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BILL ANALYSIS



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House Bill 5752 (as passed by the House)
Sponsor: Representative Arlan Meekhof
House Committee: Great Lakes and Environment
Senate Committee: Natural Resources and Environmental Affairs

Date Completed: 3-10-10

CONTENT

The bill would amend Parts 19 (Natural Resources Trust Fund), 20 (Michigan Conservation and Recreation Legacy Fund), and 741 (State Parks System) of the Natural Resources and Environmental Protection Act to prescribe the distribution of revenue from a proposed recreation passport fee; and create the "Local Public Recreation Facilities Fund" to provide grants to local units of government for the development of public recreation facilities.

The bill would take effect on October 1, 2010. It is tie-barred to Senate Bills 389 and 1057 and House Bill 4677. Senate Bill 389 (H-2) would 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. Senate Bill 1057 and House Bill 4677 (H-3) would prohibit the operator of a resident motor vehicle from entering a State park or designated State-operated boating access site without paying the proposed recreation passport fee; prohibit the operator of a nonresident or commercial motor vehicle from entering without purchasing a required park permit or pass; and prescribe a \$100 maximum civil fine for entering a State park or boating access site without a required permit, pass, or recreation passport.

Distribution of Passport Fee

House Bill 5752 would require the Department of Natural Resources and Environment (DNRE) to distribute recreation passport fee revenue transferred to the Department under Section 805 of the Michigan Vehicle Code (proposed by Senate Bill 389 (H-2)) as follows:

- First, up to \$1.0 million per fiscal year would be allocated for necessary expenses incurred by the Secretary of State in administration and implementation of the passport fee.
- The next \$10,700,000 received each fiscal year would have to be deposited in the State Park Improvement Account.
- The next \$1,030,000 received each fiscal year would have to be deposited in the Waterways Account.
- The balance would have to be deposited as described below.

Funds appropriated to the Secretary of State for necessary expenses would have to be based upon an established cost allocation methodology that reflected actual costs.

For each calendar year, beginning in 2011, the State Treasurer would have to adjust the amounts allocated to the State Park Improvement Account and the Waterways Account by an amount he or she determined to reflect the cumulative percentage change in the consumer price index for the most recent one-year period for which data were available.

The remaining revenue would have to be deposited and used as follows:

- 50% in the State Park Improvement Account for capital improvements at State parks, including recreation areas.
- 30% in the State Park Improvement Account for operations and maintenance at State parks, including recreation areas.
- 2.75% in the State Park Improvement Account for operations, maintenance, and capital improvements of State park cultural and historic resources.
- 0.25% in the State Park Improvement Account to promote, in concert with other State agencies, the use of State parks, State-operated public boating access sites, State forest campgrounds, and State forest nonmotorized trails and pathways; and to promote the use of the internet for State park camping reservations and for payment of the recreation passport fee in conjunction with motor vehicle registration.
- 10% in the proposed Local Public Recreation Facilities Fund for development of public recreation facilities for local units of government.
- 7.0% in the Forest Recreation Account for the operation of, maintenance of, and capital improvements to the State forest system of pathways and nonmotorized trails, including equestrian trails.

Reports

Under the bill, by February 1 each year, starting in 2012, the DNRE would have to submit a report to the standing committees and Appropriations subcommittees of the Legislature with jurisdiction over issues pertaining to natural resources and the environment. The report would have to provide information on all of the following for the preceding State fiscal year:

- The total amount of recreation passport fee revenue the Department received from resident vehicles and the amounts allocated as prescribed by the bill.
- The total amount of annual and daily State park motor vehicle permit fee revenue from nonresident and commercial motor vehicles the DNRE received.
- The total amount of seasonal or daily State-operated public boating access site revenue the DNRE received from nonresident and commercial motor vehicles.
- Details on the specific uses of the revenue and the amounts spent for each specific use.
- The adequacy of the recreation passport fee revenue for each of the purposes for which it was allocated.
- The impact of the State park revenue stream from recreation passports and annual and daily motor vehicle permits on the Michigan State Parks Endowment Fund.
- Other relevant issues that affected funding needs for the State park system.

By February 1, 2012, and every two years after that, the DNRE would have to submit to the same legislative standing committees and Appropriations subcommittees a report on how frequently motor vehicles for which the registrant declined to pay the passport fee entered State parks and designated State-operated public boating access sites during the registration period. This information would have to be based on random audits conducted by the Department. The report could be combined with the report on passport fee and motor vehicle permit revenue.

The DNRE could prepare a list of frequently asked questions and answers concerning the recreation passport fee. The DNRE and the Department of State could post the information on their websites. The Department of State also could provide the information with any applications for motor vehicle registration that it mailed.

