



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #137

Tribal Gaming Revenue Allocations

Snowmobile Warden Transfer (Natural Resources)

[LFB 2003-05 Budget Summary: Page 318, #14]

CURRENT LAW

The Department administers a snowmobile recreation program to develop and maintain a statewide system of snowmobile trails and administer and enforce snowmobile laws. Unlike the other accounts in the conservation fund, which were administratively created by the agency, the snowmobile account is statutorily designated to ensure that certain revenues are utilized for specific purposes.

GOVERNOR

Transfer \$338,800 and 4.5 enforcement positions annually from tribal gaming program revenue (PR) allocations to the segregated (SEG) snowmobile account of the conservation fund.

DISCUSSION POINTS

1. Under the bill, authorized expenditures from the snowmobile account would be expected to exceed available revenues by approximately \$1.86 million. This is primarily because both snowmobile registrations and nonresident trail pass revenues have been significantly below earlier projections.

2. The major source of revenue to the snowmobile account is the snowmobile fuel tax revenue transferred to the account. An appropriation is made annually, which equals the amount of motor fuel tax assessed on 50 gallons of gasoline as of the last day of February of the previous fiscal

year multiplied by the number of registered snowmobiles as of the same date, with this result multiplied by 1.4.

3. The next largest revenue source for the account is registration fees. A fee of \$30 (increased from \$20 under 2001 Act 16) is assessed for each snowmobile registered for general use in the state. The registration is 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. Other fees are charged for registering public use, commercial use and antique snowmobiles.

4. A nonresident snowmobile trail use sticker requirement was created in 1997 Act 27 as a new source of revenue to the snowmobile account. Snowmobiles not registered in Wisconsin are required to display an annual trail use sticker to use public snowmobile corridors beginning with the winter of 1998-99. The fee for the annual sticker, originally set at \$10, was increased to \$13 in 1997 Act 237 and to \$18 under 2001 Act 16. Approximately 36,600 stickers were sold in 2001-02.

5. In addition, the snowmobile program also receives revenues from: (a) registration transfer fees; (b) instruction fees paid by persons enrolled in snowmobile safety courses; and (c) 1% of the total sales tax receipts the Department 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). The following table shows actual revenues to the snowmobile account in 2001-02, and estimated revenues in 2002-03 through 2004-05. It should be noted that anticipated revenues for 2002-03 are significantly lower than expected, due to generally poor snow conditions for snowmobile operation throughout the state for the 2002-03 snowmobiling season.

TABLE 1

Snowmobile Account Revenues

	2001-02 <u>Actual</u>	2002-03 <u>Estimated</u>	2003-04 <u>Estimated</u>	2004-05 <u>Estimated</u>
Snowmobile Registrations	\$4,296,800	\$1,929,500	\$3,692,000	\$3,366,100
Fuel Tax Transfer	4,497,700	4,395,500	4,102,800	4,223,600
Interest Income	112,600	56,300	36,500	38,300
Registration Transfers	110,600	98,300	120,600	109,800
Miscellaneous	28,300	17,000	17,000	17,000
Nonresident Trail Pass	<u>640,200</u>	<u>369,200</u>	<u>631,300</u>	<u>622,400</u>
TOTAL	\$9,686,200	\$6,865,800	\$8,600,200	\$8,377,400

6. The Department distributes aids to participating counties for the maintenance and development of trails, and the acquisition of land to support 17,970 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 and development of 1,579 miles of snowmobile trails on state park, trail, recreation area, and forest lands.

7. In addition, a county or DNR is eligible for supplemental trail aid payments if actual eligible costs exceed the maximum of \$250 and, of the costs incurred, actual trail grooming costs exceed \$130 per mile per year. Since fiscal year 1991-92, supplemental trail aids have been funded from the 40% multiplier to the snowmobile fuel tax transfer formula. Further, beginning in 2001-02, \$15 from each \$18 non-resident trail pass sticker sold in the prior year is also available for this purpose. If the supplemental aid payable to counties exceeds funding available from the multiplier, the Department may either prorate payments or request that the Joint Committee on Finance take action to provide additional funding from the snowmobile account for supplemental payments.

