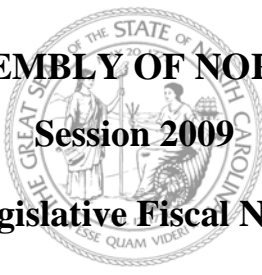


**GENERAL ASSEMBLY OF NORTH CAROLINA**



**Session 2009**

**Legislative Fiscal Note**

**BILL NUMBER:** House Bill 86 (First Edition)

**SHORT TITLE:** Off-Road Vehicle Trust Fund.

**SPONSOR(S):** Representatives Brubaker, M. Alexander, Crawford, and Weiss

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>
<b>REVENUES</b>					
Highway Trust Fund	\$5,500,000	\$2,875,000	\$3,250,000	\$3,625,000	\$4,000,000
Off Road Vehicle Trust	\$1,000,000	\$1,250,000	\$1,500,000	\$1,750,000	\$2,000,000
<b>EXPENDITURES</b>					
DMV	\$1,629,839	\$990,519	\$1,028,777	\$1,067,034	\$1,105,282
Environment & Natural Resources	\$181,965	\$189,763	\$307,737	\$5,765,297	\$722,731
<b>POSITIONS (cumulative):</b>					
DMV	13	13	13	13	13
Environment & Natural Resources*	3	3	3	6	6
* Assumes <i>one</i> off-road vehicle facility opens in 2012-13					
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Division of Motor Vehicles, Department of Transportation Information Technology, Department of Environment and Natural Resources					
<b>EFFECTIVE DATE:</b> This bill becomes effective July 1, 2009.					

**BILL SUMMARY:**

This bill requires all-terrain vehicles and motorcycles that are used as off-road vehicles (ORV) to be registered with the Division of Motor Vehicles (DMV). The bill also creates a non-reverting revenue fund in the Department of Environment and Natural Resources (DENR), designated as the ORV Trust Fund, to be used to provide all-terrain vehicle safety training, acquire new lands, manage lands, and develop ORV parks, trails, and facilities, and to create a new ORV recreation program.

**ASSUMPTIONS AND METHODOLOGY:**

This bill has a fiscal impact for both the Division of Motor Vehicles and the Department of Environment and Natural Resources. The chart below summarizes the fiscal impact of each.

	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14
<b>COSTS</b>					
<b>Division of Motor Vehicles</b>					
<u>Personnel:</u>					
3 Business Service Coordinators	\$61,666	\$123,331	\$123,331	\$123,331	\$123,331
1 PA IV	\$17,206	\$34,411	\$34,411	\$34,411	\$34,411
1 PA V	\$18,288	\$36,575	\$36,575	\$36,575	\$36,575
8 Law Enforcement Officers	\$206,145	\$412,290	\$412,290	\$412,290	\$412,290
<u>Non-Personnel:</u>					
Consumables:	\$98,527	\$78,032	\$91,382	\$104,732	\$118,082
Postage:	\$34,480	\$16,200	\$17,820	\$19,440	\$21,060
LPA Compensation:	\$145,800	\$122,250	\$143,700	\$165,150	\$186,600
Driver & Vehicle equipment:	\$83,810	\$11,740	\$11,740	\$11,740	\$11,740
License & Theft Equipment:	\$394,842	\$129,852	\$129,852	\$129,852	\$129,842
Internet Fees		\$7,350	\$9,188	\$11,025	\$12,863
Programming Fee	\$477,700				
ITS Charge:	\$91,375				
Operation and Maintenance		\$18,488	\$18,488	\$18,488	\$18,488
<b>DMV Total</b>	<b>\$1,629,839</b>	<b>\$990,519</b>	<b>\$1,028,777</b>	<b>\$1,067,034</b>	<b>\$1,105,282</b>
<b>Department of Environment &amp; Natural Resources</b>					
<u>Program Personnel:</u>					
1 Program Supervisor	\$58,156	\$61,034	\$64,428	\$67,849	\$71,323
1 Park Designer	\$51,831	\$54,397	\$57,421	\$60,470	\$63,566
1 Administrative Staff	\$33,448	\$35,104	\$37,056	\$39,024	\$41,022
<u>Program Non-Personnel:</u>					
Property Rental	\$9,450	\$9,621	\$9,799	\$9,969	\$10,144
Travel & Subsistence	\$7,200	\$7,330	\$7,466	\$7,595	\$7,729
Telephone	\$1,080	\$1,100	\$1,120	\$1,139	\$1,159
Training	\$3,600	\$3,665	\$3,733	\$3,798	\$3,864
Supplies	\$11,200	\$11,403	\$11,614	\$11,815	\$12,023
Equipment	\$6,000	\$6,109	\$6,222	\$6,329	\$6,441
Number of Parks				1	1
Number of Trail Miles				20	20
<u>Per Park Personnel:</u>					
1 Law Enforcement Officer				\$70,348	\$73,950
1 Maintenance Officer				\$55,398	\$58,234
Temporary Personnel				\$37,678	\$39,607
<u>Per Park Non-Personnel:</u>					
Travel & Subsistence				\$5,063	\$5,153
Telephone				\$738	\$751
Training				\$2,532	\$2,576
Supplies				\$1,477	\$1,503
Equipment				\$15,823	
Law Enforcement Equipment				\$12,658	
Motor Vehicles				\$23,207	
Acquisition Costs				\$2,637,185	
Trail Design & Construction				\$2,320,722	

