

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HB 1121 (First Edition)

SHORT TITLE: Coastal Recreational Fishing License

SPONSOR(S): Representatives Redwine and Gibson

	FISCAL IMPACT				
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
Sealife Enhancement Fund License Revenue*	-	3,923,977	7,697,930	7,697,930	7,697,930
DMF Agency Receipts		(12,346)	(12,346)	(12,346)	(12,346)
EXPENDITURES					
Wildlife Resources Comm. System Modification	820,000	-	-	-	-
Division of Marine Fisheries System Development And Administration*	1,008,000	1,018,901	1,761,418	1,722,417	1,783,965
Division of Marine Fisheries Enforcement	-	842,200	454,950	472,950	491,850
Total Cost	1,828,000	1,861,101	2,216,368	2,195,367	2,275,815
POSITIONS:		16.00	16.00	16.00	16.00
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Environment and Natural Resources, Division of Marine Fisheries; Wildlife Resources Commission					
EFFECTIVE DATE: Coastal Recreational Fishing License provisions become effective March 1, 2003. Sections 10, 11, 12, 13 and 14 are 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: The bill establishes general provisions governing a Coastal Recreational Fishing License (CRFL) and sets out a fee structure for the sale of these licenses. It creates a Sealife Enhancement Fund in the Department of the Environment and Natural Resources (DENR) to hold the proceeds from the sale of CRFL's, and provides for the allocation of the proceeds upon direction of the Marine Fisheries Commission. The bill also recodifies the Recreational Commercial Gear License (RCGL) without substantive changes.

ASSUMPTIONS AND METHODOLOGY:

Revenues: The amount of revenue raised by the CRFL depends on two factors: the number of licenses sold and the type of license sold. At this time, there is no precise count of the number 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.

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, 1996-2000

	Coastal Residents	Non-Coastal Residents	Out-of State	Total Anglers
2000	392,131	215,815	1,203,779	1,811,725
1999	324,091	164,398	804,561	1,293,050
1998	312,246	143,355	635,197	1,090,798
1997	329,909	166,104	859,110	1,355,123
1996	276,262	179,469	726,828	1,182,560
5 Year Average	326,928	173,828	845,895	1,346,651
Percentage of Total	24%	13%	63%	

Table 2: Estimated Marine Recreational Fishing Trips in NC, 1996-2000

	Man-made	Beach/Bank	Charter Boats	Private Boats	Total
2000	1,665,748	2,136,284	183,219	2,105,734	6,090,985
1999	1,013,535	1,459,571	221,369	1,860,564	4,555,039
1998	1,135,830	1,446,621	241,001	1,638,009	4,461,461
1997	1,252,716	1,772,884	295,820	1,570,089	4,891,509
1996	1,245,056	1,865,242	240,970	1,390,553	4,741,821
5 Year Average	1,262,577	1,736,120	236,475	1,712,989	4,948,163
Percentage of Total	26%	35%	5%	35%	

Based on the five-year average number of estimated marine anglers (Table 1), there are 1,346,651 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:		1,346,651
General Exemptions, No Charge Licenses, Attrition		
1. Standard/Retired Standard Commercial Fishing License (SCFL/RSCFL)	7,413	
2. Wildlife Resources Commission – (Lifetime Resident Comprehensive Fishing License and Lifetime Sportsman Combination License holders minus infant license holders; assume 90% are coastal anglers)	86,746	
	_____	94,159
Less SCFL/RSCFL, WRC Lifetime		<u>94,159</u>
Subtotal		1,252,492
3. Permanently Handicapped/Disabled, Disabled Veteran, Legally Blind, Attrition (Based on WRC disabled and blind licenses; assume 3% of anglers subtotal to capture persons eligible for no charge licenses and possible attrition)	37,575	
4. Persons < 16 Years of Age (2000 North Carolina Marine Recreational Fishery Statistics Survey indicates 6.9% of coastal anglers are under the age of 16; assume 7% of anglers subtotal will fall under this exemption)	87,674	
5. Persons age 65 and over (2000 North Carolina Marine Recreational Fishery Statistics Survey indicates 9.8% of coastal anglers are age 65 and over; assume 10% of anglers subtotal will fall under this exemption)	125,249	
	_____	250,498
Less Other General Exemptions, No Charge Licenses, Attrition		<u>250,498</u>
Adjusted Total Number of Anglers		1,001,994

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	260,518	350,698	50,100	340,678	1,001,994

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 License

Adjusted Total Number of Anglers	1,001,994
Blanket Licenses	
1. Charter/Head/Dive Boat Blanket (Assume 20% of charter boat fishermen will purchase a CRFL to fish using a different means; therefore 80% will fall under the blanket license.)	40,080
2. 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.)	182,363
Less Blanket Licenses	<u>222,443</u>
Adjusted Total Number of Anglers Purchasing CRFLs	<u><u>779,551</u></u>