8. Other expenditures from the snowmobile account include aids to counties for up to 100% of eligible county costs of enforcing snowmobile laws, state enforcement of snowmobile laws by DNR conservation wardens, and coordination of snowmobile safety programs. In addition, some payments are made from the snowmobile account to support DNR departmentwide overhead costs (such as office space, information technology, and costs related to the statewide snowmobile registration system). The following table shows actual expenditures for 2001-02, and budgeted expenditures for 2002-03 through 2004-05 under the bill.

TABLE 2

Snowmobile Account Expenditures

<u>Expenditure Categories</u>	2001-02	2002-03	2003-04	2004-05
	<u>Actual</u>	<u>Appropriated</u>	<u>Appropriated</u>	<u>Appropriated</u>
Local Snowmobile Trail and Project Aids	\$8,140,100	\$8,462,900	\$7,720,700	\$8,066,100
Recreational Aids Administration	143,600	142,700	144,300	144,300
Customer Assistance and External Relations Division	454,300	407,900	405,400	406,100
County Enforcement Aids	399,200	400,000	400,000	400,000
Administration and Technology Division	28,800	26,400	23,200	23,200
State Enforcement and Safety Training	67,000	102,000	437,700	437,700
State Snowmobile Trails and Areas	107,000	84,400	84,400	84,400
Administrative Facility Repair and Debt Service	<u>8,800</u>	<u>14,400</u>	<u>11,400</u>	<u>13,900</u>
	\$9,348,800	\$9,640,700	\$9,227,100	\$9,575,700

9. The following table shows the condition of the snowmobile account through the 2003-05 biennium. The estimated deficit to the snowmobile account could be addressed by either increasing revenues to, or decreasing expenditures from, the account. However, several difficulties with generating additional revenues are anticipated. Registration fees were recently increased

under 2001 Act 16 (the 2001-03 biennial budget), as was the fee for the non-resident trail pass. For this reason, additional increases in these fees are likely to be met with resistance. Further, revenues to the snowmobile account rely extensively on the quality of snowfall throughout the state, which cannot be controlled or reliably predicted from season to season.

TABLE 3

Snowmobile Account Condition Statement

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Revenue			
Opening Balance	\$4,755,400	\$0	-\$634,800
Snowmobile Registrations	1,929,500	3,692,000	3,366,100
Snowmobile Registration Transfers	98,300	120,600	109,800
Non-resident Trail Use Sticker	369,200	631,300	622,400
Interest Income	56,300	36,500	38,300
Motor Fuel Tax	4,395,500	4,102,800	4,223,600
Other	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>
Total Revenue	\$6,865,800	\$8,600,200	\$8,377,400
Total Available	\$11,621,200	\$8,600,200	\$7,742,600
Expenditures	\$9,640,700	\$9,227,100	\$9,575,700
Reserves, Carryover, etc.	<u>\$1,980,500</u>	<u>\$7,900</u>	<u>\$28,000</u>
Closing Balance	\$0	-\$634,800	-\$1,861,100

10. An increase in revenues to the snowmobile account could be provided through an adjustment to the formula used to calculate the motor fuel tax transfer. The formula was last adjusted in 1991-92, when the additional 40% multiplier was added to account for gas tax revenues generated by non-resident snowmobile users. However, it should be noted that the formula does increase somewhat each year due to the annual increase in the amount of the gas tax itself. Increasing the number of gallons used in the formula from 50 to 60 would generate additional revenues of \$820,600 in 2003-04 and \$844,700 in 2004-05.

11. However, any increase in the motor fuel tax formula would represent an additional transfer from the state transportation fund. Further, as both the ATV and water resources accounts also receive revenue in the form of a motor fuel tax transfer, it may be argued that adjusting the formula for only one of the three accounts would not be equitable. Finally, given Committee action to date, the transportation fund would have an insufficient balance to support this transfer.