Maintenance					\$210,975
Facility Design & Construction				\$263,718	
<b>Safety Training Course:</b>					
Number of Sites			25	25	25
Courses per Site			8	8	8
Cost of Courses			\$108,878	\$110,762	\$112,711
<b>DENR Total</b>	<b>\$181,965</b>	<b>\$189,763</b>	<b>\$307,737</b>	<b>\$5,765,297</b>	<b>\$722,731</b>
<b>POSITIONS:</b>					
DMV # of Positions:	13	13	13	13	13
DENR # of Positions:	3	3	3	6	6
<b>Positions Total</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>19</b>	<b>19</b>
<b>RECEIPTS/FEES:</b>					
Highway Fund	\$5,500,000	\$2,875,000	\$3,250,000	\$3,625,000	\$4,000,000
Off-Road Vehicle Trust Fund	\$1,000,000	\$1,250,000	\$1,500,000	\$1,750,000	\$2,000,000

### DIVISION OF MOTOR VEHICLES

#### Highway Fund Revenue:

The Division of Motor Vehicles estimates that 100,000 all-terrain vehicles will be registered the first year, generating receipts of \$5,500,000, based on \$40 per title and \$15 per license fee for each vehicle. Subsequently, DMV expects 25,000 additional new titles and registrations each year and anticipates that current owners will continue to renew their registration. Fiscal Research Division has reviewed the estimates with the Department of Transportation and believes that Department estimates do not consider the fact that vehicles will be replaced over time. However, Fiscal Research does not have any additional information to support revising the estimate.

#### DMV Expenditures:

The total estimated cost to DMV for FY 2009-10 is estimated to be \$1.6 million dollars for operating cost and one-time start-up cost. The annualized recurring cost is estimated to be \$990K for FY 2010-11.

The Division of Motor Vehicles estimates that this bill will create a requirement for 13 additional personnel, including three Business Service Coordinators, two Process Assistants, and eight law enforcement officers, for a total personnel cost of \$303,305 the first year, and \$606,607 in subsequent years. For the non-law enforcement personnel, there would be a requirement for office space and equipment, for a total cost of \$83,810 the first year and \$11,740 in subsequent years.

#### Personnel Methodology

Jobs	Business Service Coordinator	Processing Assistant V (gr: 61)	Processing Assistant IV (gr:59)	TOTAL
Base Pay	\$31,397	\$27,544	\$25,705	\$84,646
FTEs	3	1	1	5
<b>Total Salary</b>	<b>\$94,191</b>	<b>\$27,544</b>	<b>\$25,705</b>	<b>\$147,440</b>
<b>Fringe</b>				
<b>Hospitalization</b>	\$12,471	\$4,157	\$4,157	\$20,785
<b>Social Security</b>	\$7,206	\$2,107	\$1,966	\$11,279
<b>Retirement</b>	\$7,667	\$2,242	\$2,092	\$12,002
<b>Payroll Additives</b>	\$1,796	\$525	\$490	\$2,811

<b>Fringe Benefits</b>	\$29,140	\$9,031	\$8,706	\$46,877
<b>Total</b>	<b>\$123,331</b>	<b>\$36,575</b>	<b>\$34,411</b>	<b>\$194,317</b>

Law enforcement personnel would require vehicles, training, standard law enforcement equipment and uniforms, as well as office supplies and equipment for a total cost of \$311,032 the first year and \$118,112 in subsequent years. According to the DMV, a recent staffing study indicated the agency is 47 sworn Inspector positions short, so the cost includes an additional eight sworn positions to accommodate an increase in requests for vehicle examinations. This includes examining the vehicle to ensure that the vehicle identification number is correct and has not been altered or removed, determine proof of ownership, and checking the vehicle to determine if it's reported as stolen. After the first year, the DMV could operate with two additional personnel, given that registration of new vehicles is expected to fall by 75%.

