

Fiscal Estimate Narratives

DNR 2/13/2012

LRB Number	11-3295/1	Introduction Number	SB-365	Estimate Type	Original
Description Snowmobile registration, trail use sticker requirements, calculating the estimated snowmobile gas tax payment, and funding for supplemental snowmobile trail aids					

Assumptions Used in Arriving at Fiscal Estimate

The bill makes several changes to how the state snowmobile account is funded.

Assumptions:

1. In a typical year, DNR issues roughly 100,000 snowmobile renewal registrations and as many as 15,000 new snowmobile registrations.
2. Because snowmobile registrations operate on a 2-year cycle, the Department assumes that there are 215,000 active snowmobile registrations, which includes both renewal and new registrations.

Fiscal Effect:

A. Changes to Public Use Registrations

The bill proposes to eliminate the two-year registration period for a public-use registration and provides that a public-use registration is valid until ownership of the snowmobile is transferred. The bill also lowers the public-use registration fee from \$30.00 every 2 years to \$15.00 for as long as the machine is owned by the same person.

Under current law, DNR issues roughly 100,000 snowmobile renewals and 15,000 new snowmobile registrations in a typical year, which translates to roughly \$3,450,000 in registration fee revenue $[(100,000 \text{ renewals} \times \$30) + (15,000 \text{ new registrations} \times \$30)]$. By comparison, the proposed changes in the bill would reduce annual registration revenue by \$3,000,000 because only new snowmobiles would need to be registered $[\$3,450,000 - (15,000 \times \$30.00) = \$3,000,000 \text{ reduction}]$.

B. Trail Use Stickers

Currently, Wisconsin registered snowmobiles are not required to purchase a trail use sticker, whereas the bill proposes to require a trail use sticker for all Wisconsin public or private-use snowmobiles. The law prescribes that stickers will be \$14.25 for Association of Wisconsin Snowmobile Club (AWSC) members and \$34.25 for non-AWSC members.

AWSC has indicated roughly 25% of registered Wisconsin snowmobiles are AWSC members. Therefore, using the Department's estimate of 215,000 actively registered snowmobiles in Wisconsin, trail pass stickers would generate roughly \$6,288,700 annually in revenues $[(215,000 \times .25) \times (\$14.25)] + [(215,000 \times .75) \times (\$34.25)] = \$6,288,750$.

C. One-Time Trail Use Sticker Exemption

The bill proposes to eliminate the fee of \$14.25 for a trail use sticker for members of an AWSC affiliated snowmobile club for one year to compensate for those that have already paid a \$30 2-year registration fee. For non-AWSC members, a one-year trail use sticker fee of \$19.25 will be charged to compensate for those that have already a \$30 2-year registration fee. These exemptions translate to a one-time decrease of \$765,900 in revenue resulting from the AWSC member exemption $(215,000 \times .25 \times \$14.25)$, and a one-time increase of \$3,104,100 in revenue for the \$19.25 non-AWSC member fee $(215,000 \times .75 \times \$19.25)$, for a net one-time increase of \$2,338,200 in trail use sticker revenue for the first year.

D. Changes to Gas Tax Formula

The bill proposes to change the gas tax transfer formula for the snowmobile account.

Under current law, the formula is based upon the number of actively registered snowmobiles x 50 gallons of gas x \$.309 (gas tax rate) x 1.4 multiplier (for out-of-state usage). In FY 2011, approximately \$4,891,700 was generated in gas tax revenue. By comparison, the bill proposes that the formula be based upon trail use sticker sales instead of registered snowmobiles.

Assuming that there are roughly 215,000 active registered snowmobiles, and assuming that all persons that own registered snowmobiles will purchase a trail pass sticker each year, the Department does not anticipate any significant impacts to revenue by linking the gas tax calculation to trails pass sales instead of registered snowmobiles. However, in years where snowfall is low or the season is abbreviated because of weather, the number of trail use stickers issued is likely to decrease and therefore a corresponding decrease in the amount of gas tax revenue generated.

