

FY17 and FY18 Snowmobile Program Funding Update

Background

There have been ongoing funding challenges with the snowmobile account over the last 5 years. The snowmobile account is funded from two primary sources: state gas tax revenue from snowmobile use, which is about \$7.2 million/year; and snowmobile registration fees (ranging from \$3.8 to \$7 million/year). Snowmobile registration revenue goes up or down depending on the following:

- Weather variability, such as good/bad snow years
- The number of snowmobile registrations up for renewal, which are impacted by the 3-year cycle (e.g., years with more sleds up for renewal result in higher revenue than years with fewer sleds up for renewal)
- The overall number of snowmobiles registered, which has declined over the last 10 years from a high of 277,000 sleds in 2006 to 196,000 sleds in 2016.

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.

FY17 Budget Adjustment – 4th Benchmark Reduction

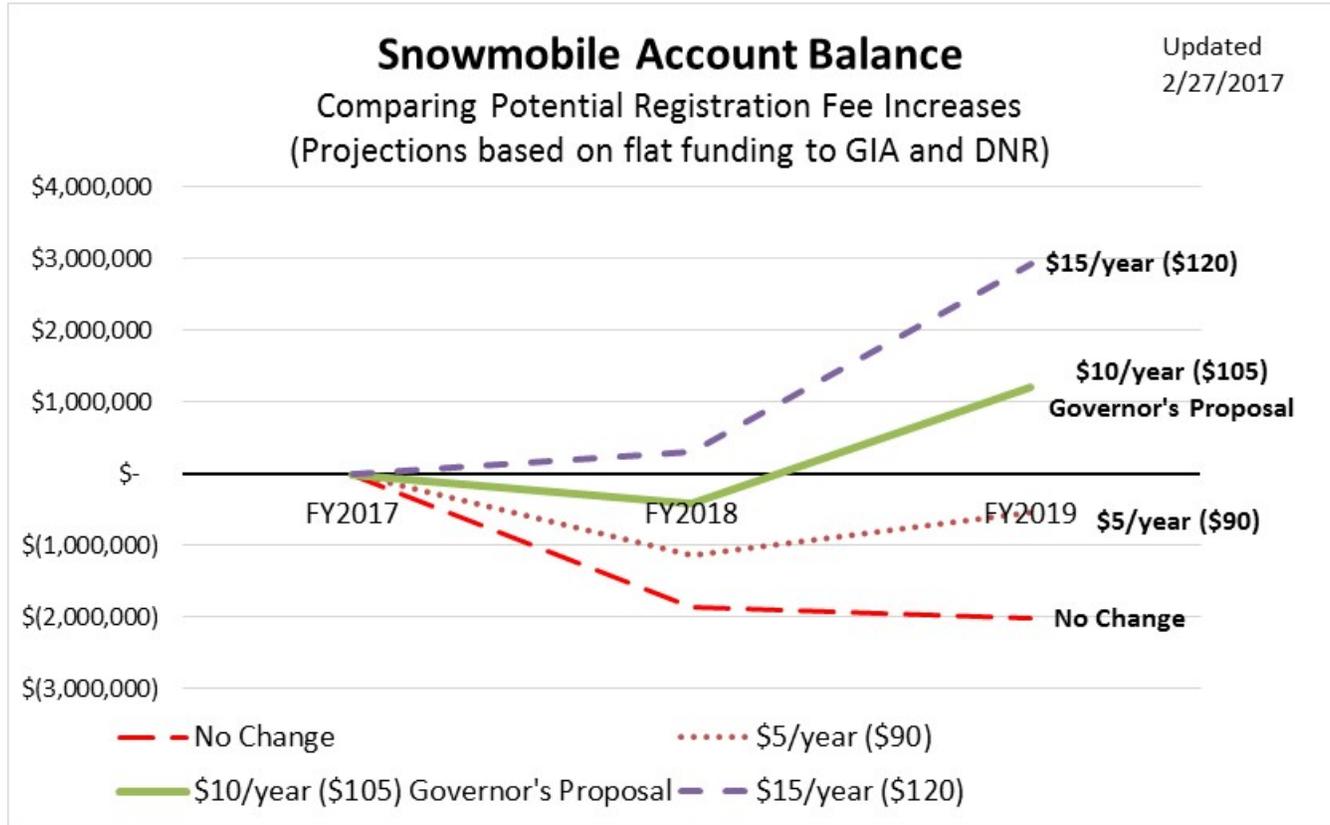
This winter’s (2016-2017) snowmobile registration revenues have not been enough to avoid the snowmobile account going negative without a budget adjustment to the grant-in-aid (GIA) program. As a result, the 4th benchmark will not be paid in FY17. We hoped for more revenue and a better snow season to help stabilize the snowmobile account balance this year, but while that did not happen, there was enough revenue to avoid impact to the 3rd benchmark.

