

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2005

Legislative Fiscal Note

BILL NUMBER: House Bill 145 (First Edition)

SHORT TITLE: Grandfather WRC Lifetime Licenses.

SPONSOR(S): Representative Miller

|  | FISCAL IMPACT     |                   |                           |                   |                   |
|--|-------------------|-------------------|---------------------------|-------------------|-------------------|
|  | Yes ( X )         | No ( )            | No Estimate Available ( ) |                   |                   |
|  | <u>FY 2005-06</u> | <u>FY 2006-07</u> | <u>FY 2007-08</u>         | <u>FY 2008-09</u> | <u>FY 2009-10</u> |
| <b>REVENUES:</b>   |                   |                   |                           |                   |                   |
| Saltwater Fishing Fund   | (\$391,038)       | (\$1,105,821)     | (\$1,084,644)             | (\$1,061,328)     | (\$1,035,718)     |
| <b>EXPENDITURES:</b>   | No                | Significant       | Impact                    |                   |                   |
| <b>POSITIONS</b><br>(cumulative):  |                   |                   |                           |                   |                   |
| <b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> Department of Environment and Natural Resources, Division of Marine Fisheries; Board of Trustees of the North Carolina Saltwater Fishing Fund. |                   |                   |                           |                   |                   |
| <b>EFFECTIVE DATE:</b> January 1, 2006   |                   |                   |                           |                   |                   |

BILL SUMMARY:

By amending G.S. 113-174.2(d), this bill exempts the holder of a Lifetime Resident Comprehensive Fishing License or a Lifetime Sportsman License purchased prior to January 1, 2005, from saltwater fishing license requirements.

ASSUMPTIONS AND METHODOLOGY:

**Revenues:** The revenue impact of this bill on the Saltwater Fishing Fund depends on two factors: 1) the number of saltwater fishing licenses (SFLs) that would otherwise be sold if Lifetime Resident Comprehensive Fishing and Lifetime Sportsman License holders ("WRC

lifetime license holders") were not exempt and 2) the type of licenses that would otherwise be sold.

Current law exempts all individuals 18 years of age and younger who are currently enrolled in school and are making progress towards obtaining a high school diploma or its equivalent from saltwater fishing license requirements. Since there is no way to verify whether or not a license holder is enrolled in school, this fiscal note assumes that all WRC lifetime license holders 18 years of age and younger ("youth WRC lifetime license holders") are exempt from saltwater fishing license requirements. Consequently, it is necessary to divide WRC lifetime license holders into two pools of potential saltwater licensees: an "adult" pool consisting of WRC lifetime license holders that are older than 18 and a "youth" pool consisting of WRC lifetime license holders 18 years of age and younger. According to the Wildlife Resources Commission (WRC), 158,271 "adults" and 49,004 "youths" held either a Lifetime Resident Comprehensive Fishing License or a Lifetime Sportsman License as of December 31, 2004.

The number of WRC lifetime license holders in each pool, however, will not remain static. The adult pool will decline over time due to attrition (i.e. death, etc.). Precise attrition estimates are not available; therefore, this fiscal note assumes that attrition will be 2% in FY 2005-06 and will increase 0.25% each year thereafter. *Note that, due to attrition, the impact on the Saltwater Fishing Fund will diminish over time and eventually will be eliminated.*

Furthermore, as youth WRC lifetime license holders age out of the saltwater youth exemption, they will move from the youth pool to the adult pool. Assuming an even age distribution among youth WRC lifetime license holders, 2,722 (49,004 currently exempt divided by 18 years) WRC lifetime license holders will be removed from the youth pool and added to the adult pool each year for the next 18 years.

At this time, there is no precise data on what percentage of this WRC lifetime license holders are also marine recreational anglers. WRC is currently surveying a sample of their lifetime license holders, but have not received responses yet. This fiscal note assumes that 50% of WRC lifetime license holders are also coastal anglers.