<b>LEO Positions</b>	
<b>Base Pay</b>	\$38,615
<b>FTEs</b>	8
<b>Total Salary</b>	\$308,920
<b>Fringe</b>	
<b>Hospitalization</b>	\$33,256
<b>Social Security</b>	\$23,632
<b>LEO Retirement</b>	\$40,592
<b>Payroll Additives</b>	\$5,890
<b>Fringe Benefits</b>	\$103,370
<b>Total</b>	<b>\$412,290</b>

The DMV estimates the cost for consumables, such as titles, license plates, and month stickers, at \$98,527 the first year, falling to \$78,032 in the second year, then increasing every year and reaching \$118,082 in the fifth year, when 200,000 total vehicles are registered. According to the DMV, postage will cost \$38,480 in the first year, drop to \$16,200 in the second year, then grow to \$21,060 in the fifth year.

<b>Methodology</b>	<b>FY 09-10 100,000 initial vehicles</b>	<b>FY 10-11 125,000 total vehicles</b>	<b>FY 11-12 150,000 total vehicles</b>	<b>FY 12-13 175,000 total vehicles</b>	<b>FY 13-14 200,000 total vehicles</b>
<b>Consumables</b>					
Notification to renew .408 each		\$40,800	\$51,000	\$61,200	\$71,400
Titles \$19.27 per 1000	\$1,927	\$482	\$482	\$482	\$482
Mailer stickers (20%) .19 each	\$3,800	\$4,750	\$5,700	\$6,650	\$7,600
Sticker forms (80%) .11 each	\$8,800	\$11,000	\$13,200	\$15,400	\$17,600
Month Stickers .03 each	\$3,000	\$750	\$750	\$750	\$750
License Plates .81 each	\$81,000	\$20,250	\$20,250	\$20,250	\$20,250
<b>Consumables Total</b>	<b>\$98,527</b>	<b>\$78,032</b>	<b>\$91,382</b>	<b>\$104,732</b>	<b>\$118,082</b>

<b>Postage</b>					
Postage for titles .324 each	\$32,000	\$8,100	\$8,100	\$8,100	\$8,100
Postage for stickers .324 each (20%)	\$6,480	\$8,100	\$9,720	\$11,340	\$12,960
<b>Postage Total</b>	<b>\$38,480</b>	<b>\$16,200</b>	<b>\$17,820</b>	<b>\$19,440</b>	<b>\$21,060</b>

License plate agency compensation would be required for all-terrain vehicle registrations. The DMV estimates these fees will be \$145,800 the first year and increase each year as the number of renewals increases, reaching \$186,600 in the fifth year. Estimates are based on 60% of registration occurring in the contract License Plate Agencies, 20% being handled through the mail/internet, and the remaining 20% processed in the state-owned titling and licensing offices.

<b>License Plate Agency Compensation:</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>	<b>FY 12-13</b>	<b>FY 13-14</b>
<b>Estimated Number of new Titles &amp; Registration</b>	100,000	25,000	25,000	25,000	25,000
<b>Number of transaction done at LPA 60% of total</b>	60,000	15,000	15,000	15,000	15,000
<b>Compensating based on \$2.43 per title transaction</b>	\$145,800	\$36,450	\$36,450	\$36,450	\$36,450
<b>Estimated Number of renewals.</b>	0	100,000	125,000	150,000	175,000
<b>Number of transaction done at LPA 60% of total</b>		60,000	75,000	90,000	105,000
<b>Compensating based on \$1.43 per renewal</b>	0	\$85,800	\$107,250	\$128,700	\$150,150
<b>Total LPA Compensation:</b>	\$145,800	\$122,250	\$143,700	\$1,65,150	\$186,600

Information technology costs will increase. The DMV estimates that internet renewals, at an average cost of \$1.47 per transaction will cost \$7,350 in SFY 2010-11 for 5,000 renewals and with an increase of 1,250 renewals each year, will grow to \$12,863 by SFY 2013-14.

From a programming perspective, DMV considers this a complex effort that will require extensive modifications to the State Titling and Registration System (STARS) including the following:

1. Modification of the titling functions, including lien recording and printing, to account for off-highway vehicles.
2. Modification of the registration functions related to the issuance, renewal, exchange, and transfer of plates to account for off-highway vehicles.
3. Addition of the body style, vehicle use, and plate categories for off-highway vehicles to the appropriate tables.
4. Modification to the mail-in renewal processing for off-highway plates.
5. Modification of the Internet renewal process for off-highway plates.
6. Modification to the county notification system to send off-highway vehicles to the counties for taxation.
7. Modification of the titling process to charge sales tax rather than highway use tax.
8. Modification of the fee calculation and reporting processes to subtract administrative costs from fees collected for titling off-highway vehicles.
9. Modifications to on-line dealer systems to support changes to STARS.

