



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #456

ATV and UTV Funding (Natural Resources -- Motorized Recreation)

[LFB 2021-23 Budget Summary: Page 432, #2 & #3 and Page 434, #8 (part)]

CURRENT LAW

The Department of Natural Resources (DNR) administers motorized recreational vehicle funding in part through the all-terrain vehicle (ATV) account of the segregated (SEG) conservation fund. The largest source of funding to the ATV account is ATV and utility terrain vehicle (UTV) registration fees. All ATVs and UTVs operated in the state must be registered with DNR, with certain exceptions. ATV and UTV registrations for public use are valid for a two-year period beginning on either the date of purchase or renewal, or April 1 in the year the registration is purchased, and ending on March 31 in the second year after the registration or renewal is purchased. Additional account revenues are provided by: (a) an annual transfer from the transportation fund that is intended to approximate the amount of motor fuel tax paid by recreational vehicle users; and (b) revenue from the nonresident ATV and UTV trail pass. The ATV account funds state ATV and UTV trail maintenance and development, aids to local governments for ATV and UTV projects, state and local ATV and UTV enforcement, and motorized recreation education and safety training.

DISCUSSION POINTS

ATV/UTV Account Condition

1. The attachment shows the estimated condition for the ATV account of the SEG conservation fund under the adjusted base and standard budget adjustments. As shown in the table, estimated account revenues are expected to exceed budgeted expenditures by an average of approximately \$579,000 each year.

Local ATV and UTV Trail and Project Aids

2. The state supports 2,070 miles of summer-use ATV and UTV trails and 4,500 miles of winter-use ATV and UTV trails operated by local units of government. Revenues from the ATV fuel tax transfer and a portion of ATV registration revenues are used to provide grants to towns, villages, cities, counties, and federal agencies for any of the following types of ATV projects: (a) land or easement acquisition; (b) ATV facilities, such as parking areas, riding areas, and shelters; (c) development and maintenance of ATV trails; (d) purchase of liability insurance; and (e) signs briefly explaining the law related to intoxicated operation of ATVs and UTVs.

3. ATV and UTV project aids are administered under section NR 61.14 of the administrative code. Requests for aids are prioritized in the following order: (1) maintenance of existing trails and ATV areas, including on-road trail sections; (2) purchasing insurance; (3) acquisition easements and leases for ATV and UTV areas; (4) major bridge or trail rehabilitation; and (5) land acquisition for ATV and UTV trails and areas.

4. The amount that communities are eligible to receive varies based on the type of projects conducted. DNR reimburses municipalities up to \$600 per mile for summer trail maintenance and \$100 per mile for winter trail maintenance. DNR pays up to 100% of the cost of required signs on approved routes. Most development projects are eligible to be reimbursed for up to 50% of project costs. DNR pays 10¢ per rod (\$32 per survey mile) for the purchase of trail easements.

5. ATV and UTV project aids are administered as one program, with revenues from the motor fuel tax transfers and ATV and UTV registrations pooled. The amount available for these aids varies from year to year based on the value of the recreational vehicle motor fuel tax transfer. However, registration fee-funded aids are funded by sum-certain appropriations under s. 20.370(5)(cu) and 20.370(5)(eu) of the statutes. DNR is authorized \$1,670,000 each year for ATV project aids and \$95,600 each year for UTV project aids, and these amounts have been in effect since 2010-11 (ATV aids) and 2013-14 (UTV aids).

6. Table 1 shows the amount of local ATV and UTV aids requested and awarded by fiscal year, as well as the number of grants awarded since 2014-15. As ATV and UTV aids are administered through continuing appropriations, the amount expended in a given year may exceed the budgeted authority. As shown in the table, requested aids have averaged approximately \$5,914,300 each year. On average, the Department has awarded 84% of requests each year.