Three additional elements impact the number of SFLs purchased:

1. Regardless of the youth exemption, some youth WRC lifetime license holders may choose to purchase a lifetime SFL. This note assumes that 1% of youth WRC lifetime license that are also coastal anglers will purchase a lifetime SFL each year.
2. Since lifetime SFLs are purchased only once, WRC lifetime license holders that purchase a lifetime SFL should be removed from the pool in subsequent years.
3. License sales are to begin January 1, 2006. License revenue for the last six months of FY 2005-06 is estimated to be 35% of expected sales to align with current Marine Fisheries sales in January – June.

Table 1 summarizes the adjustments necessary to determine the number of SFL licenses that would otherwise be sold if WRC lifetime license holders were not exempt.

**Table 1: Estimated Number of SFLs Sold to WRC Lifetime License Holders**

|  | FY 05-06      | FY 06-07      | FY 07-08      | FY 08-09      | FY 09-10      |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Adult</b>   |               |               |               |               |               |
| Previous # of adult WRC lifetime license holders             | 158,271       | 157,828       | 156,998       | 155,795       | 154,233       |
| Less attrition   | (3,165)       | (3,551)       | (3,925)       | (4,284)       | (4,627)       |
| Plus those who have aged out of youth exemption              | 2,722         | 2,722         | 2,722         | 2,722         | 2,722         |
| Current # of adult WRC lifetime license holders              | 157,828       | 156,998       | 155,795       | 154,233       | 152,328       |
| Less those not coastal anglers (50%)                         | 78,914        | 78,499        | 77,898        | 77,117        | 76,164        |
| Less adult lifetime SFLs purchased previously                | 0             | (276)         | (1,058)       | (1,827)       | (2,580)       |
| <b># of SFLs sold to adult WRC lifetime license holders*</b> | <b>27,620</b> | <b>78,223</b> | <b>76,839</b> | <b>75,290</b> | <b>73,584</b> |
| <b>Youth</b>   |               |               |               |               |               |
| Total # of youth WRC lifetime license holders                | 49,004        | 46,282        | 43,560        | 40,838        | 38,116        |
| Less those who have aged out of youth exemption              | (2,722)       | (2,722)       | (2,722)       | (2,722)       | (2,722)       |
| Current # of youth WRC lifetime license holders              | 46,282        | 43,560        | 40,838        | 38,116        | 35,394        |
| Less those not coastal anglers (50%)                         | (23,141)      | (21,780)      | (20,419)      | (19,058)      | (17,697)      |
| Less adult lifetime SFLs purchased previously                | 0             | (81)          | (217)         | (202)         | (189)         |
| # of potential youth saltwater fishing licensees             | 23,141        | 21,699        | 20,202        | 18,856        | 17,508        |
| <b># of SFLs sold to youth WRC lifetime license holders*</b> | <b>81</b>     | <b>217</b>    | <b>202</b>    | <b>189</b>    | <b>175</b>    |
| <b>Total # of SFLs sold to WRC lifetime license holders</b>  | <b>27,701</b> | <b>78,440</b> | <b>77,041</b> | <b>75,478</b> | <b>73,759</b> |

\*Assume 35% of expected sales in FY 05-06 due to January 1, 2006 effective date.

The estimated revenue impact on the Saltwater Fishing Fund (see Table 2) is based on the following assumptions:

1. Based on six years of Marine Recreational Fishery Statistics Survey data, 65% of resident coastal anglers live in coastal counties and 35% live in non-coastal counties. Therefore, the distribution of licenses is based on the following assumptions: 1) seven-day licenses will constitute 35% of total adult licenses, 2) annual licenses will constitute 64%, and 3) lifetime licenses will constitute 1%.
2. Current law provides for a free saltwater fishing subsistence license issued on an annual basis for individuals that fall beneath the federal poverty level. According to the U.S. Census Bureau, 12.3% of North Carolina citizens fall beneath the federal poverty level. Since there is no data to determine whether the income distribution of WRC lifetime license holders differs from the general state population, this fiscal note assumes that 12.3% of those that would have purchased an annual SFL qualify for the free license.
3. The distribution of youth lifetime SFL sales among the various age groups is based on the following assumptions: 1) 0 – 6 years of age SFLs will constitute 50% of total youth SFL sales, 2) 6 –11 years of age SFLs will constitute 35%, and 3) 11 – 18 years of age SFLs will constitute 15%.