The DMV has budgeted a total of 5,620 hours to accomplish the required programming. This includes the following:

<b>Activity</b>	<b>Estimated Hours</b>
Initiation	60
Planning	200
Project Management	200
Project Administration	100
Software Project Tracking and Oversight	80
User Requirements and Detailed Design	250
Program Specification	200
Programming/Unit Testing	2,000
System Testing	1,000
Client Testing	1,000
Implementation	300
Post-Implementation	200
Project Closeout	30

At a rate of \$85 per hour, the DMV cost to develop and implement the system is estimated to be \$477,700. Office of Information Technology Services (ITS) charges add an additional \$91,375, for a total cost of \$569,075. Once the project is complete, DMV estimates annual operations and maintenance costs of \$15,300, or \$76,500 over five years. ITS charges will add an additional \$15,938 for the five year period.

In addition to the assumptions incorporated in the methodology above, the DMV also considered the following to determine the cost of this bill. Changes to any of the assumptions could result in a change in cost.

1. Off-highway vehicles will have a vehicle identification number (VIN) stamped on the vehicle by the manufacturer.
2. Off-Highway vehicles that do not have an identification number will be assigned a NC vehicle identification number.
3. The vehicle identification numbers for off-highway vehicles do not conform to the universal 17 digit check system for automobiles and therefore the Division has no method to validate the authenticity.
4. The regulation of these vehicles is not addressed in Chapter 20 of the N.C. Statutes.
5. The bill as written does not address any penalty for non-adherence and may not be enforceable.
6. Off-highway vehicles will use the existing titling options. The titles will be branded as 'Off-Highway'. The titles will use the same paper stock as current titles.
7. Late penalties will apply for titling off-highway vehicles.
8. Any vehicle that the owner could not produce ownership documents such as the manufacturer's certificate of origin under current statutes would require the owner to obtain an indemnity bond which includes examination of the vehicle by a License and Theft Bureau Inspector.
9. The system will assign a license plate and sticker for the registration of off-highway vehicles. The license plate will be a metal plate with a unique plate category.
10. Off-highway vehicles are subject to sales tax rather than highway use tax.
11. Off-highway vehicles will be subject to appropriate vehicle registration denials. No additional cost is anticipated.
12. Plates for off-highway vehicles could not be personalized.
13. Special/collegiate plates could not be issued for an off-highway vehicle.
14. The plates for off-highway vehicles would have a 15-day grace period after expiration.
15. Dealers that sell off-highway vehicles would not be required to have a dealer license.

16. Dealers that sell off-highway vehicles would not be issued dealer plates.
17. Regional Transit Authority and Piedmont Authority Regional Transportation tax would apply to off-highway vehicle registrations.
18. Off-highway vehicle registrations will be eligible to renew via the mail and internet. Current internet fees average \$1.47 per transaction. Based on current internet usage, approximately 5% of renewals will be done via the internet.
19. The DMV will mail invitations to renew for off-highway vehicle registrations.
20. The off-highway vehicles would not be subject to liability insurance
21. The off-highway vehicle registration information will be sent to the counties for property tax purposes and will be included in the HB1779 project.
22. A base fee of \$15.00 or \$22.00 charged for off-highway vehicles depending on the vehicle body style. An additional \$10.00 charged and allocated to the ORV trust Fund.
23. This estimate does not include fees for replacement plates or late penalties.
24. Estimate based on the \$15.00 license plate fee only.
25. Off-highway vehicles purchased by or for minors will be titled according to the identification requirements pursuant to G.S. 20-52. This statute requires individuals to have a NC Driver License or NC Identification card. This requirement may increase the number of NC Identification cards issued for owners who are less than 16 years of age.
26. This bill does not exempt or grandfather current owners of off-highway vehicles.
27. Estimate based on the assumption that all current owners of off-highway vehicles will be required to register their current vehicles immediately in addition to new purchases when this becomes law.
28. Receipts for renewals were calculated using \$15 License and \$15 additional off-highway fee.
29. Operation and maintenance cost for programming will remain constant for the first 5 years.

