



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #566

Boat Registration Fee Increase (DNR -- Fish, Wildlife, and Recreation)

[LFB 2007-09 Budget Summary: Page 466, #10]

CURRENT LAW

The Department of Natural Resources collects statutory registration fees for all motorized boats and sailboats over twelve feet in length operated on state waters. These fees are deposited in the boat registration account of the conservation fund. Motorized boat registration fees vary according to boat length. All boat registrations are valid for a period of up to three years, beginning on April 1 of the year in which the registration is issued and ending on March 31 of the third year after issuance. 2007 Act 20 increased boat registration fees by approximately 15%.

GOVERNOR

Increase the fees paid for a three-year motorized boat registration as follows:

Registration Type	Current Fee	AB 75	Increase	Percent Increase
Under 16'	19.00	25.00	6.00	32%
16' to 26'	28.00	35.00	7.00	25
26' to 40'	52.00	62.00	10.00	19
Over 40'	86.00	99.00	13.00	15

DISCUSSION POINTS

1. Article IX of the Wisconsin Constitution specifies that the state's navigable waters "shall be common highways and forever free" to Wisconsin and U.S. citizens "without any tax, impost or duty therefore". As a result, the use of revenue from boat registration fees has been limited to boating safety and law enforcement purposes by court interpretation of this constitutional

provision. Therefore, boat registration account revenues are used to fund: (a) state costs of boating law enforcement by DNR conservation wardens; (b) aids to municipalities for up to 75% of the costs of local boating law enforcement and safety programs; and (c) a portion of DNR's recreational vehicle titling and registration program and administrative costs related to boating safety and enforcement.

2. Prior to 2000, boat registrations were valid for two years. Going from a two-year to a three-year registration cycle in 2000 resulted in markedly lower than average revenues to the boat registration account every third year. For example, 2007-08 revenues to the boat registration account (\$2.7 million) were significantly lower than the revenues in 2006-07 (\$7.3 million). 2010-11 will again be a low revenue year. Therefore, although a 2009-10 ending balance of approximately \$1.4 million is expected (due to the high-revenue year), authorized expenditures could be expected to exceed available revenues by over \$1.4 million by June 30, 2011 as shown in Table 1. This would require expenditure reductions averaging approximately 10% annually to state and local boat enforcement and safety training.

TABLE 1

Boat Registration Account Condition Under Current Law

	<u>Actual 2007-08</u>	<u>Estimated 2008-09</u>	<u>Estimated 2009-10</u>	<u>Estimated 2010-11</u>
Opening Balance	\$3,257,300	\$397,700	\$1,293,200	\$1,543,400
Revenue:				
Boat Registrations	\$2,714,500	\$6,260,700	\$6,110,500	\$2,729,200
All Other Revenue*	<u>-21,800</u>	<u>509,300</u>	<u>526,800</u>	<u>421,800</u>
Total Revenue	\$2,692,700	\$6,770,000	\$6,637,300	\$3,151,000
Total Available	\$5,950,000	\$7,167,700	\$7,930,500	\$4,694,400
Expenditures:				
State Boating Enforcement and Safety	\$2,315,800	\$2,876,700	\$3,014,800	\$2,963,000
Boating Enforcement Aids	1,400,000	1,400,000	1,386,000	1,386,000
Customer Assistance and Licensing	1,331,100	1,100,500	1,403,200	1,081,800
Administration and Technology Division	316,400	331,800	359,800	361,800
Resource Acquisition and Development	10,500	8,200	7,200	7,200
Enforcement and Science Division Management	68,600	83,000	94,300	94,300
Education and Safety	22,200	34,300	31,800	31,800
Handling Fees	87,700	40,000	40,000	40,000
Reserves	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>100,000</u>
Total Expenditures	\$5,552,300	\$5,874,500	\$6,387,100	\$6,065,900
June 30 Cash Balance	\$397,700	\$1,293,200	\$1,543,400	-\$1,371,500
Encumbrances/Continuing Balances	52,800	52,800	52,800	52,800
Available Balance	\$344,900	\$1,240,400	\$1,490,600	-\$1,424,300

*Revenues from several years of sales tax collections on boat purchases were transferred to the Department of Revenue in 2007-08.

