

# Legislative Analysis



## DISTRIBUTION OF REVENUE FROM RECREATION PASSPORT FEE

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**House Bill 5752**

**Sponsor: Rep. Arlan Meekhof**

**Committee: Great Lakes and Environment**

**Complete to 1-20-10**

### A SUMMARY OF HOUSE BILL 5752 AS INTRODUCED 1-19-10

House Bill 5752 would amend Part 19 (Natural Resources Trust Fund) and Part 20 (Michigan Conservation and Recreation Legacy Fund) of the Natural Resources and Environmental Protection Act (NREPA) to do the following things, effective October 1, 2010:

- Prescribe the distribution of recreation passport fee revenue. (See the chart in the Fiscal Impact section on the back page.)
- Create a Local Public Recreation Facilities Fund for the development of public recreation facilities.
- Require the Department of Natural Resources (DNR) to report to the Legislature annually on revenue and expenditures from recreation passport fees and state park and boating access site entry fees during the preceding fiscal year.
- Require the DNR to report every other year on the number of Michigan residents who entered state parks and boating access sites without paying a recreation passport fee based on random audits.
- Allow the DNR to develop "frequently asked questions and answers" about recreation passports that could be posted on DNR and Secretary of State websites and mailed to motor vehicle registrants.

The bill is tie-barred to House Bill 4677 and Senate Bills 389 and 1057, meaning that it will not take effect unless those bills are also enacted.

Senate Bill 389 (Substitute H-2) would amend the Michigan Vehicle Code effective October 1, 2010, to provide for a state park and state-operated public boating access site recreation passport that a Michigan resident could obtain by paying an additional fee when registering a motor vehicle. The fee would be \$5 for a motorcycle and \$10 for all other resident motor vehicles for unlimited entry into all Michigan state parks and recreation areas and DNR-operated state boating access sites. (Note: Senate Bill 389 (H-2) still allows the Secretary of State to retain 0.5 percent of all recreation passport fee revenue, rather than giving the Secretary of State up to \$1 million based on actual costs, as would House Bill 5752, as described below.)

Senate Bill 1057 (as introduced January 13, 2010) would, among other things, amend NREPA to prohibit a resident motor vehicle operator from entering a state park without

paying a recreation passport fee, effective October 1, 2010; establish a civil fine of not more than \$100 for a violation; and require that registration tabs or stickers be marked in a distinctive manner to show whether a recreation passport fee has been paid (or for the Secretary of State to establish an alternative method, if registration tabs or stickers are discontinued). The bill would also eliminate the April 10, 2010, sunset on nonresident motor vehicle fees; prescribe a daily park permit fee of \$15 for commercial motor vehicles; authorize DNR to issue rules providing an alternative method for purchasing recreation passports; eliminate the Citizens Committee for Michigan State Parks (and transfer its duties to the Natural Resources Commission); require the NRC to make recommendations for savings in state park and forest recreation programs; and make legislative findings.

House Bill 4677 (Substitute H-3) would amend NREPA, effective October 1, 2010, to prohibit a resident motor vehicle operator from entering a designated state-operated public boating access site without paying a recreation passport fee, and to establish a civil fine of not more than \$100 for a violation.

House Bill 5752 is described below in further detail.

#### **DETAILED SUMMARY:**

House Bill 5752 would amend Part 19 (Natural Resources Trust Fund) and Part 20 (Michigan Conservation and Recreation Legacy Fund) of the Natural Resources and Environmental Protection Act.

Local Public Recreation Facilities Fund. The bill would create a Local Public Recreation Facilities Fund within the state treasury that could accept money or assets from any source and that would be administered by the DNR for auditing purposes. The state treasurer would invest the fund and credit it with its investment interest and earnings. At the end of a state fiscal year, money would remain in the fund, rather than lapse to the General Fund. The DNR could expend money from this fund, upon appropriation, only for grants to local units of government for the development of public recreation facilities under the procedures provided in Section 1907. (Section 1907 of NREPA, MCL 324.1907, describes the procedures by which the Michigan Natural Trust Fund board acquires and develops land for public recreation; these procedures include legislative approval.)