**DEPARTMENT OF ENVIRONMENT & NATURAL RESOURCES**

ORV Fund Revenue:

H.B 86 requires DMV to collect an additional \$10 fee for each vehicle that is to go to the ORV Fund. The total estimated revenue based on the fee and the estimated number of vehicles (100,000 in FY 2009-10) is noted in the table below. H.B. also recognized revenue to the fund from gifts, grants. However, Fiscal Research has no basis for estimating what that additional revenue may be. H.B. 86 allocates 80% of the ORV Trust Fund for the repair, expansion, and maintenance of ORV recreation trails and the provision of law enforcement on those trails; 20% of the trust fund is allotted for ORV safety training.

**Expected ORV Trust Funds by Designated Purpose**

	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
ORV Trails	\$800,000	\$1,000,000	\$1,200,000	\$1,400,000	\$1,600,000
Safety Training	\$200,000	\$250,000	\$300,000	\$350,000	\$400,000
<b>ORV Trust Fund</b>	<b>\$1,000,000</b>	<b>\$1,250,000</b>	<b>\$1,500,000</b>	<b>\$1,750,000</b>	<b>\$2,000,000</b>

ORV Program and Park Costs

H.B 86 directs DENR to develop an ORV Recreation Program. Currently, the Parks and Recreation Division of DENR runs the State Trails Program, which is staffed and funded to coordinate and promote trails for all purposes, including foot travel, horseback, bicycles, watercraft, and two-wheel and four-wheel-drive motorized vehicles. The Trails System Act also establishes the North Carolina Trails Committee, a citizen advisory committee established to advise DENR on all matters directly or indirectly pertaining to trails. The Trails Committee includes representation from ORV interests.

This State Trails Program was authorized by the North Carolina Trails System Act (G.S. 113A-83), and currently administers two grant programs for which ORV projects are eligible: the federal Recreational

Trail Program grants and the State's Adopt-A-Trail grants. To date, the U.S. Forest Service has been the only recipient of ORV grant funding through the federal Recreational Trails Program. However, the grant funds are available to other entities, such as local governments. At present, there is no grant program dedicated to ORV trails.

DENR estimates that creating the new ORV Recreation Program will require hiring three additional program personnel. Program staff would include a Program Supervisor, a Park Designer, and an Office Administrator, for a total program personnel cost of \$143,435 in FY 2009-10.

**Program Personnel, FY 2009-10 Dollars**

	<b>Program Supervisor</b>	<b>Park Designer I</b>	<b>Office Assistant III</b>	<b>Total</b>
Salary Grade	75	72	57	
<b>Base Pay</b>	<b>\$46,635</b>	<b>\$41,173</b>	<b>\$25,297</b>	<b>\$113,105</b>
Hospitalization	\$4,157	\$4,157	\$4,157	\$12,471
Social Security	\$3,568	\$3,150	\$1,935	\$8,653
Retirement	\$3,796	\$3,351	\$2,059	\$9,207
<b>Fringe Benefits</b>	<b>\$11,521</b>	<b>\$10,658</b>	<b>\$8,151</b>	<b>\$30,330</b>
<b>Total Pay</b>	<b>\$58,156</b>	<b>\$51,831</b>	<b>\$33,448</b>	<b>\$143,435</b>

In addition to program staff, each ORV Park, or State forest or park with ORV trails, would require a Maintenance staff and Law Enforcement Officer. Temporary employees would also be needed during weekends and busy times of the year. The expected cost of park based personnel, including temporary staff, is \$140,076 in FY 2009-10 dollars. These positions would not be needed until the first park opens, which would most likely not occur until at least FY 2012-13.

**Per Park Personnel, FY 2009-10 Dollars**

	<b>Law Enforcement</b>	<b>Maintenance Staff</b>	<b>Temporary Wages</b>	<b>Total</b>
Salary Grade	Banded	63	N/A	
<b>Base Pay</b>	<b>\$46,478</b>	<b>\$37,418</b>	<b>\$30,000</b>	<b>\$113,896</b>
Hospitalization	\$4,157	\$4,157	\$0	\$8,314
Social Security	\$3,556	\$2,862	\$2,295	\$8,713
Retirement	\$6,107	\$3,046	\$0	\$9,153
<b>Fringe Benefits</b>	<b>\$13,820</b>	<b>\$10,065</b>	<b>\$2,295</b>	<b>\$26,180</b>
<b>Total Pay</b>	<b>\$60,298</b>	<b>\$47,483</b>	<b>\$32,295</b>	<b>\$140,076</b>

ORV program and park personnel would require operating supplies in addition to salary and benefits. Office space, operating supplies, and equipment for the program personnel are expected to cost \$33,530 the first year. Operating supplies and equipment for park-based personnel should cost \$60,453 in FY 2012-13 when the first ORV facility can reasonably be expected to open. Both program and park operating expenses include one year "start-up" costs associated with equipment needs for the program office and parks. Typically, equipment is replaced on a case by case basis as justified by the agency; law enforcement vehicles are to be replaced every 80,000 miles. Because of the timeframe of this analysis, it has been assumed that the law enforcement equipment and vehicle for the parks will not need to be replaced by 2014.



