

# State Notes

## TOPICS OF LEGISLATIVE INTEREST

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### **State Park Motor Vehicle Permit Fees** **By Bill Bowerman, Chief Analyst**

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#### **Introduction**

State parks and recreation areas have become dependent on user fees and other State restricted fund support. The statutory authority to collect a portion of that revenue, State park motor vehicle permit fees, expires on January 1, 2010. Currently, there are two proposals regarding State park motor vehicle permit (MVP) fees. The Governor's proposal would result in a \$1.9 million increase in revenue. Senate Bills 388 and 389 would provide for a substantial increase in the investment in the State park system through an additional fee that a resident could pay when registering a motor vehicle. This article provides an overview of existing and pending funding proposals for the State park system.

#### **Background**

In fiscal year (FY) 1969-70, the State General Fund accounted for 68.0% of the support for the operations of State parks and recreation areas.<sup>1</sup> By 2004, General Fund support was completely eliminated. The FY 2009-10 appropriation for the operation of State parks and recreation areas will consist mainly of \$33.6 million from the State Park Improvement Account and \$13.3 million from the State Parks Endowment Fund.

#### State Parks Endowment Fund

Article IX, Section 35 of the Michigan Constitution of 1963 provides that \$10.0 million<sup>2</sup> of the revenue that would be otherwise dedicated to the Michigan Natural Resources Trust Fund must be deposited into the Michigan State Parks Endowment Fund. Article IX, Section 35a provides that money available for expenditure from the Endowment Fund must be spent for operations, maintenance, and capital improvements at Michigan State parks and for the acquisition of land or rights in land for Michigan State parks. Until the Endowment Fund reaches an accumulated principal of \$800.0 million, the Legislature may annually appropriate not more than 50.0% of the money received under Article IX, Section 35, plus interest and earnings, unspent appropriations from previous years, and any private contributions or other revenue to the Endowment Fund. In recent years, the State Parks Endowment Fund has been used more for operations than for capital outlay costs.

#### State Park Improvement Account

Article IX, Section 40 of the Michigan Constitution establishes the Michigan Conservation and Recreation Legacy Fund and establishes various accounts within the Legacy Fund including the State Park Improvement Account. This account consists of revenue from concessions, leases, contracts, fees, and permits from activities in State parks and recreation areas,

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<sup>1</sup> Public Act 131 of 1969. Amounts do not include funding for capital outlay projects.

<sup>2</sup> Until the Natural Resources Trust Fund reaches \$500.0 million, not more than 50.0% of the revenue annually deposited in the Trust Fund must be deposited in the Endowment Fund.



damages paid to the State for illegal activities in State parks and recreation areas, and other revenue as authorized by law. Funds in the account may be spent only on:

- The development, improvement, operation, promotion, and maintenance of State parks and recreation areas.
- Grants to State colleges and universities to implement programs funded by the account.
- Administration of the State Park Improvement Account.

Table 1 provides details of FY 2007-08 revenue in the State Park Improvement Account.

**Table 1**

<b>State Park Improvement Account</b>		
<b>Revenue Source</b>	<b>FY 2007-08</b>	<b>Percent of Total</b>
Camping Fees .....	\$24,752,000	64.0%
Concessions.....	905,000	2.3
Other License/Permits.....	138,000	0.4
Motor Vehicle Permits .....	12,541,000	32.5
Common Cash Earnings .....	217,000	0.6
Other Miscellaneous Revenue .....	94,000	0.2
<b>Total.....</b>	<b>\$38,647,000</b>	<b>100.0%</b>

**Source:** Department of Natural Resources

State Park Motor Vehicle Permit Fee

In FY 2007-08, motor vehicle permits accounted for 32.5% of the revenue in the State Park Improvement Account. The State park motor vehicle permit fee originated in 1961 (under Public Act 149 of 1960), with a \$2.00 annual fee and a \$0.50 daily fee. Table 2 provides a history of the fee.

**Table 2**

<b>Michigan State Parks and Recreational Areas Motor Vehicle Permit Fee History</b>					
<b>Year</b>	<b>Nonresident</b>			<b>Nonresident</b>	
	<b>Annual</b>	<b>Annual</b>	<b>Daily</b>	<b>Daily</b>	<b>Senior</b>
1961	\$2.00	N/A	\$0.50	N/A	N/A
1967	3.00	\$5.00	1.00	2.00	N/A
1972	5.00	5.00	1.00	2.00	\$1.00
1974	5.00	N/A	1.00	2.00	1.00
1979	7.00	N/A	2.00	3.00	1.00
1981	10.00	N/A	2.00	3.00	1.00
1990	15.00	N/A	3.00	4.00	3.75
1992	15.00	N/A	3.50	4.00	3.75
1993	18.00	N/A	3.50	4.00	4.50
1995	20.00	N/A	4.00	5.00	5.00
2004	24.00	\$29.00	6.00	8.00	6.00

**Source:** Department of Natural Resources



**Fee Proposals**

Governor's Recommendation

The Governor's FY 2009-10 budget recommendation included a proposal to increase State park motor vehicle permit fees in order to generate an additional \$1.9 million for the State Park Improvement Account. The \$1.9 million increase would basically bring revenue in line with appropriations. In FY 2007-08, motor vehicle permit fees generated \$12.5 million in revenue. Table 3 delineates the Governor's proposal.