FY18 Funding Levels

The 4th benchmark reduction in FY17 ensures that the account balance will stay above zero, but it still leaves the account with a low balance going into the FY18 (2017-2018) winter. In fact, due to the 3-year cycle of registration renewals, FY18 will be a low year for renewals with only \$3.9 million in registration revenue estimated. This low revenue projection means that FY18 grants will need to be reduced by about \$1.5 million, which is a 20% funding reduction up front for each grant-in-aid. In addition, there would still be the possibility that the 3rd and/or 4th benchmarks would not be paid, depending on how good of a snow season we have.

The following page shows estimates on how changes in registration fees might support the account balance in FY18 and FY19. If the governor’s recommended \$10/year registration increase were approved by the legislature, grants would not need to be cut by nearly as much and grant funding would likely increase in FY19.

Snowmobile Registration Fee Increase Information



- **With no change in registration fees**, there would need to be serious reductions to GIA grants. For example, based on projections, the funding reduction would need to be at least \$1.5M, which would be a 20% decrease in GIA funding from FY17 grant levels. State trail grooming and maintenance would also be reduced.
- **With a \$5/year registration fee increase** (\$90 for a 3-year registration) there would need to be significant reductions to GIA grants. For example, based on projections, the funding reduction would need to be about \$1M, which would be about a 10-15% decrease in funding from FY17 grant levels. State trail grooming and maintenance would also be reduced.
- **With a \$10/year registration fee increase** (\$105 for a 3-year registration), which is the governor’s proposal, FY18 GIA grants would likely be able to stay near the FY17 funding levels, with the possibility for additional GIA funding in FY19, while also addressing state trail needs.
- **With a \$15/year registration fee increase** (\$120 for a 3-year registration) FY18 grants would likely remain at the FY17 funding levels, with the likelihood for additional GIA funding in FY19, while also addressing state trail needs. This would also allow the account to maintain a small balance to protect against the impacts of low snow years.

In sum, without a snowmobile registration fee increase of \$10/year, the snowmobile account would go into the red. As a result, there would have to be significant funding reductions to the GIA Program as well as a reduction to DNR grooming and maintenance on state trails. With the proposed increase, we project the potential for additional investments in snowmobiling in FY19.

Comparing Snowmobile User Fees

State/Province	Total Fees Annualized	Snowmobile Registration Fee	Trail Permit (if required for in-state riding)	Out-of-State Trail Permit or Fees (if required)	Miles of Snowmobile Trails
Minnesota (Current)	\$25/year	\$75 for 3-years	n/a	\$35/year	22,000 miles
Minnesota (Proposed)	\$35/year	\$105 for 3-years	n/a	\$50/year	
Michigan	\$55/year	\$30 for 3-years	\$45 for 1-year	\$45/year (same as for in-state)	6,400 miles
North Dakota	\$25/year	\$50 for 2-years	n/a	\$25/year	2,800 miles
Wyoming	\$35/year	\$35 for 1-year	n/a	\$35/year (must buy registration)	2,574 miles
Wisconsin	\$40/year (\$20/year for club members)	\$30 for 3-years	\$30 for 1-year (\$10 for club members)	\$50/year	19,420 miles
Ontario	\$205/year	\$15 for 1-year	\$190 for 1-year	Varies, as can get multi-day passes	20,300 miles
Manitoba	\$140/year	\$15 for 1-year	\$125 for 1-year	\$125/year or \$60.50/day	7,478 miles