TABLE 1**Local ATV and UTV Project Aids Demand**

<u>Fiscal Year</u>	<u>Aids Requests</u>	<u>Value of Aids Awarded</u>	<u>Percent of Requests Awarded</u>	<u>Number of Aids Awarded</u>
2015	\$6,945,400	\$4,600,400	66.2%	122
2016	6,489,700	5,437,000	83.8	135
2017	5,247,200	4,551,900	86.7	139
2018	5,017,300	4,952,700	98.7	167
2019	6,363,400	5,503,400	86.5	129
2020	5,036,700	3,623,100	71.9	125
2021	6,300,100	6,059,900	96.2	127

7. Assembly Bill 68/Senate Bill 111 would increase the amount available for local ATV and UTV trail aids by \$617,500 each year. These amounts are summarized in Table 2. If expenditure authority for local ATV and UTV project aids were \$617,500 higher in each year since 2014-15, DNR would have been able to fund 94% of aids requests, up from 84%.

TABLE 2**Local ATV and UTV Aids under AB 68/SB 111**

<u>Aids Category</u>	<u>Base</u>	<u>2021-22</u>		<u>2022-23</u>	
		<u>AB 68/SB 111 (Change to Base)</u>	<u>Total</u>	<u>AB 68/SB 111 (Change to Base)</u>	<u>Total</u>
ATV - Registrations	\$1,670,000	\$375,000	\$2,045,000	\$375,000	\$2,045,000
UTV - Registrations	<u>95,600</u>	<u>242,500</u>	<u>338,100</u>	<u>242,500</u>	<u>338,100</u>
Subtotal - Registrations (Sum-Certain)	\$1,765,600	\$617,500	\$2,383,100	\$617,500	\$2,383,100
ATV - Fuel Tax	\$1,874,200	\$19,100	\$1,893,300	\$35,500	\$1,909,700
UTV - Fuel Tax	<u>534,400</u>	<u>242,800</u>	<u>777,200</u>	<u>398,300</u>	<u>932,700</u>
Subtotal - Fuel Tax	\$2,408,600	\$261,900	\$2,670,500	\$433,800	\$2,842,400
Total	\$4,174,200	\$879,400	\$5,053,600	\$1,051,300	\$5,225,500

8. As shown in the account condition, under the adjusted base and standard budget adjustments, revenues to the ATV account are expected to exceed budgeted expenditures by \$406,200 in 2021-22 and \$500,900 in 2022-23. It should be noted that estimated revenues assume registration fee revenue increases by 2% annually between 2019-20 and 2022-23. In actuality, registration fee revenues are highly variable, changing year to year by as low as -9.1% (between 2014-15 and 2015-16) and as high as 9.6% (between 2017-18 and 2018-19). Since 2014-15, the year-to-year growth in registration fee revenue has averaged 3.9% as the number of vehicles registered in the state have increased by an average of 5% annually. If registration fee revenues were to increase 3.9% each year, total account revenues may be as high as \$670,000 above the amount shown in the table in 2022-23.

DNR also notes that the Department has not expended its full budget authority every year. Under this perspective, the Committee could consider increasing ATV and UTV project aids by a combined \$617,500, including \$375,000 for ATV aids and \$242,500 for UTV aids each year [Alternative A1].

9. Much of the growth in registration fee revenues is attributable to UTV registration fees, which have increased by a minimum of \$200,000 each year, growing from approximately \$925,300 in 2016-17 to \$1,766,100 in 2019-20. ATV registrations, however, have been more variable, changing from -3% to 3% from year to year. As ATV registration fees have accounted for between 66% and 80% of all registration fee revenues in any given year, this variability makes estimating revenues to the account unpredictable. As described above, under conservative projections, revenues to the ATV account are expected to exceed budgeted expenditures by an average of \$453,600 in each year of the 2021-23 biennium. The Committee could increase the budget authority for ATV aids by \$125,000 over current law to \$1,795,000 and increasing UTV aids to \$300,000, \$204,400 over current law [Alternative A2]. This would provide more money for local ATV and UTV projects, while keeping estimated revenues and budgeted expenditures balanced. With this funding level, DNR would be able to reimburse approximately 89% of requests.

10. Alternatively, the Committee could take no action [Alternative A3]. As the amounts available for ATV and UTV aids vary from year to year with motor fuel tax transfers, increased ATV and UTV registrations will bring additional funding to the ATV account that can fund local trail aids.