**Table 3**

<b>Motor Vehicle Park Permit Fee Proposal</b>				
	<b>Current</b>	<b>Proposed</b>	<b>Increase</b>	<b>% Increase</b>
Michigan Resident Annual	\$24	\$28	\$4	16.7%
Michigan Resident Daily	6	7	1	16.7
Nonresident Annual	29	34	5	17.2
Nonresident Daily	8	10	2	25.0
Senior	6	7	1	16.7
Bridge Card	18	18	0	0.0
Towed Vehicles	6	7	1	16.7
Commercial Vehicles	15	20	5	33.3

While the Governor's recommendation for the Department of Natural Resources is based on the above fee structure, as of this writing no bill has been introduced to implement this proposal.

Senate Bills 388 and 389

Senate Bills 388 and 389 would eliminate current resident MVP fees and resident boating access site permit fees and replace them with a State park and public boating access site passport fee that a Michigan resident could obtain by paying an additional fee when registering a motor vehicle or motorcycle. The fee would be \$5 for motorcycles and \$10 for all other vehicles.

According to a three-year average of registrations compiled by the Department of Natural Resources (FY 2004-05 through FY 2006-07), projected fee collections are based on approximately 7.1 million passenger vehicle registration transactions and 248,000 motorcycle registration transactions. If 100% of the registrants paid the proposed new fee, approximately \$72.2 million would be generated annually. However, Senate Bill 389 (S-6) would allow registration applicants to opt out of paying the new recreation passport fee. Actual revenue generated by the fee would be contingent upon how many registration applicants opted out.

In order to generate the same level of revenue that the current resident permit fees generate, over 17.0% of registration applicants would have to participate in the new fee. Montana currently uses the method proposed in this legislation to support its park system. Montana's participation rate was 88.0% in 2008. Whether Michigan would have a similar participation rate is not determinable.



Using participation rates ranging from 25.0% to 75.0%, the bills would result in the distributions shown in Table 4.

**Table 4**  
**Senate Bills 388 and 389: Fiscal Impact**

Participation Rate	Estimated Net New Revenue		
	25%	50%	75%
Passenger Vehicles	\$17,750,000	\$35,500,000	\$53,250,000
Motorcycles	310,000	620,000	930,000
Secretary of State Administration Costs (0.05 of 100 less refund)	(90,300)	(180,600)	(270,900)
State Park Improvement Account <sup>1)</sup>	(10,700,000)	(10,700,000)	(10,700,000)
Waterways Account <sup>1)</sup>	(1,030,000)	(1,030,000)	(1,030,000)
<b>Net New Revenue</b>	<b>\$6,239,700</b>	<b>\$24,209,400</b>	<b>\$42,179,100</b>
State Park Infrastructure 50%	3,119,850	12,104,700	21,089,550
State Park Operation & Maintenance 30%	1,871,910	7,262,820	12,653,730
Local Public Recreation Facilities 10%	623,970	2,420,940	4,217,910
State Forest Campground Pathways 7%	436,779	1,694,658	2,952,537
State Park Cultural & Historic Resources 2.75%	171,592	665,759	1,159,925
Recreational/Internet Promotion 0.25%	15,599	60,524	105,448

<sup>1)</sup> These two items reflect replacement of revenue loss due to elimination of current permits for resident motor vehicle park permit and the resident boating access site permit fees.

Another provision of Senate Bill 388 (S-4) that would have a fiscal impact is the elimination of the January 1, 2010, sunset for nonresident motor vehicle fees, which annually generate approximately \$2.1 million.

### Bond Issues

In the past, bond issues have been used to expand State parks and to support State park capital outlay needs. From 1961 through 1996, revenue bonds were issued to expand the State parks through land acquisition and development of facilities within the parks. The bonds were retired in 1996. Revenue bonds were again issued in 2002 for development of Sterling State Park. The debt service on the bonds will continue until 2022.

In November 1988, Michigan voters approved the Quality of Life Recreation Bond Program, which included \$60.0 million for improving the infrastructure of Michigan State parks. The bonds funded more than 190 projects at 64 of the 98 State parks. These projects included sewage system improvements, road and parking lot resurfacing, electrical system replacements, and facility renovation and construction.

In 1998, the voters approved the Clean Michigan Initiative. This bond program included \$100.0 million for public recreation projects (\$50.0 million in grants to local units of government for the development and renovation of public recreation facilities and \$50.0 million for extensive State park renovations). A total of 43 State parks and 136 projects were completed with funding from the Clean Michigan Initiative. Projects included replacing toilet/shower buildings, improving and upgrading drinking water systems, improving and



upgrading sewage systems, upgrading electrical systems, and completing necessary road repairs and upgrades.

### **Conclusion**

Over time, State parks have become dependent on user fees and State restricted funding. A substantial share of the revenue that supports the operations of State parks and recreation areas (motor vehicle permit fees) sunsets on January 1, 2010. Current revenue sources for State park and recreation areas do not provide the level of support necessary to fund ongoing operations and capital outlay needs. The bond programs have provided one-time funding to address delayed projects, but do not address ongoing funding issues.

Based on Michigan's current budget issues, resumed General Fund support of State parks is unlikely. Other dedicated revenue sources (as proposed by Senate Bills 388 and 389), and/or a determination of whether it is financially feasible to maintain the 98 State parks and recreation areas, should be explored. Also, a constitutional amendment to allocate a higher percentage of the Natural Resources Trust Fund to recreation projects, instead of land acquisition, could be part of the solution to adequately funding the State park system.