**Estimated Operating Costs, FY 2009-10 Dollars**

	<b>Park-Based</b>	<b>Program</b>
<b>On-going Operating Costs</b>		
Travel & Subsistence	\$4,800	\$7,200
Telephone	\$700	\$1,080
Training	\$2,400	\$3,600
Supplies	\$1,400	\$6,200
Property Rental	\$0	\$9,450
Equipment		\$3,000
<b>On-going Cost Total</b>	<b>\$9,300</b>	<b>\$27,530</b>
<b>Start-up Equipment Costs</b>		
Equipment	\$15,000	\$3,000
Law Enforcement Equipment	\$12,000	\$0
Law Enforcement Vehicles	\$22,000	\$0
<b>Grand Total</b>	<b>\$58,300</b>	<b>\$33,530</b>

Acquiring, Constructing, and Maintaining ORV Trails

H.B. requires The ORV Program to review the inventory of public lands to determine the feasibility of providing public access for ORVs. This study, due to the General Assembly March 1, 2010, must identify:

- Two appropriate locations for ORV facilities;
- The cost of providing each facility (including acquisition, construction, and maintenance);
- The benefits and risks associated with each site; and
- A recommended fee structure to support on-going maintenance and operations.

Because of the increased level of detail available, this study will provide a much more accurate fiscal analysis of the cost of developing and maintaining ORV parks. But, in order to provide a complete picture of the fiscal impact of this bill, DENR and the Fiscal Research Division have provided an estimate of the cost of acquiring, constructing, and maintaining ORV facilities based on existing ORV park guidelines and an understanding of land acquisition costs in North Carolina.

*Land Acquisition*

There are several ORV facilities in North Carolina but **they are not state owned or operated**. None of the state forests, state parks, or state gamelands in North Carolina offer ORV facilities. Most of the ORV facilities in North Carolina are operated by private entities or the federal government (in Nantahala, Uwharrie, and Pisgah National Forests and on the Cape Hatteras National Seashore); some towns, such as the Town of Carolina Beach, operate ORV facilities as well. Several of these ORV facilities charge a daily fee for use. Since the State currently does not have any ORV trails, DENR would need to either acquire land for new ORV facilities or use existing state parks and forests.

DENR maintains that it is unlikely that existing state parks, forests, or game lands would be available for ORV trails because, for the most part, they are environmentally sensitive areas and/or support activities that conflict with ORV use. Therefore, new sites would probably need to be developed. It is possible that the state could lease land from local government or private timber companies; but, more likely, sites would need to be acquired. Thus, for the purpose of this analysis, it has been assumed that DENR would purchase new land in order to develop ORV trails.

ORV trails require significant space in order to accommodate enough miles of trail to be worthwhile for visitors traveling to the site. For example, a private ORV park near Goldsboro is about 1500 acres in size.

According to the National Off-Highway Vehicle Conservation Council's (NOHVCC) "Park Guidelines for Off-Highway Vehicle Parks," ORV parks require at least 1,100 to 2,200 acres for park facilities and trails. However, DENR believes that a slightly smaller amount of land could suffice. Thus, for this analysis, Fiscal Research has assumed that DENR would need to purchase 750 acres of land. The cost of purchasing land varies widely. In urban and mountainous areas, land prices can be as high as \$12,000 per acre while some rural lands can cost as little as \$3,000 per acre. For this analysis, an average price of \$5,000 per acre was used. Based on this assumption, land costs for a single park would start at a *minimum* of \$3,750,000.

Given the expected revenue and program costs detailed above, without an alternative funding source, it would be at least three to four years before enough revenue accumulated in the ORV Trust Fund to purchase the minimum amount of land needed for a new ORV facility. The primary source of funding for acquisition and construction of new ORV parks would be the proposed ORV Trust Fund. Neither the Natural Heritage Trust Fund nor the Clean Water Management Trust Fund are likely to be available for this use, as an ORV park does not seem compatible with the purposes of these funds. ORV parks may be eligible for the Parks and Recreation Trust Fund.