3. In his 2007-09 budget bill, the governor proposed increasing boat registration fees by approximately 33%. At the time, DNR argued that raising fees by this amount would support annual expenditure levels and prevent the account from carrying a negative balance over at least the next two biennia (through 2009-11). However, 2007 Act 20 increased fees by approximately 15%. Fee changes under 2009 AB 75 would increase revenue to the boat registration account by approximately \$1.5 million in 2009-10 and \$650,000 in 2010-11 as shown in Table 2.

TABLE 2
Boat Registration Account Condition Under AB 75

	Actual <u>2007-08</u>	Estimated <u>2008-09</u>	Estimated <u>2009-10</u>	Estimated <u>2010-11</u>
Opening Balance	\$3,257,300	\$397,700	\$1,293,200	\$3,077,900
Revenue:				
Boat Registrations	\$2,714,500	\$6,260,700	\$7,645,000	\$3,395,400
All Other Revenue*	<u>-21,800</u>	<u>509,300</u>	<u>526,800</u>	<u>421,800</u>
Total Revenue	\$2,692,700	\$6,770,000	\$8,171,800	\$3,817,200
Total Available	\$5,950,000	\$7,167,700	\$9,465,000	\$6,895,100
Expenditures:				
State Boating Enforcement and Safety	\$2,315,800	\$2,876,700	\$3,014,800	\$2,963,000
Boating Enforcement Aids	1,400,000	1,400,000	1,386,000	1,386,000
Customer Assistance and Licensing	1,331,100	1,100,500	1,403,200	1,081,800
Administration and Technology Division	316,400	331,800	359,800	361,800
Resource Acquisition and Development	10,500	8,200	7,200	7,200
Enforcement and Science Division Management	68,600	83,000	94,300	94,300
Education and Safety	22,200	34,300	31,800	31,800
Handling Fees	87,700	40,000	40,000	40,000
Reserves	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>100,000</u>
Total Expenditures	\$5,552,300	\$5,874,500	\$6,387,100	\$6,065,900
June 30 Cash Balance	\$397,700	\$1,293,200	\$3,077,900	\$829,200
Encumbrances/Continuing Balances	52,800	52,800	52,800	52,800
Available Balance	\$344,900	\$1,240,400	\$3,025,100	\$776,400

*Revenues from several years of sales tax collections on boat purchases were transferred to the Department of Revenue in 2007-08.

4. Considering boat registration fees were increased in 2007, an alternative could be to explore other sources of revenue to the boat registration account, such as an annual non-resident boat sticker similar to the non-resident trail use passes required for ATVs and snowmobiles not registered in Wisconsin.

5. Few, if any, states currently charge a fee for non-resident recreational motorboat use. However, until recently, few states charged non-resident ATV and snowmobiles using state

trails. Creating a non-resident motorboat sticker requirement could lead to other states beginning to charge Wisconsin boaters to use their waters. Further, the Wisconsin constitutional provision relating to use of state waters being “forever free” would require the amount of the fee and the use of revenues to be closely tied to boater safety and law enforcement purposes. However, since these are the restrictions currently applied to the boating account of the conservation fund, establishing a reasonable fee for boat account purposes would appear allowable.

6. DNR officials indicate that an annual sticker would be easier to administer and enforce than a three-year sticker (which would be consistent with boat registrations). A non-resident boat sticker provision could specify that no person may operate a boat in the waters of Wisconsin unless a non-resident boat sticker is displayed on the boat. All boats registered in Wisconsin would be exempt from this requirement. While non-resident ATV and snowmobile users may choose to purchase the \$35 annual trail pass or register their vehicles in Wisconsin (\$30 two-year registration fee) provided they show proof of having paid sales tax on the vehicle, federal regulations require a boat to be registered only in its "state of principal use" (the state on whose waters a boat is used most frequently during a calendar year). Under current state law, the owner of a boat located in Wisconsin waters for more than 60 consecutive days must either transfer the boat's state of principal use to Wisconsin, and register the boat in Wisconsin, or return to their home state. Therefore, generally, all non-residents using a motorized boat in Wisconsin waters would be subject to the non-resident boat sticker requirement.

