

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 1434 (3rd Edition)

SHORT TITLE: Coastal Recreational Fishing License

SPONSOR(S): Representatives Redwine and McComas

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES					
Sealife Enhancement Fund License Revenue *			\$582,425	\$2,329,699	\$2,329,699
Marine Fisheries Agency Receipts			(\$7,355)	(\$29,418)	(\$29,418)
EXPENDITURES					
Wildlife Resources Commission System Modification		\$780,000			
Division of Marine Fisheries System Development and Administration *		\$1,008,086	\$397,919	\$786,848	\$794,983
POSITIONS:			6.00	6.00	6.00
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Environment and Natural Resources, Division of Marine Fisheries; Wildlife Resources Commission					
EFFECTIVE DATE: March 1, 2002; except Section 10 authorizing the Marine Fisheries Commission to adopt rules regarding the definition of fishing gear, and Section 12 requiring study of a unified recreational inland and coastal waters fishing license. These sections become effective when the act becomes law.					
* <i>The bill authorizes up to 10% of the funds credited to the Sealife Enhancement Fund to be used for administration. This administrative allowance will not be sufficient to cover the total cost of the licensing program.</i>					

BILL SUMMARY: Establishes general provisions governing a coastal recreational fishing license. Sets out a fee structure for the sale of coastal recreational fishing licenses. Recodifies the existing recreational commercial gear license. Creates the Sealife Enhancement Fund to hold the proceeds from the sale of the new coastal recreational fishing license and provides for the allocation of the proceeds upon direction of the Marine Fisheries Commission.

ASSUMPTIONS AND METHODOLOGY:

REVENUES

Total revenue from the sale of Coastal Recreational Fishing Licenses (CRFL) proposed in House Bill 1434 is estimated using data collected by the Division of Marine Fisheries through annual Marine Recreational Fishery Statistics Surveys. The surveys include direct interviews with approximately 20,000 anglers at various public access points along the North Carolina coast, as well as telephone interviews with 20,000 additional, randomly selected persons.

Information obtained through the surveys is used to estimate the total number of marine or coastal anglers in North Carolina, the total number of coastal fishing trips annually and the mode of fishing (i.e. from a man-made structure, beach or bank, charter/head boat or private boats).

The following two tables summarize the results of the annual survey over the last five years:

Table 1:

Estimated Number of Marine Recreational Anglers in NC, 1993-1997				
	Coastal Residents	Non-Coastal Residents	Out-of State	Total Anglers
1997	321,520	163,261	840,679	1,325,460
1996	260,000	176,000	708,000	1,144,000
1995	340,000	216,000	721,000	1,277,000
1994	409,000	256,000	815,000	1,480,000
1993	398,000	224,000	745,000	1,367,000
5 Year Average	345,704	207,052	765,936	1,318,692
Percentage of Total	26%	16%	58%	

Table 2:

Estimated Marine Recreational Fishing Trips in NC, 1993-1997					
	Man-made	Beach/Bank	Charter Boats	Private Boats	Total
1997	1,272,993	1,704,436	294,890	1,509,565	4,781,884
1996	1,246,284	1,802,507	243,156	1,312,645	4,604,592
1995	1,437,773	2,020,224	203,719	1,330,754	4,992,470
1994	1,595,701	1,904,294	186,188	1,483,954	5,170,137
1993	1,316,431	1,832,538	130,929	1,436,184	4,716,082
5 Year Average	1,373,836	1,852,800	211,776	1,414,620	4,853,033
Percentage of Total	28%	38%	4%	29%	

Based on the five-year average number of estimated marine anglers (Table 1), there are 1,318,692 potential licensees. However, the bill provides for a number of general exemptions and individual licenses at no charge, reducing the number of potential anglers subject to the coastal recreational fishing license fees. Table 3 outlines the adjustments necessary to estimate the number of anglers who may be required to purchase a license:

Table 3: Calculation of Adjusted Total Number of Anglers

Total Number of Anglers, 5 year average:		1,318,692
No Charge Licenses, General Exemptions, Attrition		
1. Standard/Retired Standard Commercial Fishing License (SCFL/RSCFL)	20,000	
2. Wildlife Resources Commission - Lifetime Resident Comprehensive Fishing License and Lifetime Sportsman Combination License Holders (87,686 issued; assume 90% will seek CRFL)	78,917	
		98,917
Less SCFL/RSCFL, WRC Lifetime		
Subtotal		1,219,775
3. Subsistence, Permanently Handicapped/Disabled, Disabled Veteran, Legally Blind, Attrition (Assume 15% of subtotal anglers to capture persons eligible for no charge licenses and possible attrition; note recent annual fluctuation in total anglers)	182,966	
4. Persons < 16 Years of Age (1997 North Carolina Marine Recreational Fishery Statistics Survey indicates 7.2% of coastal anglers are under the age of 16; assume 8% of subtotal anglers will fall under this exemption)	97,582	
5. Persons age 65 and over (1997 North Carolina Marine Recreational Fishery Statistics Survey indicates 8.1% of coastal anglers are age 65 and over; assume 9% of subtotal anglers will fall under this exemption)	109,780	
		390,328
Less Other No Charge Licenses, General Exemptions, Attrition		
Adjusted Total Number of Anglers		829,447