#### *Construction and Maintenance*

Once land is identified and purchased for ORV facilities, new trails would need to be constructed or existing fire roads and trails would need to be updated to make them suitable for ORV use. NOHVCC's guidelines provide an estimated cost of \$100,000 per mile for new trail construction (exclusive of acquisition and design). This cost is high because ORV trails are more like roads than like foot trails, with extensive slope stabilization, erosion control, and water management features. There may be cases where existing roads on a property could be used, but these are likely to need significant upgrades to withstand heavy ORV use in an environmentally sustainable way. For this analysis, Fiscal Research has assumed that 80% of the trail developed on the property would be new trails.

Once trails are constructed, they must be maintained. NOHVCC guidelines indicate that the annual cost of maintaining trails averages \$10,000 per mile. This cost covers contracted maintenance such as grading, culvert replacements, and bridge repair, which are beyond the scope of maintenance performed by the Maintenance Technician.

Finally, bridge design and facility construction costs could also be significant. While the staff Park Designer would design ORV trails, trail bridges and park facilities (i.e. restrooms) would also need to be designed and constructed. In DENR's experience, an unpaved, one-lane bridge, sturdy enough for full-size vehicles, would cost approximately \$300 per linear foot; many bridges are at least 100 ft long. The expected per bridge costs would be about \$300,000. This includes design, preparation, and access, and would vary depending on the location, slopes, and soil. Based on historical construction costs, a simple park facility, including a rest room and 15-car parking area, would cost about \$250,000. These are very rough estimates since DENR has never built or operated an ORV park. In addition, until the actual piece of land is purchased, there is no way of knowing how many bridges would be needed. For the purposes of this analysis, it has been assumed that two bridges and one restroom facility will be needed.

**Estimated Acquisition, Construction, and Maintenance Costs, FY 2009-10 Dollars**

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	<b>Amount</b>	<b>Cost per</b>	<b>Total Cost</b>
Land (Acres)	750	\$5,000	\$3,750,000
Miles of Trail	20		
Construction (80% of total)	16	\$100,000	\$1,600,000
Maintenance (100% of total)	20	\$10,000	\$200,000
Bridges	2	\$300,000	\$600,000
Park Facilities	1	\$250,000	\$250,000

ORV Safety Training

The bill requires that DENR provide ORV safety training but does not provide details on how this safety training should operate. According to DENR, no state agency currently offers ORV safety training. However, as of October 1, 2006, G.S. 20-171.20 required individuals born after January 1, 1990 to complete an All-Terrain Vehicle Safety Institute (ASI) sponsored or approved ORV safety training. The bill does not specify who is to provide the safety training or whether a fee should, or can, be charged. Currently, private or non-profit training providers are fulfilling the demand for ORV training. ASI's safety course costs \$125 for adults and \$75 for children ages 15 and younger. However, some who purchase new ATVs may be eligible for free training, and some states provide substantial training subsidies to reduce the cost of enrollment.

Assuming DENR actually provides the ORV safety training, they estimate that, with the proposed staffing level, it would take, at a minimum, two years to develop a statewide ORV training program. Most likely, DENR would adopt and implement ASI's all-terrain vehicle (ATV) safety education and awareness program; this would be a cost-effective way to develop a state-wide training curriculum. It is unclear whether DENR can charge a fee for ORV safety training.

In order to develop this program, staff from the ORV Recreation Program would need to:

- Evaluate potential training locations and facilities across North Carolina;
- Execute formal agreements with training facilities;
- Certify ORV Recreation Program staff in the ASI's "Train the Trainer Program" to enable program staff to train individuals to teach the ASI ATV Safety Education and Awareness Program;
- Identify and train individuals to teach the ASI ATV safety course in all areas where trainings will be held; and
- Issue contracts to ASI certified trainers to conduct ASI's ATV Safety Education and Awareness Programs across North Carolina.

This "Train the Trainer Program" approach reduces costs by allowing program staff to both teach the ASI ATV safety course as well as train local individuals to teach the course. These locally trained people would then be contracted to teach the ASI safety course in their area. DENR assumes that two trainers would be needed to teach each course and that trainers would cost approximately \$200 per trainer per class. While the exact demand for ORV training is unknown, DENR has proposed offering ORV training eight times per year in all 100 counties, for a total of 800 training annually.

The ASI training course is a hands-on course that tests specific riding skills. It requires an ORV and both indoor and outdoor facilities. Consequently, DENR recommends budgeting at least \$1,000 per year per facility. Based on these assumptions, on-going training costs would be \$420,000 per year. In addition, DENR would need to purchase an ORV and trailer, at an estimated cost of \$20,000, for each facility where the ASI course would be taught. These ORVs are needed so that teachers can demonstrate ORV skills and for participants to use during skill testing. These start-up costs are estimated to be \$2,000,000.

