

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**REVISED**

**BILL NUMBER:** House Bill 831 (Eighth Edition)

**SHORT TITLE:** Coastal Recreational Fishing License/Fund.

**SPONSOR(S):** Representatives McComas and Gibson

<b>FISCAL IMPACT</b>					
	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2004-05</u></b>	<b><u>FY 2005-06</u></b>	<b><u>FY 2006-07</u></b>	<b><u>FY 2007-08</u></b>	<b><u>FY 2008-09</u></b>
<b>REVENUES</b>					
Saltwater Fishing Fund		\$5.35 M	\$15.28 M	\$15.28 M	\$15.28 M
<b>EXPENDITURES</b>					
Health and Human Services	No estimate available, impact expected				
DMF System Development and Administration	\$646,728	\$1,420,942	\$1,839,657	\$1,852,321	\$1,865,238
DMF Enforcement		\$966,756	\$530,329	\$551,495	\$573,719
General Fund					
Appropriation (NR)	\$5 M	\$0	\$0	\$0	\$0
<b>Total Cost</b>	<b>\$646,728-5 M</b>	<b>\$2,387,698</b>	<b>\$2,369,986</b>	<b>\$2,403,816</b>	<b>\$2,438,957</b>
<b>POSITIONS:</b>		34.0	34.0	34.0	34.0
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Department of Environment and Natural Resources, Division of Marine Fisheries and Department of Health and Human Services					
<b>EFFECTIVE DATE:</b> Sections 2, 3, and 4 become effective January 1, 2006. All other sections of this act become effective when the act becomes law.					

**BILL SUMMARY:** Establishes the North Carolina Saltwater Fishing Fund (Fund) as a non-reverting fund in the office of the State Treasurer to receive license revenues. The State Treasurer will invest the assets of the Fund and disburse investment income only as directed by the Board of Trustees of the North Carolina Saltwater Fishing Fund (Board). State agencies, local governments, and nonprofits with the primary purpose of conserving, preserving, or restoring the State's marine

resources are eligible to apply for a grant from the Fund. Funds may be used for implementation of this act with the exception of enforcement. The Board of Trustees shall not authorize the disbursement of investment income that accrues to the Fund for law enforcement purposes. The bill establishes general provisions governing a Saltwater Fishing License (SFL) and sets out a fee structure for the sale of these licenses.

**ASSUMPTIONS AND METHODOLOGY**

**Revenues:** The amount of revenue generated by the SFL depends on the number of licenses sold and the type of license sold. There is no precise data on the number of recreational anglers in North Carolina. The best estimate available is based on an annual Marine Recreational Fishery Statistics Survey compiled by the Division of Marine Fisheries. 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. The following table summarizes the results of the annual survey over the last seven years:

**Table 1: Estimated Number of Marine Recreational Anglers in NC, 1997-2002**

	<b>Coastal Residents</b>	<b>Non-Coastal</b>	<b>Out-of State</b>	<b>Total Anglers</b>
1997	329,909	166,104	859,110	1,355,123
1998	312,246	143,355	635,197	1,090,798
1999	324,091	164,398	804,561	1,293,051
2000	392,131	215,815	1,203,779	1,811,725
2001	448,272	248,311	1,281,925	1,978,508
2002	409,601	224,744	1,120,938	1,755,283
2003	526,697	282,017	1,278,804	2,087,788
7 Year Average	402,218	213,107	1,054,201	1,624,897

Based on the seven-year average number of estimated marine anglers (Table 1), there are 1,624,897 potential licensees. However, the bill provides an exemption for individuals who are under 18 years of age and currently enrolled in school and making progress toward obtaining a high school diploma or its equivalent. Since there is no way to verify a person's enrollment in school for enforcement purposes, this bill assumes a total exemption for anglers under 18 years of age. Based on the seven-year average number of anglers 18 years of age or younger, this provision reduces the number of potential licensees by 166,075.