According to the Division of Marine Fisheries, applying the percentages associated with each type of fishing trip (Table 2) to the adjusted total number of anglers (Table 3) provides a rough estimate of the number of anglers engaging in that particular mode of fishing. Table 4 provides a breakdown of total anglers by type of fishing trip:

Table 4: Estimated Marine Recreational Anglers by Type of Fishing Trip					
	Man-made	Beach/Bank	Charter Boats	Private Boats	Total
Adjusted for no charge licenses, general exemptions and attrition	234,807	316,668	36,195	241,777	829,447

Note: Because the Marine Recreational Fishery Statistics Survey does not include private entry points, such as personally owned piers or docks, man-made structures are assumed to be commercial or other public fishing piers and structures.

These numbers can be used to estimate the number of additional exemptions as specified in the bill and the number of anglers purchasing CRFLs as follows:

Table 5: Calculation of Anglers Purchasing Coastal Recreational Fishing Licenses

Adjusted Total Number of Anglers	829,447
Blanket Licenses and Specific Fishing Related Exemptions	
1. Beach/Bank Exemption	316,668
2. Charter/Head/Dive Boat Blanket (Assume 30% of charter boat fishermen will purchase a CRFL to fish using a different means; therefore 70% will fall under the blanket license)	25,337
3. Ocean Fishing Pier Blanket (Assume 30% of pier fishermen will purchase a CRFL to fish using a different means, therefore 70% of those persons fishing from man-made structures will fall under the blanket license.	164,365
Less Blanket Licenses and Exemptions	506,370
Adjusted Total Number of Anglers Purchasing CRFLs	323,077

The estimated revenue from the sale of the Coastal Recreational Fishing License as outlined in the bill follows:

License Type	License Fee	Estimated Sales	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Standard CRFL	\$7.50	225,023		\$421,918	\$1,687,673	\$1,687,673
10 Day CRFL	\$5.00	96,439		\$120,549	\$482,195	\$482,195
		321,462				
Lifetime CRFL						
< 6 years of age	\$100.00	663		\$16,575	\$66,300	\$66,300
6 to 11 years of age	\$150.00	242		\$9,075	\$36,300	\$36,300
11 to 17 years of age	\$200.00	242		\$12,100	\$48,400	\$48,400
17 to 65 years of age	\$250.00	468		\$29,250	\$117,000	\$117,000
		1,615				
Charter/Head/Dive Boat Blanket CRFL	\$1.50/ft to \$4.50/ft	200		\$5,925	\$23,700	\$23,700
Ocean Fishing Pier Blanket CRFL	\$1.00/linear ft	25		\$4,209	\$16,836	\$16,836
Gross Revenue from CRFL Receipts		323,302	\$0	\$619,601	\$2,478,404	\$2,478,404
Less License Agent Fee (6%)			\$0	(\$37,176)	(\$148,704)	(\$148,704)
Net Revenue from CRFL Receipts -- Credited to the Sealife Enhancement Fund			\$0	\$582,425	\$2,329,699	\$2,329,699

This revenue estimate is based on the following assumptions:

1. Since the total number of anglers can vary significantly from year to year (Table 1), possible attrition was accounted for in calculating the number of potential anglers subject to the CRFL fees (Table 3). However, a comparison of total anglers in 1993 versus 1997, indicates very little change over the five-year period; therefore, no additional attrition or growth is assumed in projecting future revenues.
2. The license provisions become effective March 1, 2002. License revenue for the 2001-02 fiscal year is assumed to be one-fourth of the annual amount.
3. Lifetime licenses are assumed to be 0.50% of total sales. The sale of lifetime licenses to persons under age 70 accounted for 0.89% of total Wildlife Resources Commission (WRC) license sales in the 1997-98 fiscal year. Because House Bill 1434 contains a beach and shore-based structure exemption and blanket licenses, the sale of lifetime CRFLs is anticipated to account for a lower percentage of total sales than Wildlife experiences.
4. The distribution of lifetime license sales among the various age groupings is based on the sale of WRC lifetime licenses.
5. Distribution of license sales among the short-term licenses is assumed to be 70% for the standard or annual license, 30% for the ten day.
6. The Division of Marine Fisheries estimates revenue from the Charter/Head Boat Blanket CRFL based on known charter boat operations and average vessel lengths to be \$23,700 annually.
7. The Division of Marine Fisheries estimates revenue from the Ocean Fishing Pier Blanket CRFL based on the known number of piers and average lengths to be \$16,836 annually.

The proceeds from the sale of recreational licenses are to be credited to the Sealife Enhancement Fund established in the bill. The Marine Fisheries Commission is responsible for directing the use of the funds in accordance with the specified percentages and limitations established in the bill. The allocation of funds for administration may not exceed 10%.