Section 2045. The DNR would have to distribute recreation passport revenue in the following order and amounts:

- **Secretary of State** – First, an appropriated amount not to exceed \$1 million would go to the Secretary of State for necessary expenses incurred each fiscal year to administer and implement Section 805 of the Michigan Vehicle Code (the recreation passport fee provisions set forth in Senate Bill 389). This appropriation would have to be based on the Secretary of State's actual costs.

- **State Park Improvement Account** — The next \$10.7 million (subject to an annual adjustment for inflation as described below) would go to the State Park Improvement Account.
- **Waterways Account** — The next \$1.03 million (subject to an annual adjustment for inflation) would go to the Waterways Account.

Revenue remaining after the distributions described above would be deposited as follows:

- **State Park Improvement Account** —
  - 50 percent of the remaining revenue for capital improvements at state parks, including state recreation areas.
  - 30 percent for operations and maintenance of state parks, including state recreation areas.
  - 2.75 percent for operations, maintenance, and capital improvements of state park cultural and historic resources.
  - 0.25 percent to promote (with other state agencies) the use of state parks, boating access sites, forest campgrounds, forest nonmotorized trails and pathways, and to promote the use of the Internet for state park camping reservations and for paying recreation passport fees when registering a motor vehicle.
- **Local Public Recreation Facilities Fund** — 10 percent of remaining revenue to develop public recreation facilities for local units of government.
- **Forest Recreation Account** — 7 percent of remaining revenue for operating, maintaining, and making capital improvements to state forest campgrounds and state forest nonmotorized trail and pathways, including, but not limited to, equestrian trails.

Adjustments for inflation. As noted above, each fiscal year, beginning with the 2011-2012 state fiscal year, the state treasurer would have to adjust the specific amounts going to the State Park Improvement Account (\$10.7 million) and Waterways Account (\$1.03 million) to reflect the cumulative percentage change in the comprehensive consumer price index available for Michigan from the federal Bureau of Labor Statistics for the most recent one-year period for which data were available.

Annual report on revenue and expenditures. By February 1 of each fiscal year, the DNR would have to report to the legislative standing committees and appropriations subcommittees with jurisdiction over natural resources and the environment on the following for the preceding state fiscal year:

- The total amount of recreation passport fee revenue received and how it was allocated.
- The total amount of annual and daily state park motor vehicle permit fee revenue received.
- The total amount of seasonal or daily state-operated public boating access site revenue received.
- Details about the specific uses of recreation passport and permit fee revenue and amount spent for each specific use.
- The adequacy of recreation passport revenue for each allocated purpose.

- The impact of the recreation passport fee and permit fee revenue streams on the Michigan State Parks Endowment Fund.
- Other issues affecting the state park system's funding needs.

Biennial report on number of vehicles entering state parks and access sites without recreation passports. By February 1, 2012, and every two years thereafter, the DNR would have to report to the legislative standing committees and appropriations subcommittees with jurisdiction over natural resources and the environment on how frequently motor vehicles for which no recreation passport fee was paid during the registration period entered state parks and state-operated public boating access sites, based on random audits conducted by the DNR. This report could be combined with the annual report described above on revenue and expenditures.

FAQs. The bill would allow the DNR to prepare a list of frequently asked questions and answers regarding the recreation passport fee that could be posted on the DNR and Department of State websites and mailed out with motor vehicle registrations.

Repealers. The bill would repeal Sections 1909 and 1910 of NREPA, MCL 324.1909 and 324.1910. Section 1909 directed the state treasury to transfer, on October 1, 1985, certain funds into the Game and Fish Protection Fund and other funds into the Natural Resources Trust Fund established in the state constitution. Section 1910 required writings and documents relating to the State Recreational Land Acquisition Trust Fund and the Heritage Trust Fund to be transferred to the board of the Natural Resources Trust Fund on October 1, 1985.

The bill would also repeal Section 74123 of NREPA, MCL 324.74123, which allows the department to establish a fine for failure to purchase a park permit that is twice the cost of a motor vehicle entrance permit or daily permit.