For example, as of February 1, 2012, trail use sticker sales were down roughly 75% to persons who own a snowmobile that is not registered in the state or that are exempt from registration (i.e. 5,774 trail passes sold). If this trend were to be extrapolated to the gas tax formula prescribed in the bill, gas tax revenues could decline by as much as \$3,668,700 annually (\$4,891,700 in FY11 gas tax revenue x .75).

E. Implementation Costs:

The Department estimates one-time expenditures of \$19,000 for programming changes to the Automated License Issuance System (ALIS) and the Vehicle Registration System (VRS). Required programming changes will include the following:

1. Developing system logic for a member annual trail use sticker and a non-member trail use sticker in both ALIS and VRS
2. Removing the renewal and transfer/renewal transaction programming
3. Revising the transfer transaction to include the public use registration fee
4. Programming changes that will be required to offer a "no charge" trail use sticker fee for one full year following implementation of the bill.

To ensure that the Department maintains an adequate inventory of trail passes, the Department will need to stock roughly 215,000 trail passes (approximately 55,000 AWSC member passes and roughly 162,000 non-AWSC member passes). Furthermore, the trail passes will need to be year-specific. This amounts to a \$10,700 one-time implementation cost (215,000 x \$.05 per pass). Implementing the "no charge" option is not possible within the system that Department licensing registration agents utilize; therefore, trail use stickers would be available only at Department offices for the first year of implementation.

The Department will also need to develop a process for licensing and registration agents to determine whether a customer is a member or non-member in order to issue the appropriate trail use sticker. Costs associated with implementing a system that can differentiate between members and non-members is considered indeterminate.

Future program costs, such as the number of passes necessary to meet customer demand are considered indeterminate due to the possibility of low snowfall or abbreviated snowmobile season due to weather; resulting in annual variability in the total number of trail passes the Department would keep in stock for issuance.

F. Impact to Local Governmental Units:

Currently, revenue dedicated to Wisconsin's snowmobile trail program is generated from snowmobile registrations and the gas tax. These revenues provide resources for counties to: (1) maintain existing trails, (2) club signs, (3) bridge rehabilitation, (4) route sign requests, (5) trail rehabilitation, (6) development and (7) county trail law enforcement.

The Department does not anticipate that bill will impact state funds distributed to counties. Revenues could decline, perhaps significantly, in years where snowfall is low or if the season is abbreviated because of weather. Therefore, given the high degree of variability revenues as a result of the weather, the impact that the bill would have on county resources is characterized as indeterminate.

G. Summary:

1. One-costs/revenues

One time revenue increase (first year): \$2,338,200

One time costs: \$19,000 for programming costs

2. Annualized Costs

\$10,700 for trail pass inventory

3. Annualized Revenues

The Department estimates a net increase of \$3,288,700 based on the combined reduction of \$3,000,000 registration fees and an increase of \$6,288,700 annually from trail use sticker sales. However, the estimated increase is dependant upon sufficient snowfall and open trails, statewide.

Long-Range Fiscal Implications

Since snowmobile account funding will be based upon yearly trail pass sales instead of 2-year registrations, revenue consistency and sustainability will depend upon snowfall amounts and open trails and could fluctuate greatly in years with limited or no snow.

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 11-3295/1		Introduction Number SB-365	
Description Snowmobile registration, trail use sticker requirements, calculating the estimated snowmobile gas tax payment, and funding for supplemental snowmobile trail aids			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One-time estimated revenue increase of \$2,338,200 and one-time programming costs of \$19,000 for the first year of implementation.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$	\$	
(FTE Position Changes)			
State Operations - Other Costs	10,700		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$10,700		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S (Conservation Fund)	10,700		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S (Conservation)	6,288,700	-3,000,000	
TOTAL State Revenues	\$6,288,700	\$-3,000,000	
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$10,700	\$	
NET CHANGE IN REVENUE	\$3,288,700	\$	
Agency/Prepared By		Authorized Signature	Date
DNR/ Joe Polasek (608) 266-2794		Joe Polasek (608) 266-2794	2/13/2012