12. Rather than focusing on additional revenue generation, expenditure shifts or

reductions could be pursued. Under the bill, 4.5 positions related to snowmobile enforcement are transferred from tribal gaming revenues to snowmobile account SEG at a cost of \$338,800 annually (\$677,600 for the biennium). If this provision were deleted, a reduction in snowmobile project and trail aids of \$596,200 annually would still be required to bring the account into balance (Alternative #2). Under this option, \$7,124,500 in 2003-04 and \$7,469,900 in 2004-05 would be available for trail aids.

13. Snowmobile related enforcement and safety costs totaling \$98,900 annually would remain in the SEG-funded appropriation. If all SEG funding for this purpose were provided through tribal gaming revenues (an increase of \$437,700 annually to the bill), a reduction in snowmobile project and trail aids of \$497,300 annually would still be required. Under this option (Alternative #3), \$7,223,400 in 2003-04 and \$7,568,800 in 2004-05 would remain available for these purposes.

14. If no additional revenue were provided and no expenditures are shifted back to tribal gaming program revenues, snowmobile SEG expenditures would need to be reduced by \$935,000 annually to balance the account. This could be accomplished several ways. One option would be to reduce all expenditures from the snowmobile account (excluding administrative facility repair and debt service) by 10% in each year (Alternative #4). A ten percent reduction would generate \$921,600 in 2003-04 and \$956,200 in 2004-05. Under this scenario, the snowmobile account would have a June 30, 2005, balance of approximately \$16,700. This would spread the reduction across all areas, including trail aids, safety education programs, local enforcement aids, and registration support.

15. Alternatively, a more targeted reduction could be applied to snowmobile project and trail aids, which are funded at \$7,720,700 in 2003-04 and \$8,066,100 in 2004-05. If the entire reduction were applied to trail and projects aids (Alternative #5), \$6,785,700 in 2003-04 and \$7,131,100 in 2004-05 would remain available for these purposes. For comparison, base level funding for trail aids prior to the fee increase in 2000-01 was \$6,473,200 annually.

16. If no action is taken to address this estimated shortfall, DNR would be required to hold expenditures to no more than available revenues.

ALTERNATIVES

1. Approve the Governor's recommendation to transfer \$338,800 and 4.5 enforcement positions annually from tribal gaming program revenue allocations to the snowmobile account of the conservation fund.

2. Delete the Governor's recommendation. Further, reduce snowmobile trail aids by \$596,200 annually.

<u>Alternative 2</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	\$677,600	- \$1,870,000	- \$1,192,400
2004-05 POSITIONS (Change to Bill)	4.50	- 4.50	0.00

3. Delete the Governor's recommendation. In addition, transfer remaining snowmobile state enforcement and safety training-related costs (totaling \$98,900 annually) from the existing snowmobile SEG appropriation to tribal gaming. Reduce snowmobile trail aids by \$497,300 annually.

<u>Alternative 3</u>	<u>PR</u>	<u>SEG</u>	<u>TOTAL</u>
2003-05 FUNDING (Change to Bill)	\$875,400	- \$1,870,000	- \$994,600
2004-05 POSITIONS (Change to Bill)	4.50	- 4.50	0.00

4. Approve the Governor's recommendation. Further, reduce all expenditure appropriations supported by the snowmobile account (except administrative facility repair and debt service) by 10% in 2003-04 (\$921,600) and in 2004-05 (\$956,200). Reductions would be applied to trail aids, safety education programs, local enforcement aids, and administrative and customer service (registration) costs.

<u>Alternative 4</u>	<u>SEG</u>
2003-05 FUNDING (Change to Bill)	- \$1,877,800

5. Approve the Governor's recommendation. Further, reduce funding available for trail aids by \$935,000 annually. Snowmobile trail aids would be funded at \$6,785,700 in 2003-04 and \$7,131,100 in 2004-05.

<u>Alternative 5</u>	<u>SEG</u>
2003-05 FUNDING (Change to Bill)	- \$1,870,000

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