State ATV and UTV Trails

11. While the majority of ATV and UTV trails are maintained by municipal governments, 646 miles of state trails are open to ATVs and UTVs. Of these, 258 are maintained by DNR and 388 are maintained by local governments under cooperative agreements. Since 2016, the number of ATV trail miles on state land has increased over 20%. In 2016, there were 532 miles of state ATV trails, including 141 maintained by DNR and 391 maintained by local governments under cooperative agreements.

12. The growth in state trails corresponds with an overall growth in motorized recreation in the state. The number of ATVs registered in the state has grown by an average of 1.2% in each fiscal year since 2015-16. Over the same time, the number of UTVs registered in the state has grown by an average of 25.2% each year.

13. DNR is authorized to expend up to \$310,500 for ATV projects and \$16,900 for UTV projects annually from the ATV account. Since most state trails authorize use by both ATVs and UTVs, these amounts are pooled and fund general motorized recreation projects. In recent years, DNR has expended or encumbered nearly all funding available from these sources. DNR has used these funds to replace bridges on ATV and UTV trails, re-gravel trails, build trail head amenities and parking areas, restore trails that were washed out after flood events, and other state trail capital developments.

14. AB 68/SB 111 would increase the amount available for state ATV and UTV projects by \$250,000, including \$187,500 for ATV projects and \$62,500 for UTV projects. DNR indicates that there are at least \$600,000 motorized recreation projects in the planning process that would be delayed

beyond the 2021-23 biennium if increased funding were not made available. These projects include statewide sign replacement, re-graveling and restoring trail surfaces, and trailhead parking, seating, restrooms and other amenities at high-traffic ATV and UTV properties. Given the demonstrated need for these projects, the Committee could consider increasing state ATV and UTV funding by \$250,000 annually [Alternative B1].

15. As discussed above, revenues to the ATV account are expected to exceed expenditures by an average \$453,600 in each year of the 2021-23 biennium. Given finite resources of the account, the expenditure authority for local ATV and UTV projects could compete for account resources with state ATV and UTV projects. The Committee could consider increasing expenditure authority for state ATV and UTV projects by \$125,000 annually [Alternative B2].

16. Alternatively, the Committee could consider taking no action [Alternative B3]. Most ATV and UTV trails in the state are maintained and operated by local governments. It could be argued that public resources would be better deployed to provide funding for local trails and projects since they could benefit a greater number of recreational motorists.

Motor Fuel Tax Transfer Reestimates

17. Transfers are made annually from the transportation fund to the conservation fund to reflect the motor fuel tax used by recreational vehicles, including motorboats, snowmobiles, ATVs and UTVs. By statute, transfers are based on the fuel tax rate and the number of registered recreational vehicles as of certain dates in the preceding fiscal year. Table 3 shows the estimated value of the transfers for the 2021-23 biennium for ATVs and UTVs. These calculations are described in the paragraphs below.

TABLE 3

Motor Fuel Tax Transfer Reestimates

	Base	2021-22		2022-23	
		Change	Total	Change	Total
ATVs	\$1,874,200	\$19,100	\$1,893,300	\$35,500	\$1,909,700
UTVs	\$534,400	\$242,800	\$777,200	\$398,300	\$932,700

18. The annual transfer to the ATV account is based on: (a) the motor fuel tax of 30.9¢ per gallon; and (b) the actual 245,231 ATVs registered on February 28, 2021, and an estimated 247,210 ATVs registered on February 28, 2022, each multiplied by 25 gallons. Local ATV trail aids would total approximately \$3.9 million each year.

19. The annual transfer to the ATV account for utility-terrain vehicles is based on: (a) the motor fuel tax of 30.9¢ per gallon; and (b) the actual 100,608 UTVs registered on February 28, 2021, and an estimated 120,738 UTVs registered on February 28, 2022, each multiplied by 25 gallons. UTV trail aids would be approximately \$1.2 million in each year of the 2021-23 biennium.

