



FY16 Snowmobile Account Budget Adjustment 4th Benchmark Reduction

Background

The snowmobile account is funded from two primary sources:

- State Gas Tax Revenue from Snowmobile Use (about \$7.2 million/year), and
- State Snowmobile Registrations (ranges from \$3.8 to \$7 million/year).

Since the brown winter of 2012-2013, snowmobile registration revenues have varied from \$3.8 million in low snow years to \$7 million in high snow years. This variability in revenue has brought an element of unpredictability to the fund balance in the snowmobile account. During years when the revenue is low and the account balance is in danger of going “in the red,” we need to make budget adjustments. By state law we cannot allow the snowmobile account to go below zero.

The winter of 2014-2015 was again a low snow year; there was only \$3.8 million in registration revenue and the annual snowmobile account balance ended near zero. This is what determined the base funding rate zone levels at the beginning of FY 2016, which were about 6.5% lower than base funding in FY 2015.

FY 2016 Budget Adjustment – 4th Benchmark Reduction

This winter’s (2015-2016) snowmobile account revenues were only about \$5.4 million, which is lower than what was needed to keep the account balance sustainable at current base funding levels. As a result, the 4th benchmark will not be paid for FY 2016. We hoped for more revenue and more snow to help stabilize the snowmobile account balance this year, and while that did not happen, there was enough revenue to avoid impact to the 3rd benchmark.

FY 2017 Funding Levels

This year’s 4th benchmark budget adjustment will ensure the account balance stays just above zero, but still does not leave the account in a very strong position going into the FY 2017 (2016-2017) winter season. As a result, base grant-in-aid funding levels (i.e., rate zone levels) next year (FY 2017) will remain the same as they were this year (FY 2016).

We remain cautiously optimistic for a good snow year next year, but unfortunately if there is low revenue into the snowmobile account in FY 2017 it is likely that the 3rd and/or 4th benchmarks would be reduced. All GIA sponsors and clubs should continue to manage their finances for ups and downs of low and high snow years.

DNR Snowmobile Account Reductions

DNR funding from the snowmobile account has remained relatively flat since FY 1999 despite increasing costs and inflation. However, in contrast to the GIA Program, DNR does not keep unspent funds from year to year. DNR returns unspent funds to the snowmobile account. It is anticipated that the DNR will return \$200,000 to \$400,000 to the snowmobile account in FY 2016. This amount is similar to the 4th benchmark reduction to the GIA Program, which is contributing \$360,000 to the account balance in FY 2016.

Snowmobile Account Revenue and Expenditures Graph

The following graph shows the revenues, expenditures, and fund balance from FY 2005 to projections in FY 2016, 2017, and 2018. These projections show that the account balance would go below zero without any budget adjustments.