7. Other than nonresident recreational motorboats, most boats exempt from registration in Wisconsin could also be exempt from the non-resident boat sticker requirement. The provision could exempt the following boats: (a) commercial fishing boats licensed under s. 29.519 of the statutes, (b) non-motorized boats and non-motorized sailboats under 12 feet in length; (c) boats registered by an American Indian tribe that has a current agreement with the state of Wisconsin and which is not operated outside the reservation for more than 60 consecutive days; (d) a boat operated within 60 days of applying for a Wisconsin registration or certificate of number (provided proof of application and payment of registration); (e) a military or public boat of the United States; (f) a government boat used primarily for governmental purposes; (g) a ship's lifeboat; and (h) a boat present in the state for not more than 10 days to participate in an approved competition. In addition, in boundary waters of Wisconsin, a boat that does not land, dock, or launch from, a pier, wharf, or other landing area on, or extending from the shores of Wisconsin would be exempt from the non-resident sticker requirement. The provision could require DNR to promulgate administrative rules establishing procedures for issuing non-resident boat stickers and for regulating the activities of license agents authorized to issue the stickers, and would provide DNR with the authority to use the emergency rules process without the finding of an emergency. The stickers could be required beginning January 1, 2010.

8. Based on the number of non-resident ATV and snowmobile trail passes sold compared to the number of ATVs and snowmobiles registered over the past several years, non-resident boats may make up between 7% and 10% of boats operated on Wisconsin waters or approximately 40,000 to 60,000 boats. Therefore, a \$12 sticker, including a 50¢ issuing fee, might generate between \$460,000 and \$690,000 annually. A \$15 non-resident boat sticker could be expected to generate between \$580,000 and \$870,000 annually. However, given an initial period of

information and education regarding the non-resident boat sticker, the sticker would be unlikely to generate the full revenues immediately. A \$12 annual non-resident fee would be expected to generate approximately \$115,000 in 2009-10 and \$460,000 in 2010-11. A \$15 annual non-resident boat sticker instituted January 1, 2010, could generate approximately \$145,000 in 2009-10 and \$580,000 in 2010-11.

9. Even with the introduction of a \$15 non-resident boat sticker, if boat registration fees were to remain at current levels, the boat registration account would be expected to have a negative available balance of approximately \$650,000 on June 30, 2011. Therefore, a more moderate resident fee increase could also be considered. In addition, the bill would increase the fee for the under 16 foot and 16 to 26 foot boat registrations by 32% and 25% respectively while only increasing the 26 to 40 foot boat and over 40 foot boat registrations by 19% and 15%. An alternative could be to increase all of the motorized boat registration fees by approximately 15% as shown in Table 3 (Alternative 3). This would increase revenue to the boat registration account by approximately \$825,000 in 2009-10 and \$350,000 in 2010-11.

TABLE 3

15% Boat Registration Fee Increase

<u>Registration Type</u>	<u>Current Fee</u>	<u>Alternative</u>	<u>Increase</u>	<u>Percent Increase</u>
Under 16'	\$19.00	\$22.00	\$3.00	16%
16' to 26'	28.00	32.00	4.00	14
26' to 40'	52.00	60.00	8.00	15
Over 40'	86.00	100.00	14.00	16

10. If a \$15 non-resident boat sticker were introduced, and motorized boat registrations were increased by approximately 15%, the boat registration account would be expected to have an available balance of approximately \$525,000 on June 30, 2011 (Alternative 3). With a \$12 nonresident fee and 15% resident registration increase, the balance would be approximately \$375,000 (Alternative 2).

ALTERNATIVES

1. Adopt the Governor's recommendation to increase motorized boat registration fees by between 15% and 32%.

2. Create an annual non-resident boat sticker effective January 1, 2010. Specify that the fee for the sticker is \$12 and that revenues from the non-resident boat sticker fee be deposited in the boat registration account of the conservation fund. In addition, increase boat registration fees by approximately 15% (as shown in Table 3).

ALT 2	Change to Bill
	Revenue
SEG	- \$400,000

3. Create an annual non-resident boat sticker effective January 1, 2010. Specify that the fee for the sticker is \$15 and that revenues from the non-resident boat sticker fee be deposited in the boat registration account of the conservation fund. In addition, increase the boat registration fees by approximately 15% (as shown in Table 3).

ALT 3	Change to Bill
	Revenue
SEG	- \$250,000

4. Maintain current law.

ALT 4	Change to Bill
	Revenue
SEG	- \$2,150,000

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