of 13,500. More recent reconciled data indicates that approximately 18,000 non-resident trail passes were sold in fiscal year 2012-13. However, as non-resident trail pass sales have varied from year to year (14,500 were sold in 2011-12), for the purposes of this estimate an annual average of 16,000 non-resident trail pass stickers sold could be used. This would generate approximately \$240,000 annually in additional revenue (a \$15 increase to current law). The following table shows estimated total annual increased trail use sticker revenues under the original bill and under the bill as amended.

TABLE 3

DNR Estimated Increased Trail Use Sticker Revenues Under AB 407/SB 343

	<u>Original</u>	<u>Amended</u>
Resident Trail Use Stickers	\$5,850,000	\$4,850,000
Snowmobiles 25 Years or Older (Bill)		
30 Years or Older (AA 5)	-395,900	-271,000
Non-Resident Trail Use Stickers	<u>160,000</u>	<u>240,000</u>
Total Annual Revenue Change	\$5,614,100	\$4,819,000

The Department estimates administrative costs of up to \$127,500 annually under the bill. This includes mailing costs of up to \$120,000, if each trail pass sticker were issued independent from the snowmobile registration process and an estimated cost of production for approximately 200,000 stickers of \$7,500. DNR also expects the bill to initially result in an increased workload for conservation wardens to provide education to snowmobilers previously exempt from having to purchase a trail sticker, but the Department indicates the costs of this increased workload are indeterminate.

AWSC indicates that annual membership fees at local AWSC affiliated snowmobile clubs vary, but typically range from \$15 to \$30 (including the \$10 fee sent to AWSC) and may include individual or family memberships. The bill would establish no minimum fee or expenditure requirements for club dues, and the number of AWSC affiliated snowmobile club members could vary from year to year. While neither DNR or AWSC has data, it is possible that club members (families) may average up to two snowmobiles per member. Based on 22,700 members, current membership could represent perhaps 40,000 to 46,000 registered snowmobiles. The DNR estimate assumes approximately 50,000 registered club members, or perhaps between an 8% to 25% increase to current law. To the extent the bill would result in increased AWSC club membership it would limit the increase in trail use sticker revenues to the snowmobile account (with a corresponding increase in revenues to snowmobile clubs).

In addition, it is possible there would be some price resistance under the bill as the fees for registered snowmobiles, as shown in Table 2, would go from \$15 per year (\$30 for a two-year registration) to \$45 per year (for a non-club member's registration and trail sticker) and from \$35 annually to \$50 annually for snowmobiles not required to be registered in Wisconsin. Further, resident trail use sticker sales could also be significantly affected by weather during the snowmobile season, and it is unlikely that every owner of a Wisconsin registered snowmobile would purchase a trail use sticker each year. Finally, the level of increase in local snowmobile club membership as a result of the financial incentive under the bill is not known. Therefore, a precise fiscal effect is difficult to determine. However, the bill, as amended, could result in increased revenues to the snowmobile account averaging from perhaps \$4.0 million to \$4.8 million annually, beginning in fiscal year 2015-16, depending on any change in registration status, club membership, and price resistance. In addition, other factors, such as weather and economic conditions, would likely impact revenues in any particular year. Actual snowmobile account revenues totaled approximately \$8.7 million in 2012-13.

The bill would also alter the formula for the calculation of a portion of the funding for supplemental snowmobile trail aids. Rather than crediting \$32 of the current \$35 trail use sticker to an appropriation for supplemental trail aids, the bill, as amended, would specify that, beginning in fiscal year 2016-17, DNR would calculate an amount equal to the number of \$50 nonresident trail use stickers issued in the prior year multiplied by \$49.25 and credit this amount to the appropriation for supplemental trail aids. Based on an annual average of 16,000 non-resident trail use stickers sold, the bill could increase the amount expected for supplemental snowmobile trail aids under the formula by approximately \$276,000 annually beginning in 2016-17. However, again, there could be some price resistance, as well as other factors in a given year, such as weather and economic conditions, which could affect the level of the increased revenue. It should also be noted that while printing, issuing, and transaction costs may vary, depending on the type of issuing agency and number of items included in the transaction, these administrative costs may vary from approximately \$2 to \$3 per pass. Therefore, a supplemental aids transfer of \$47 or \$48 for each \$50 non-resident trail use sticker may more accurately reflect actual net revenues to the Department.

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