**DENR Estimate of Expected Training Costs, FY2009-10 Dollars**

	<b>Cost Per Site/ Course</b>	<b>Number of Sites/ Courses</b>	<b>Total Cost</b>
<b>On-going Training Costs</b>			
Facility Rental	\$1,000	100	\$100,000
Contract Staff (2 at \$200)	\$400	800	\$320,000
<b>On-going Cost Total</b>			<b>\$420,000</b>
<b>Start-up Equipment Costs</b>			
ORV and Trailer	\$20,000	100	\$2,000,000
<b>Grand Total</b>			<b>\$2,420,000</b>

The training allotment of the ORV Trust Fund is \$200,000 the first year, growing to \$400,000 in year five. These five years of revenues together equal \$1.5 million, not enough to fund the start-up equipment cost of the training program. Furthermore, the anticipated revenue allocated to training in year five would not cover DENR's estimated annual training expenses (\$400,000 in revenue versus \$420,000 in on-going training costs).

Based on the fact that ORV safety training is only required for those born after January 1, 1990 and that only 100,000 vehicles are expected to be registered next year, Fiscal Research staff believes that there is not a need for 800 classes per year. Moreover, data from other state safety training programs supports the belief that fewer classes are needed. The Wildlife Resources Commission (WRC) teaches Boating Safety Training, which, like ORV training, is required by only a small sub-set of the participating population. In 2007, there were 375,815 registered boats in North Carolina, approximately three times the expected number of ORVs. Yet, WRC offered its Boat Safety Education course only 365 times and cancelled the course 49 times due to lack of enrollment.

Moreover, ORV safety classes do not necessarily need to be taught in all 100 counties. Geographic dispersion and accessibility are important but because of the high cost of securing facilities and the need for equipment at each training location, significant cost savings could be achieved by offering the course in a subset of counties. Additionally, ORVs could be shared between facilities. By offering the training 200 times per year (e.g. eight times in 25 locations; 4 times in 50 – depending on facility availability, demand, and other factors) and purchasing only 25 ORVs and trailers, total costs decrease to \$605,000, a drop of over \$1.8 million. Over time, if demand for the course increases, DENR could expand its training program or contract with private ORV training providers to provide the needed service.

**Fiscal Research Division Estimate of Expected Training Costs, FY2009-10 Dollars**

	<b>Cost Per Site/ Course</b>	<b>Number of Sites/ Courses</b>	<b>Total Cost</b>
<b>On-going Training Costs</b>			
Facility Rental	\$1,000	25	\$25,000
Contract Staff (2 at \$200)	\$400	200	\$80,000
<b>On-going Cost Total</b>			<b>\$105,000</b>
<b>Start-up Equipment Costs</b>			
ORV and Trailer	\$20,000	25	\$500,000
<b>Grand Total</b>			<b>\$605,000</b>

In aggregate, H.B. 86 is expected to increase DENR's expenditures by \$181,965 in FY 2009-10, reaching to over \$5.75 million in FY 2012-13, then dropping to \$722,731 in FY 2013-14. Because of large outlays for land purchase and construction, expenditures are expected to vary year to year, as evidenced by the dramatic spending increase in FY 2012-13. In the summary table on page two, DENR's expected expenditures have been adjusted to reflect inflation per [www.economy.com](http://www.economy.com) estimates.

**SOURCES OF DATA:**

Division of Motor Vehicles, Department of Transportation Information Technology.  
Department of Environment & Natural Resources.  
All-terrain Vehicle Safety Institute.

**TECHNICAL CONSIDERATIONS:**

1. The Division of Motor Vehicles would prefer to delay implementation until July 1, 2011 to allow for the implementation of House Bill 1779, which requires property tax to be paid with vehicle registration. This will allow the DMV to implement all the required programming changes at one time.
2. Manufacturers of Off-Highway vehicles must be required to adhere to a universal code for the development and issuance of vehicle identification numbers and the determination of body styles in order for title records to be accurate.
3. Manufacturers of Off-Highway vehicles must provide secure certificates of ownership documents properly assigned and bills of sales to customers upon purchase.
4. This bill requires DENR to provide ORV safety training but is unclear on which mechanisms should be used for implementing this safety training (i.e. should DENR provide the training or could they reimburse private training facilities).
5. The study required by the bill will make many recommendations for operating and maintaining ORV parks but does not address the safety training. The study does not require recommendations on the structure of the safety training or a fee structure for safety training.
6. The bill requires the creation of an Off-Road Vehicle Trust Fund. Per the State Budget Act (Chapter 143C), this fund is actually a Special Revenue Fund.

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**DATE:** March 19, 2009



**Signed Copy Located in the NCGA Principal Clerk's Offices**