Other Revenue Issues

The bill repeals the current pier license of \$0.50 per linear foot. The Division of Marine Fisheries currently retains the proceeds from this fee to offset operating costs. The division estimates the repeal of this fee will reduce annual revenue by \$8,418.

House Bill 1434 also changes the amount to be retained by authorized license agents from the sale of Recreational Commercial Gear Licenses (RCGL). The licenses will go on sale July 1, 1999. Agents are currently authorized to charge \$1.00 in addition to the NC resident RCGL fee of \$35.00. The bill changes this practice to reimburse the agent 6% of the license fee or \$2.10 per license sold. The Division expects 10,000 RCGLs will be sold annually through license agents, reducing annual revenue by \$21,000.

EXPENDITURES

This analysis assumes the coastal license program will be automated and integrated with the existing license system operated by the Wildlife Resources Commission. However, the WRC must provide prior approval before system modification and development proceeds.

Wildlife Resources Commission

The Division of Marine Fisheries would like to take advantage of the automated licensing system employed by the Wildlife Resources Commission and the large network of WRC License Agents to sell CRFLs.

To accommodate the additional license types, the Wildlife system will require some modification and upgrades. Based on the license proposal in House Bill 1434, the WRC estimates the cost for software modification to be \$150,000 and the cost of system upgrades to accommodate additional license agents and increased volume to be \$350,000. Point of sale computer equipment will be provided to any new agent selling the CRFLs. Assuming 200 business owners in coastal counties choose to sell the licenses, an additional \$280,000 (\$1,400 per agent) will be required for hardware costs. The total up front cost for license system modification and equipment will require a General Fund appropriation of \$780,000. Funds are needed in the 2000-01 fiscal year to ensure that the system is complete and operational by March 1, 2002 when the licenses go on sale.

Division of Marine Fisheries

Integration of the Marine Fisheries licensing system with the Wildlife licensing system will also require up front General Fund expenditures for system development. The division estimates that \$1,008,086 will be required in the 2000-01 fiscal year for additional hardware, software development and related information technology expenses. Funds are needed in the 2000-01 fiscal year to ensure that the system is complete and operational by March 1, 2002 when the licenses go on sale.

The division also anticipates requiring additional staff and operating support to administer the CRFL program. An administrative officer will oversee management of the license program and will serve as the primary contact with the WRC. A computer programmer will be responsible for system maintenance, quality control and data transfer. A computer tech position is needed to provide technical assistance to license agents. An accounting clerk will be responsible for tracking license sales, deposits and auditing sales records. Two processing assistants will issue licenses, handle questions concerning license requirements and regulations, and data entry in the Morehead and Columbia offices. For the purposes of this analysis positions are assumed to be effective September 1, 2001, or six months prior to the effective date of the licenses to allow for recruitment and training. Operating support for the 2001-02 fiscal year is assumed to be one half the annual amount since the licenses will not go on sale until March 1, 2002.

In addition, the division will pay a per transaction fee to the Wildlife Resources Commission to cover the commission's costs for technical support, hardware maintenance, and communication charges associated with the transfer of data to and from agents. The transaction fee will be based on expected volume of license sales.

Beginning July 1, 1999 the WRC will sell the Recreational Commercial Gear License (RCFL) on behalf of the Division of Marine Fisheries. Wildlife will receive \$3.50 per license sold, or 10% of the \$35.00 resident RCGL fee. For the purposes of this analysis, the per transaction fee is assumed to be 10% of the CRFL fee.

The total estimated budget requirements for Marine Fisheries to implement the Coastal Recreational Fishing License requirements is outlined in the following table:

Table 7: Division of Marine Fisheries, Total Budget Requirements

	FY 1999-00	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Personnel					
Administrative Officer II			32,314	40,309	41,852
Applications Analyst Programmer II			51,242	63,957	66,446
Computer Support Tech II			24,525	30,577	31,730
Accounting Clerk IV			21,114	26,316	27,299
(2) Processing Assistant IV			40,787	50,895	52,861
Total Salaries & Benefits *	-	-	169,982	212,053	220,188
<i>Positions</i>		6.00	6.00	6.00	
Operating Expenses		1,008,086	165,977	326,954	326,954
Transaction Fee Paid to WRC		-	61,960	247,840	247,840
Total Requirements	\$0	\$1,008,086	\$397,919	\$786,848	\$794,983

* Salaries adjusted for inflation based on January 1999 forecasts by Data Resources, Inc, as provided by the Office of State Budget and Management.

The bill authorizes up to 10% of the funds credited to the Sealife Enhancement Fund to be used for administrative costs. Based on the revenue projections outlined on page 4 (Table 6), this allowance will not cover the required expenditures beginning with the 2001-02 fiscal year. Assuming the Marine Fisheries Commission authorizes the maximum for administration, a General Fund appropriation will be required to cover the remainder as follows:

	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04
Total Requirements		\$397,919	\$786,848	\$794,983
Less 10% Administrative Allowance, Sealife Enhancement Fund	\$0	(\$58,242)	(\$232,970)	(\$232,970)
Appropriation Required	\$0	\$339,676	\$553,878	\$562,013

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