**Table 2: Estimated Revenue Loss From Exempting WRC Lifetime License Holders**

|                                    | Fee          | FY 05-06*          | FY 06-07             | FY 07-08             | FY 08-09             | FY 09-10             |
|------------------------------------|--------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Seven-day licensesb (35%)</b>   |              |                    |                      |                      |                      |                      |
| Reduced # of SFLs sold             |              | (9,667)            | (27,378)             | (26,894)             | (26,352)             | (25,754)             |
| <b>Revenue Reduction</b>           | <b>\$1</b>   | <b>(\$9,667)</b>   | <b>(\$27,378)</b>    | <b>(\$26,894)</b>    | <b>(\$26,352)</b>    | <b>(\$25,754)</b>    |
| <b>Annual licenses (64%)</b>       |              |                    |                      |                      |                      |                      |
| Reduced # of SFLs obtained         |              | (17,677)           | (50,063)             | (49,177)             | (48,186)             | (47,094)             |
| Less Subsistence licenses          |              | 2,174              | 6,158                | 6,049                | 5,927                | 5,793                |
| Reduced # of SFLs sold             |              | (15,503)           | (43,905)             | (43,128)             | (42,259)             | (41,301)             |
| <b>Revenue Reduction</b>           | <b>\$15</b>  | <b>(\$232,538)</b> | <b>(\$658,575)</b>   | <b>(\$646,923)</b>   | <b>(\$633,882)</b>   | <b>(\$619,518)</b>   |
| <b>Lifetime SFL (1%)</b>           |              |                    |                      |                      |                      |                      |
| Reduced # of 0-6 years SFLs sold   |              | (41)               | (109)                | (101)                | (93)                 | (85)                 |
| <b>Revenue Reduction</b>           | <b>\$100</b> | <b>(\$4,050)</b>   | <b>(\$10,850)</b>    | <b>(\$10,050)</b>    | <b>(\$9,300)</b>     | <b>(\$8,500)</b>     |
| Reduced # of 6-11 years SFLs sold  |              | (28)               | (76)                 | (70)                 | (65)                 | (60)                 |
| <b>Revenue Reduction</b>           | <b>\$150</b> | <b>(\$4,253)</b>   | <b>(\$11,393)</b>    | <b>(\$10,553)</b>    | <b>(\$9,765)</b>     | <b>(\$8,925)</b>     |
| Reduced # of 11-18 years SFLs sold |              | (12)               | (33)                 | (30)                 | (28)                 | (26)                 |
| <b>Revenue Reduction</b>           | <b>\$200</b> | <b>(\$2,430)</b>   | <b>(\$6,510)</b>     | <b>(\$6,030)</b>     | <b>(\$5,580)</b>     | <b>(\$5,100)</b>     |
| Reduced # of 18+ years SFLs sold   |              | (276)              | (782)                | (768)                | (753)                | (736)                |
| <b>Revenue Reduction</b>           | <b>\$500</b> | <b>(\$138,100)</b> | <b>(\$391,115)</b>   | <b>(\$384,195)</b>   | <b>(\$376,450)</b>   | <b>(\$367,920)</b>   |
| <b>Total Revenue Reduction</b>     |              | <b>(\$148,833)</b> | <b>(\$419,868)</b>   | <b>(\$410,828)</b>   | <b>(\$401,095)</b>   | <b>(\$390,445)</b>   |
| <b>Total Revenue Loss</b>          |              | <b>(\$391,038)</b> | <b>(\$1,105,821)</b> | <b>(\$1,084,644)</b> | <b>(\$1,061,328)</b> | <b>(\$1,035,718)</b> |

\*Assume 35% of expected sales due to January 1, 2005 effective date.

**Expenditures:** There is no significant impact on expenditures expected.

**SOURCES OF DATA:** Wildlife Resources Commission, DENR Division of Marine Fisheries, U.S. Census Bureau

**TECHNICAL CONSIDERATIONS:** None

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