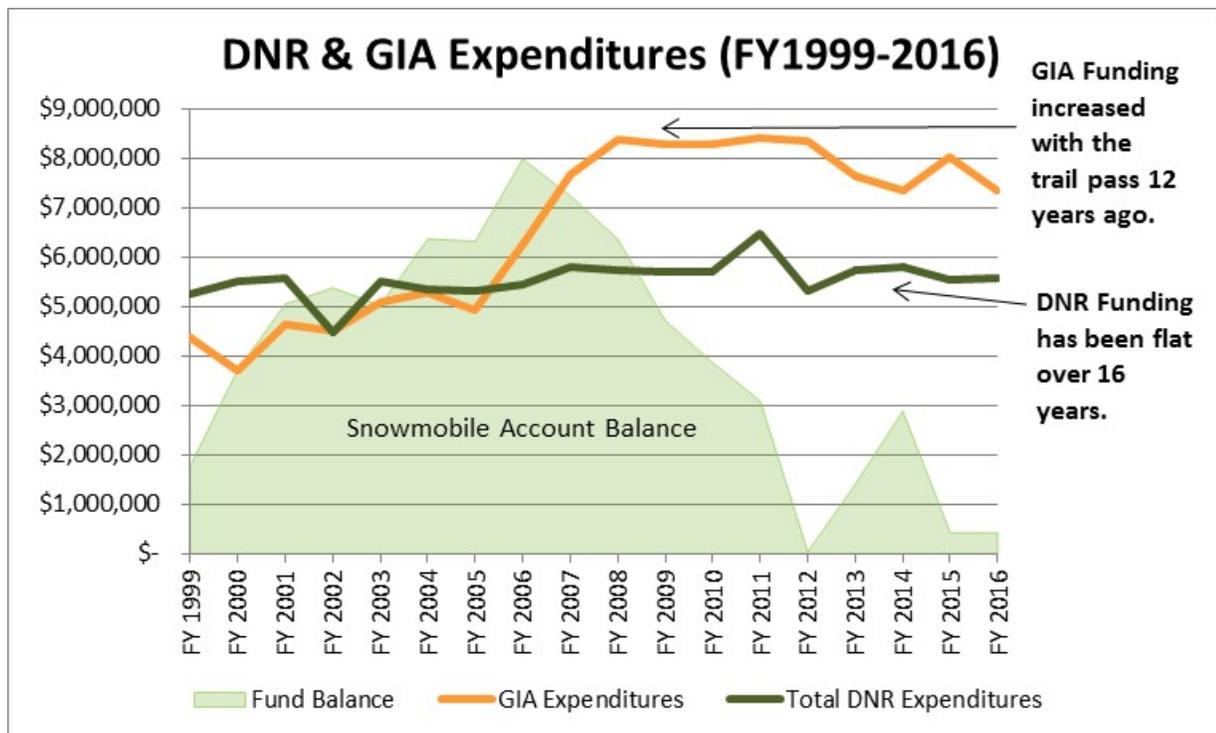
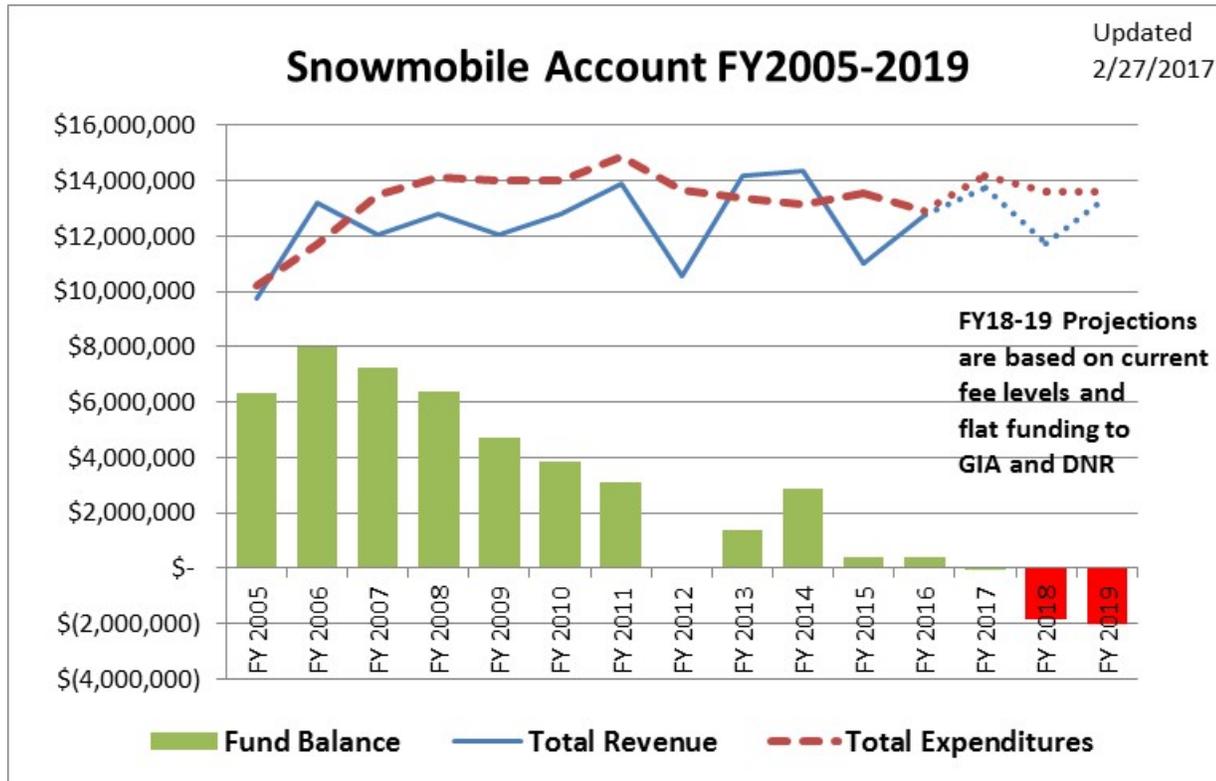
Why Increase the Snowmobile Registration Fee?