Effective date. The bill would take effect on October 1, 2010.

Tie-bars. House Bill 5752 is tie-barred to Senate Bills 389 and 1057 and House Bill 4677.

## **FISCAL IMPACT:**

House Bill 5752 directs the distribution of the revenue that would be generated by the recreation passport fee. This new fee would be established under the provisions of Senate Bill 389 (H-2), and the fee revenue estimates in this analysis are based upon the provisions of Senate Bill 389 (H-2).

Currently, the Department of Natural Resources receives approximately \$11.7 million annually from the sale of state park resident motor vehicle permits and resident boating access permits. Senate Bill 389 (H-2) would eliminate those permit fees and replace them with a recreation passport fee for Michigan residents of \$10 for passenger vehicles and \$5 for motorcycles. The Secretary of State would collect the fee with the annual vehicle and motorcycle registrations.

Based on the estimate of 7.2 million annual passenger vehicle registration transactions and 254,200 motorcycle annual registration transactions (the three-year average of transactions during 2005-06 through 2007-08), the fee would generate approximately \$73.6 million annually if all vehicle registrants paid the proposed fee. However, since the bill allows registrants to opt out of paying the fee, the actual revenue generated would be contingent upon how many registrants participate.

House Bill 5752 prescribes the distribution of the revenue that would be generated by the new fee. The funding is to be distributed to the Secretary of State for administration costs and to the State Park Improvement Account and Waterways Account to replace the revenue loss that would result from the elimination of current park and boating access permit fee revenue. Any additional revenue is to be distributed to various funds for specific uses.

In order to generate a similar amount of revenue that the current resident motor vehicle fees generate, approximately 18 percent of registration applicants would have to choose to pay the new recreation passport fee. If 25 percent of registrants opt to participate in the new fee, approximately \$5.7 million additional revenue would be generated annually (See table on the back page for additional estimates).

According to the Department of State, the additional administrative responsibilities added by these bills would cost the Department of State \$3.1 million the first year and \$2.5 million each year afterwards. The majority of these additional costs would stem from increased transactions at branch offices. As the table on the back page shows, under the provisions of HB 5752, the Department is allowed to receive up to \$1.0 million of the recreation passport fees collected, based upon actual administration costs. For the calculations in the table on the back page, it is assumed that the Department will receive \$1.0 million appropriation for administration for all levels of public participation, based upon the Department's projected estimate of additional costs.

Using participation rates from 25 percent to 100 percent, the table on the next page estimates the revenue that would be generated and the resulting fund distribution based on different participation rates.

<b>RECREATION PASSPORT FEES</b>				
<b>Participation Rate</b>	<b>25%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
Total Estimated Revenue*	\$18,404,250	\$36,808,500	\$55,212,750	\$73,617,000
Secretary of State Administration Costs (Up to \$1.0 million)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
State Park Improvement Fund**	(10,700,000)	(10,700,000)	(10,700,000)	(10,700,000)
Waterways Account**	(1,030,000)	(1,030,000)	(1,030,000)	(1,030,000)
<b>Net New Recreation Passport Fee Revenue</b>	<b>\$5,674,250</b>	<b>\$24,078,500</b>	<b>\$42,482,750</b>	<b>\$60,887,000</b>
State Park Capital Improvements (50%)	2,837,125	12,039,250	21,241,375	30,443,500
State Park Operations and Maintenance (30%)	1,702,275	7,223,550	12,744,825	18,266,100
State Park Cultural, Historic Resources (2.75%)	156,042	662,159	1,168,276	1,674,393
Marketing, Internet Promotion (0.25%)	14,186	60,196	106,207	152,218
Local Public Recreation Facilities (10%)	567,425	2,407,850	4,248,275	6,088,700
State Forest Recreation Account (7%)	397,198	1,685,495	2,973,793	4,262,090
<p><i>*Based on 3 year average (2006 - 2008) of passenger vehicle and motorcycle registration transactions: passenger vehicles 7,234,600, motorcycles 254,200</i></p> <p><i>**Reflects the funding needed to replace revenue loss from the elimination of current park and boating access permit fees.</i></p>				

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.