



**House
Legislative
Analysis
Section**

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**RECREATION IMPROVEMENT FUND ACT
RECEIVED**

House Bill 4169 (Substitute H-2)
First Analysis (10-26-87)

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Sponsor: Rep. Tom Alley
Committee: Taxation

THE APPARENT PROBLEM:

The state waterways act imposes a privilege tax on gasoline and diesel fuel used by boats. The state waterways commission uses the money to help local governments pay for building and improving harbors, docks, and other boating facilities. Because no method has been devised to determine how much of the fuel sold is sold for boating purposes, the act contains a legislative finding that a certain percentage of fuel taxes will go towards waterways projects. At present, the waterways fund receives 1.25 percent of gasoline taxes. Over the years the amount to be spent on waterways has caused controversy between road/transportation interests on the one hand and boating enthusiasts on the other. Another issue of about ten years duration is whether snowmobilers (and other recreation interests) should get some fixed percentage. Their partisans point out that they receive no guaranteed benefit from the fuel taxes they pay on fuel for snowmobiles and on fuel used in vehicles that haul snowmobiles. At various times a unified fund for spending fuel taxes for recreational purposes has been proposed. As part of the current negotiations on a new transportation package, road and recreation interests have agreed on the formation of such a fund and on the allocation of fuel tax dollars.

THE CONTENT OF THE BILL:

The bill would create the Recreation Improvement Fund Act under which 1.8 percent of all gasoline taxes collected by the treasury department would be credited to a special fund to be spent on waterways, recreational snowmobile trails, and other recreational projects. Accordingly, the bill would repeal the privilege tax on gasoline and diesel fuel used by boats in the state waterways act, which currently amounts to 1.25 percent of gasoline taxes.

The Natural Resources Commission would annually make expenditure recommendations to the legislature, but the bill would require that at least 75 percent of fund revenue be credited to the state waterways fund, and at least 15 percent to the recreational snowmobile trail improvement fund, with the remaining money to be distributed to recreational projects (e.g. trails and facilities for off-road vehicles, cross-country skiers, horseback riders, and hikers; and inland lake cleanup grants). At least 50 percent of any funds designated for off-road vehicle projects would have to be spent on projects to repair damage caused by the use of off-road vehicles.

The bill would impose a privilege tax on all gasoline and diesel fuel sold in the state that is "used to generate power for the operation or propulsion of waterways of this state, of off-road vehicles, and of snowmobiles." The bill further contains a legislative finding that 1.8 percent of all the gasoline and diesel fuel sold in the state for consumption in internal combustion engines fits this description. The tax would be paid to the treasury department in the same manner, at the same time, and at the same rate per gallon as the motor fuel tax on gasoline. The tax would not apply to liquefied petroleum gas.

The recreation improvement fund would be created in the state treasury and would be administered by the Department of Natural Resources. The treasury department would annually present to the Natural Resources Commission an accurate total of all gasoline taxes, and would credit 1.8 percent of the total to the fund, less a deduction for collection costs and refunds. Any money remaining in the fund at the end of a fiscal year would be carried over in the fund to the next and succeeding fiscal years and could only be used for the purposes stated in the bill.

The bill is tie-barred to both Senate Bill 152 and Senate Bill 321. Both bills are part of the transportation funding package.

FISCAL IMPLICATIONS:

The bill is part of the overall transportation package and any additional spending over current levels (estimated at about \$2.5 million) is to be covered by fee increases contained in Senate Bill 152, which would increase a variety of transportation-related fees.

ARGUMENTS:

For:

Road and recreation interests have agreed to a reasonable apportionment of gas tax revenues to recreation and tourism projects. In addition to a modest increase in revenues for waterways projects, the bill would allocate gas tax revenue to snowmobile trails, and, at the discretion of the Department of Natural Resources, to trails for off-road vehicles, cross-country skiers, horseback riders, and hikers. Revenue could also be allotted to lake cleanup projects. The bill would create a unified fund for recreation projects rather than having such funding scattered.

POSITIONS:

The Department of Natural Resources supports the bill. (10-21-87)

The Department of Transportation supports the bill as part of the transportation package. (10-26-87)

The Michigan Petroleum Association supports the bill. (10-23-87)

H.B. 4169 (10-26-87)