- There is a serious funding need (e.g., recent GIA reductions)
- Fees haven't been increased in over a decade (2005 was the last time, which was the creation of the trail pass)
- Fees in Minnesota are lower than neighboring states

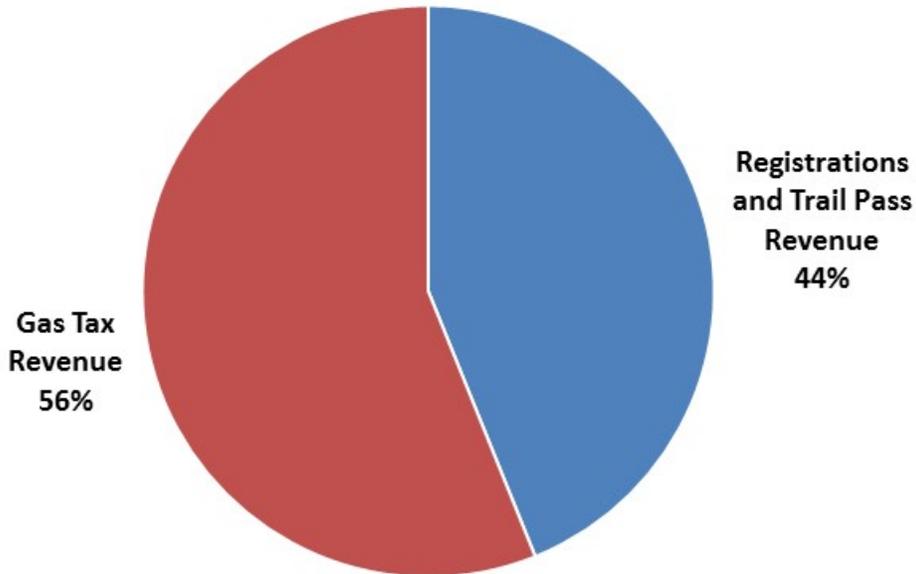
What are the Benefits of a Fee Increase?