The bill also allows for a subsistence license, valid for one year at no charge. To qualify for a subsistence license, the applicant must provide certification from the Department of Health and Human Services that the individual falls below the federal poverty level. According to 2000 census data, 12.5% of North Carolinians fall beneath the federal poverty level. Assuming that 55% of the licenses sold will be 7-day licenses and 1% will be lifetime licenses, the number of annual licenses that will be sold is estimated at 640,221. Twelve and a half percent (12.5%) of that number is 80,028. Therefore, this analysis assumes that the total number of annual license sold

will be 560,193. The estimated revenue from the sale of the Saltwater Fishing Licenses as outlined in the bill follows:

**Table 2: Estimated Revenue Generated by Saltwater Fishing License**

License Type	License Fee	Estimated Sales	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-2010
Annual/Standard SFL (44%)	\$15.00	640,221	\$2.94 M	\$8.4 M	\$8.4 M	\$8.4 M	\$8.4 M
Less Subsistence License		(80,028)	0	0	0	0	0
7 Day SFL (55%)	\$1.00	802,352	280,823	802,352	802,352	802,352	802,352
Lifetime SFL (1%)							
0-6 years of age	\$100	4,329	151,505	432,873	432,873	432,873	432,873
6-11 years of age	\$150	622	32,673	93,350	93,350	93,350	93,350
11-18 years of age	\$200	312	21,839	62,396	62,396	62,396	62,396
18+ years of age	\$500	10,986	1,922,537	5,492,964	5,492,964	5,492,964	5,492,964
<b>Gross Revenue from SFL Receipts</b>			<b>\$5.35M</b>	<b>\$15.28M</b>	<b>\$15.28M</b>	<b>\$15.28M</b>	<b>\$15.28M</b>

The revenue estimate is based on the following assumptions:

1. License sales are to begin January 1, 2006. This allows Marine Fisheries time to upgrade the Fisheries Information Network for the real time sale of license. Consequently, license revenue for the last six months of the 2005-06 fiscal year is estimated to be 35% of the annual amount to align with current Marine Fisheries license sales in January - June. Even though the total number of anglers varies from year to year, the average has remained stable since 1993. Consequently, no growth is assumed in projecting future revenues.
2. Lifetime licenses are assumed to be 1% of total anglers. The distribution of lifetime SFL sales among the various age groups is based on the sale of WRC lifetime licenses to similar age groups.

Age Distributions	Percent of total lifetime sales
0-6 years of age	27%
6-11 years of age	4%
11-17 years of age	2%
18 years and older	67%

3. The distribution of license sales is based on the following assumptions: 1) 55% of all licenses sold will be seven-day licenses, and 2) 12.5% of all NC resident anglers will qualify for a subsistence license.

## **Expenditures:**

### **General Fund Appropriation**

The bill appropriates \$5 million from the General Fund in the 2004-05 fiscal year. These funds may be used to implement this act. The Board of Trustees shall repay these funds by July 1, 2010. Although funds may be used for initial equipment purchase for enforcement, revenues from the sale of license may not be used for continued enforcement support. Therefore, an annual appropriation from the General Fund will be necessary support enforcement activity.

### **Department of Health and Human Services**

The Department of Health and Human Services will have to establish a mechanism for certifying subsistence anglers. No data is available to determine the cost to the Department but impact is expected.

### **Division of Marine Fisheries**

**Information Technology:** The IT Section will need to update the server hardware and software to support the development and production of the SFL. Marine Fisheries currently runs the Fisheries Information Network to handle approximately 300,000 commercial fishing licenses sold annually. Additional disk storage will also be part of the hardware upgrade. It will be necessary to upgrade telecommunications lines in the Wanchese, Elizabeth City and Columbia offices to T1 lines.

Although internal personnel will be responsible for developing the software, consultants will be hired to assist with the development effort. Additionally, two positions will be established to manage the data administration functions for the SFL and to handle maintenance and operational support for the system.

**Administration:** To implement the SFL, the Division will need to hire twenty-one (21) new positions to handle license sales. One (1) administrative officer will oversee the program, one (1) additional accounting clerk to handle to increase in receipts, three (3) processing unit supervisors and sixteen (16) processing assistants. This will allow enough personnel to operate a 7-day a week 24-hour help desk to answer questions and to issue telephone purchases. Funds for operating expenses to support these positions will also be necessary.

**Board of Trustees:** The bill also allows for funds to support the Board of Trustees. The Marine Fisheries Commission has annual operating expenses of approximately \$275,000. This funds a coordinator, clerical staff, and board expenses. This note assumes a similar cost for the Saltwater Fishing Fund Board of Trustees.