20. Committee action to date (Paper #102) has reestimated the sum-sufficient transfers from

the transportation fund to the conversation fund under Miscellaneous Appropriations. The Committee could reestimate the corresponding conservation SEG continuing appropriations budgeted under DNR from which aids payments are ultimately made, as shown in Table 3. [Alternative C1] Alternatively, the Committee could take no action [Alternative C2].

ALTERNATIVES

A. Local ATV and UTV Trail and Project Aids

1. Provide \$617,500 SEG for local ATV and UTV trail and project aids, including \$375,000 SEG for ATV aids and \$242,500 for UTV aids

ALT A1	Change to Base
SEG	\$1,235,000

2. Provide \$329,400 SEG annually for local ATV and UTV trail and project aids.

ALT A2	Change to Base
SEG	\$658,800

3. Take no action.

B. State ATV and UTV Trails

1. Provide \$250,000 SEG annually for state ATV and UTV projects, including \$187,500 for ATV projects and \$62,500 for UTV projects

ALT B1	Change to Base
SEG	\$500,000

2. Provide \$125,000 SEG annually for state ATV and UTV projects, including \$93,800 for state ATV projects and \$31,200 for state UTV projects

ALT B2	Change to Base
SEG	\$250,000

3. Take no action.

C. Motor Fuel Tax Transfer Reestimates

1. Reestimate motor fuel tax transfers to the ATV account of the conservation fund by \$261,900 in 2021-22 and \$433,800 in 2022-23.

ALT C1	Change to Base
SEG	\$695,700

2. Take no action.

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Attachment

ATTACHMENT

ATV Account Condition

	2019-20 <u>Actual</u>	2020-21 <u>Budgeted</u>	2021-22 <u>Base Plus JFC*</u>	2022-23 <u>Base Plus JFC*</u>	2022-23 <u>Staff</u>
Opening Balance	\$13,195,000	\$13,474,200	\$13,964,600	\$14,370,800	
Revenues					
ATV and UTV Registrations	\$5,593,800	\$5,700,000	\$5,800,000	\$5,900,000	
Fuel Tax Transfer	2,408,600	2,524,600	2,670,500	2,842,400	
Non-Resident Trail Pass	808,800	750,000	750,000	750,000	
Other Revenue	<u>148,200</u>	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	
Total Revenue	\$8,959,400	\$9,139,600	\$9,385,500	\$9,657,400	
Available Balance	\$22,154,400	\$22,613,800	\$23,350,100	\$24,028,200	
Expenditures					
ATV Project Aids	\$3,545,700	\$3,544,200	\$3,563,300	\$3,579,700	
UTV Project Aids	565,700	630,000	872,800	1,028,300	
State ATV and UTV Trails	327,400	327,400	327,400	327,400	
Off-Highway Motorcycle Program	-	60,100	60,100	60,100	
Trail Safety Grant	297,000	297,000	297,000	297,000	
Motorized Recreation Law Enforcement	1,295,600	1,295,600	1,273,100	1,273,100	9.00
County Enforcement Aids	750,000	750,000	750,000	750,000	
Miscellaneous	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal	\$6,781,700	\$6,904,300	\$7,143,700	\$7,315,600	
Split-Funded Appropriations					
Internal Services	\$132,400	\$133,000	\$138,100	\$138,100	0.87
External Services	962,400	914,600	940,400	940,400	8.37
Division Management	56,400	58,700	62,800	62,800	0.58
Law Enforcement and Safety	694,300	602,500	614,200	614,200	4.48
Debt Service, Maintenance, Development, and Assessments	<u>53,000</u>	<u>36,100</u>	<u>80,100</u>	<u>85,400</u>	
Subtotal	\$1,898,500	\$1,744,900	\$1,835,600	\$1,840,900	
Total Expenditures	\$8,680,200	\$8,649,200	\$8,979,300	\$9,156,500	23.3
Closing Cash Balance	\$13,474,200	\$13,964,600	\$14,370,800	\$14,871,700	
Encumbrances and Continuing Balances	\$7,009,300	\$7,009,300	\$7,009,300	\$7,009,300	
Available Balance	\$6,464,900	\$6,955,300	\$7,361,500	\$7,862,400	

* JFC budget decisions through May 20, 2021.