- Stabilizes the snowmobile account budget by addressing the deficit
- Provides necessary funding for GIA grants
- Allows the DNR to continue to provide important services supporting snowmobiling
- Supports \$200M of economic impacts from snowmobiling in Minnesota
- Continues to invest in the sport of snowmobiling

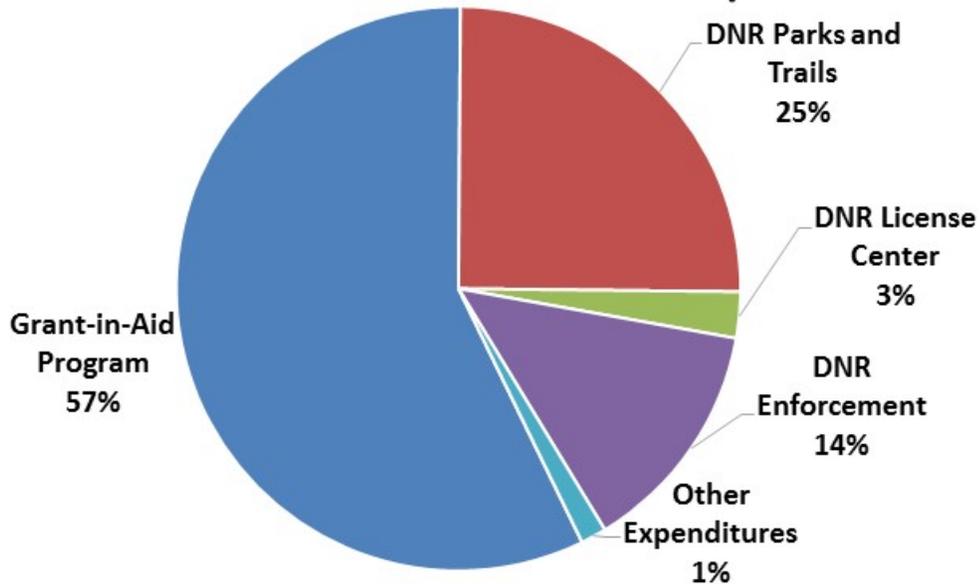
Snowmobile Account Summary



FY14-16 Snowmobile Account Revenues



FY14-16 Snowmobile Account Expenditures



DNR Does Important Work for Snowmobiling in Minnesota

DNR Parks and Trails Division

- DNR grooms and maintains about 1,000 miles of state trails, such as the Taconite, Arrowhead, North Shore, and Munger.
- DNR administers and oversees the GIA Program, which is required to ensure accountability in grants and public funding.
- DNR purchases and distributes the majority of the snowmobile trail signs for over 22,000 miles of trail each year.
- DNR manages snowmobile mapping and route information and manages the state's main website for snowmobile information, which receives about 100,000 visits each year.
- DNR works with the legislature and on policy to support successful snowmobiling.
- DNR meetings with landowners, local units of government, snowmobile clubs, and others to continue snowmobiling opportunities and to protect trail impacts.

DNR Enforcement Division

- DNR provides enforcement of snowmobile laws.
- DNR administers a grant program to local law enforcement offices to enforce snowmobile laws.
- DNR coordinates snowmobile safety, including the snowmobile safety training program.

DNR License Center

- DNR administers all of the licensing system, ensuring that the 196,000 snowmobile registrations, renewals, and transfers are processed and paid into the snowmobile account.
- And more...

DNR Snowmobile Account Reductions

DNR funding from the snowmobile account has remained relatively flat since FY 1999 despite increasing costs and inflation (see graph on page 4), and DNR has reduced costs whenever possible and has absorbed the impact of over 16 years of inflation and rising costs. In contrast to the GIA Program, DNR does not keep unspent funds from year to year. DNR returns unspent funds to the snowmobile account, and it is anticipated that the DNR will return \$200,000 to \$400,000 to the snowmobile account in FY 2017. This amount is similar to the 4th benchmark reduction to the GIA Program, which is contributing \$360,000 to the account balance in FY 2017.