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Historical Context Regarding the California Off-Highway Vehicle Trust Fund and Its Long-Term Fiscal Sustainability

The purpose of this briefing memorandum is to provide historical context regarding the financial condition of the California Off-Highway Vehicle Trust Fund (OHVTF) and to encourage a broader discussion about the long-term fiscal sustainability of the Off-Highway Motor Vehicle Recreation (OHMVR) Program. This memorandum is not intended to criticize the Department, the Administration, or past legislative actions. Rather, it is intended to summarize how a series of fiscal decisions, economic conditions, and operational realities have combined over many years to create the financial challenges reflected in the Division's recent budget reports.

For more than fifty years, California's OHMVR Program has been recognized as the nation's premier off-highway recreation program. The Legislature's original vision was straightforward: the users of the program would provide the financial resources necessary to support it. Revenue generated from motor vehicle fuel taxes, vehicle registration fees, entrance fees, concession revenue, and other user-generated sources would fund State Vehicular Recreation Areas, grants to local, state, and federal partners, law enforcement, safety education, environmental stewardship, and capital improvements. This dedicated funding model has served California well and has allowed the Program to become the national benchmark for responsible off-highway recreation.

Recent budget reports presented by the OHMVR Division suggest that the Program has entered a period of structural fiscal imbalance. While annual revenues have remained relatively stable, expenditures have continued to increase, resulting in a steady drawdown of the Trust Fund balance. The Division's Fiscal Year 2026-27 budget projects approximately $90 million in annual revenue compared to nearly $137 million in expenditures, reducing the projected Trust Fund balance to approximately $92 million. The report further acknowledges that expenditures have exceeded revenues over the past several years and additional strategies will be necessary to enhance revenues and better manage expenditures to ensure the long-term viability of the Trust Fund.

The current situation did not develop overnight. A review of Division budget reports dating back more than a decade demonstrates a gradual evolution in both the financial condition of the Trust Fund and the Division's assessment of that condition. The 2012 budget reflected the lingering effects of the Great Recession and the challenges of maintaining program operations during a difficult fiscal period. By 2016, Division staff had begun discussing operational efficiencies and reducing planned capital expenditures to improve the solvency of the Trust Fund.

By 2020, the Division openly acknowledged that the Trust Fund "appears imbalanced," while explaining that improvements in financial management, expenditure tracking, and encumbrance accounting had resulted in a more accurate representation of the Fund's condition than earlier projections suggested. Beginning in 2021 and continuing through 2022, the discussion broadened to include revenue trends, the financial impacts of the COVID-19 pandemic, increasing environmental compliance costs, declining motor vehicle fuel tax trends, and the potential long-term effects of electric off-highway vehicles on the Program's primary revenue source.

Several external factors have also influenced the long-term financial picture. Recession-era budget reductions, rising labor costs, inflation, increased construction costs, pension obligations, expanding environmental compliance requirements, and growing operational demands have all contributed to increased expenditures. In addition, legislative actions such as AB 95 and SB 1 altered how portions of motor vehicle fuel tax revenues are allocated. During discussions surrounding SB 1, stakeholders were advised that while existing OHV revenues would remain dedicated to the OHMVR Program, new fuel tax revenues generated under the legislation would instead be directed to the State Parks and Recreation Fund, with OHV programs remaining eligible to receive funding through that broader account.

These developments do not necessarily point to a single cause of today's fiscal challenges. Rather, they illustrate how a number of policy decisions and economic realities have gradually changed the financial landscape envisioned when the OHMVR Program was established in 1971. Viewed collectively, the Division's budget reports suggest that the issue is no longer simply one of annual appropriations but one of maintaining a sustainable funding structure capable of supporting the Program's long-term mission.

Looking ahead, the Commission may wish to begin a broader conversation regarding the future of the *OHV Trust Fund*. Such a discussion could include the adequacy of current revenue sources, the long-term effects of electric off-highway vehicles on fuel tax collections, future user fee structures, appropriate reserve levels, the relationship between expenditures and available revenues, and opportunities to strengthen the Program's financial foundation while preserving the Legislature's original vision of a self-supporting, user-funded recreation program. These discussions should involve the Department, the Administration, the Legislature, recreation organizations, conservation partners, local governments, and the powersports industry.

California's OHMVR Program remains one of the nation's great recreation success stories. The financial trends identified in recent budget reports should not be viewed as a crisis, but rather as an opportunity to begin planning for the next generation of the Program. By addressing these issues thoughtfully and collaboratively, California can continue to provide safe, environmentally responsible, and financially sustainable off-highway recreation opportunities for future generations.

As someone who has had the privilege of serving this Commission in several capacities over the past four decades, I respectfully offer these observations in the spirit of constructive collaboration. My intent is simply to encourage an informed discussion regarding the long-term fiscal sustainability of California's nationally recognized OHMVR Program. Over the coming months, I intend to continue researching the historical evolution of the OHV Trust Fund and prepare a more comprehensive white paper for the Commission's consideration. I welcome the thoughts and perspectives of my fellow Commissioners, Division staff, and our many partners as that work continues.

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