Local Public Recreation Facilities Fund

The bill would create the Local Public Recreation Facilities Fund within the State Treasury. The State Treasurer could receive money or other assets from any source for deposit into the Fund. The Treasurer would have to direct the investment of the Fund and credit to it the interest and earnings from the investments. Money in the Fund at the close of the fiscal year would remain in the Fund and would not lapse to the General Fund.

The DNRE would be the administrator of the Fund for auditing purposes. The DNRE would have to spend money from the Fund, upon appropriation, only for grants to local units of government for the development of public recreation facilities pursuant to the procedures of the Michigan Natural Resources Trust Fund board under Section 1907.

(Under that section, the board must determine which land and rights in land should be acquired and which public recreation facilities should be developed with money from the Trust Fund, and submit to the Legislature in January each year a prioritized list of those parcels, rights in land, and facilities, along with estimates of total costs for the proposed acquisitions and developments. The Legislature must approve the land and rights in land and the public recreation facilities to be acquired or developed each year with money from the Trust Fund.)

Penalties: State Parks

Effective October 1, 2010, the bill would repeal Section 74123, which authorizes the DNRE to establish a fine for failure to purchase a park permit. The fine must be twice the cost of the permit as established by Part 741 or the Department.

Other Repealed Sections

The bill would repeal Sections 1909 and 1910. Section 1909 required the State Treasurer, on October 1, 1985, to transfer to the Game and Fish Protection Fund and the Natural Resources Trust Fund the balances of several other funds. Section 1910 required the Department of Treasury, on that date, to transfer documents of the former State Recreational Land Acquisition Trust Fund board of trustees and the Heritage Trust Fund board of trustees to the Natural Resources Trust Fund board.

MCL 324.2001 et al.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would direct the distribution of revenue from the recreation passport fee, which is proposed by Senate Bill 389 (H-2), to which House Bill 5752 is tie-barred. Currently, those wishing to enter a State park must purchase a motor vehicle permit to do so. Senate Bill 389 (H-2) would replace the motor vehicle permit system with a recreation passport fee, which residents would annually have the option to pay when renewing their vehicle's registration. The recreation passport fee would be \$10 for passenger vehicles and \$5 for motorcycles under Senate Bill 389 (H-2).

Under current law, the Department of Natural Resources and Environment collects approximately \$11.7 million per year from motor vehicle permit fees, which are charged according to the scheme shown in Table 1.

Table 1

Motor Vehicle Permit Fees	
Permit Type	Fee
Annual resident	\$24
Annual nonresident	\$29
Daily resident	\$6
Daily non-resident	\$8
Senior annual	\$6
Bridge card annual	\$18
Towed vehicle	\$6
Commercial coach daily	\$15

Source: MDNRE website:
<http://www.michigan.gov/dnr/0,1607,7-153-10365-82938--,00.html>

On average, approximately 7.2 million passenger vehicles and 254,000 motorcycles are registered annually in Michigan. Assuming these registration numbers remain constant, it would take approximately a 16% participation rate in the program for the recreation passport fee to raise as much revenue as the motor vehicle permit fee. This percentage assumes registrants of passenger vehicles and motorcyclists register at an equal rate.

House Bill 5752, however, would require that the Department of State be reimbursed for its actual costs of implementing the recreation passport fee, up to \$1.0 million. Taking this into account, a 17% participation rate would be necessary to break even. The Department of State estimates that the actual cost of implementation would be \$3.1 million in the first year and \$2.5 million in subsequent years. Most of this cost would be in the form of increased transaction time as residents decided at the Secretary of State service counters whether they wished to pay the recreation passport fee, and time taken for staff to explain the fee.

House Bill 5752 would direct the distribution of revenue brought in from the recreation passport fee as described in **CONTENT**, above.

Table 2 below was generated using participation rates between 25% and 100%, and it shows how the bill would call for revenue raised by the recreation passport fee to be distributed.

Table 2

Recreation Passport Fee Distribution				
Participation rate	25%	50%	75%	100%
Total Estimated Revenue	\$18,404,250	\$36,808,500	\$55,212,750	\$73,617,000
SOS Administration Costs	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
New Recreation Passport Fee Revenue (Total less above three deductions)	\$5,674,250	\$24,078,500	\$42,482,750	\$60,887,000
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	18,266,100	12,744,825	18,266,100
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
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
Total revenue based on 3-year average (2006-2008) of passenger vehicle and motorcycle registration transactions				

Fiscal Analyst: Josh Sefton