The total estimated budget for Marine Fisheries to implement and administer the program is summarized in the following table:

**Table 3: Division of Marine Fisheries Budget Requirement for Admin and IT**

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
<b>Administrative Personnel:</b>					
Administrative Officer II		31,940	32,579	33,230	33,895
Accounting Clerk IV		22,316	22,762	23,218	23,682
Processing Unit Super. V (3FTEs)		72,378	73,826	75,302	76,808
Processing Assistant IV (16 FTEs)		357,056	364,197	371,481	378,911
Premium Shift Pay		14,400	14,688	14,982	15,281
Benefits		138,919	138,919	138,919	138,919
<b>IT Personnel:</b>					
Database Analyst (2 FTEs)	120,264	122,669	125,123	127,625	130,178
Benefits	17,784	17,784	17,784	17,784	17,784
<b>Total Salaries and Benefits</b>	<b>138,048</b>	<b>777,462</b>	<b>789,877</b>	<b>802,541</b>	<b>815,458</b>
<i>Positions</i>	<i>2</i>	<i>23</i>	<i>23</i>	<i>23</i>	<i>23</i>
Operating Expenses for Admin.		289,100	220,400	220,400	220,400
Operating Expenses for IT	233,680	79,380	79,380	79,380	79,380
Board of Trustees Expenses	275,000	275,000	275,000	275,000	275,000
<b>Total Requirements</b>	<b>646,728</b>	<b>1,420,942</b>	<b>1,839,657</b>	<b>1,852,321</b>	<b>1,865,238</b>

**Other Administrative Expense:** Although the bill allows for purchase of licenses at locations designated by the Board of Trustees, the majority of licenses will be purchased over the phone or on the Internet, both of which would require a credit card for payment. Wildlife Resources pays an online transaction fee for credit card processing of 2% of the total cost of the transaction (i.e. \$0.30 for a \$15 license). There is also a \$0.41 ITS processing fee associated with each transaction that goes through the Common Payment Service. This note assumes the same costs for Marine Fisheries SFL sales.

**Enforcement:** The bill makes it unlawful for any person to engage in recreational fishing without first holding a SFL. The Division of Marine Fisheries' Marine Patrol Section has the duty of enforcing all laws relating to conservation of marine and estuarine resources (G.S. 113-8). According to DMF, a total of 6,336 hours was spent checking recreational fishermen for catch and size limits in the year 2000. Based on the current workforce of 43 marine patrol officers, 6,336 hours equates to less than ten percent of their patrol time. With the implementation of the recreational saltwater fishing license, the Division anticipates placing more emphasis on recreational fishing.

To adequately enforce the estimated SFL's projected to be sold, the Division estimates that it will need 10 additional marine patrol officers and a Marine Patrol Supervisor. These additional officers, in combination with existing staff, will allow the Division to check between 16 and 32 percent of the license holders on an annual basis. This assumes a work year of 230 days and an average of five to ten checks per hour per officer or 40 to 80 license checks per day per officer. [230 days x 40 to 80 license checks per day = 9,200 to 18,400 license checks per new officer x 10 FTEs = 92,000 to 184,000 license checks annually plus existing staff time of 6,336 hours or approximately 792 days x 40 to 80 license checks per day = 31,680 to 63,360 license checks annually with existing staff time for a total of 123,680 to 247,360 licenses checked annually.]

Each marine patrol officer currently employed by the Division is assigned a motor vehicle and marine patrol boat for duty. Based on this practice, each of the 11 new positions will require a motor vehicle, leased from motor pool at approximately \$4,800 per year, and a marine patrol boat at approximately \$45,000 per boat. Marine patrol boats are currently replaced every five to six years. Other operating equipment expenses include computers, radios, uniform and personal equipment such as body armor and night vision.

The total estimated budget for Marine Fisheries to enforce the SFL requirements is outlined in the following table:

**Table 4: Division of Marine Fisheries Budget Requirement for Enforcement**

	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
<b>Enforcement Personnel</b>					
Marine Enforcement Officer I (10 FTEs)	363,910	382,105	401,210	421,270	
Marine Patrol Supervisor	39,261	41,224	43,285	45,449	
Operating Expenses	563,585	107,000	107,000	107,000	
<b>Total Requirements</b>	<b>\$966,756</b>	<b>\$530,329</b>	<b>\$551,495</b>	<b>\$573,719</b>	
<i>Positions</i>	<i>11</i>	<i>11</i>	<i>11</i>	<i>11</i>	

**SOURCES OF DATA:** Department of Environment and Natural Resources, Division of Marine Fisheries; North Carolina Information Technology Services

**TECHNICAL CONSIDERATIONS:** None

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