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

Table 6: Estimated Revenue Generated by Coastal Recreational Fishing License

License Type	License Fee	Estimated License Sales	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
Annual/Standard CRFL	\$15.00	305,615	-	\$2,292,114	\$4,584,228	\$4,584,228
10 Day CRFL	\$5.00	466,140	-	\$1,165,351	\$2,330,702	\$2,330,702
		771,755				
Lifetime CRFL						
< 6 years of age	\$100.00	5,223	-	\$261,150	\$522,299	\$522,299
6 to 11 years of age	\$150.00	156	-	\$11,693	\$23,387	\$23,387
11 to 17 years of age	\$200.00	702	-	\$70,160	\$140,319	\$140,319
17 to 65 years of age	\$250.00	1,715	-	\$214,377	\$428,753	\$428,753
		7,796				
Charter/Head/Dive Boat Blanket CRFL						
Vessel 25 feet or less	\$200.00	52	-	\$10,400	\$10,400	\$10,400
Vessel greater than 25 ft	\$400.00	190	-	\$76,000	\$76,000	\$76,000
Ocean Fishing Pier Blanket CRFL	\$4/linear ft	25	-	\$73,200	\$73,200	\$73,200
Gross Revenue from CRFL Receipts			-	\$4,174,444	\$8,189,287	\$8,189,287
Less License Agent Fee (6%)			-	(\$250,467)	(\$491,357)	(\$491,357)
Net Revenue from CRFL Receipts -- Credited to the Sealife Enhancement Fund			-	\$3,923,977	\$7,697,930	\$7,697,930

The revenue estimate is based on the following assumptions:

1. License sales are assumed to begin January 1, 2003, two months prior to the CRFL effective date of March 1, 2003. Consequently, license revenue for the last six months of the 2002-03 fiscal year is estimated to be one-half of the annual amount. Even though the total number of anglers varies from year, the five-year average has remained stable at approximately 1.3 million anglers since 1993. Consequently, no growth is assumed in projecting future revenues.
2. Lifetime licenses are assumed to be 1% of total sales. The sale of lifetime licenses sold to people under age 70 accounted for 1.23% of total Wildlife Resources Commission (WRC) license sales in the 2000-01 fiscal year. The sale of lifetime CRFLs is anticipated to account for a lower percentage of total sales than Wildlife's experience, because HB 1121 exempts persons holding a WRC lifetime license from the CRFL requirement, but does not exempt persons who hold a lifetime CRFL from the WRC freshwater license requirement. Consequently, lifetime anglers who fish in both fresh and salt water are likely to purchase the WRC license. However, the lifetime CRFL is cheaper than the WRC lifetime license so it is assumed that a small percentage of coastal anglers will purchase the cheaper license.
3. The distribution of lifetime CRFL sales among the various age groups is based on the sale of WRC lifetime licenses to the same age groups.
4. The distribution of licenses sales is based on the following assumptions: 1) 90% of the ten-day licenses will be sold to out-of-state anglers and 10 % sold to NC residents, and 2) 90% of the standard or annual licenses will be sold to NC residents and 10 % sold to out-of-state anglers.
5. According to the Division of Marine Fisheries, there are 242 known charter boat operations in North Carolina. Fifty-two of these vessels are 25 feet and less in length.
6. According to the Division of Marine Fisheries, there are 25 known commercial fishing piers with an average pier length of 732 feet.

Other Revenue Issues

House Bill 1121 also changes the amount of the fee to be retained by authorized license agents from the sale of Recreational Commercial Gear License (RCGL). Currently, agents are authorized to charge \$1.00 in addition to the NC resident license fee of \$35.00. The Division of Marine Fisheries retains the entire \$35.00 license fee. The bill changes this practice to reimburse the agent six percent of the \$35.00 license fee or \$2.10 per license sold, thereby reducing the amount of revenue going to the Division. In 2001, agents sold a total of 5,879 RCGLs. Assuming that roughly the same number of licenses will be sold in subsequent years, the Division will lose \$12,346 in RCGL revenues annually.

Expenditures:

Wildlife Resources Commission

The Division of Marine Fisheries would like to take advantage of the automated licensing system operated 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. 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 \$320,000 (\$1,600 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 \$820,000. Funds are needed in the 2001-02 fiscal year to ensure that the system is complete and operational prior to March 1, 2003 when the CRFL goes into effect.

Division of Marine Fisheries

Administration: Integration of the Marine Fisheries licensing system with the Wildlife licensing system will also require upfront General Fund expenditures for system development. The Division estimates that \$1 million will be required in the 2001-02 fiscal year for additional hardware, software development and related information technology expenses. Funds are needed in the 2001-02 fiscal year to ensure that the system is complete and operational prior to March 1, 2003 when the CRFL goes into effect.

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. An accounting clerk will be responsible for tracking license sales, deposits and auditing sales records. Three processing assistants will issue licenses in-person and by phone, handle questions concerning license requirements and regulations, and data entry in the Morehead and Columbia offices. For the purposes of this analysis, the administrative officer and computer programmer positions are assumed to be effective July 1, 2002 to allow for program and system preparation. The remaining four positions are assumed to be effective September 1, 2002, or six months prior to the effective date of the licenses to allow for recruitment and training. Operating support for the 2002-03 fiscal year is reduced proportionally.

In addition, the Division will pay a per transaction fee to the Wildlife Resources Commission to cover the Commission's costs for training, technical support, hardware maintenance, and communication charges associated with the transfer of data to and from agents. The actual transaction fee will be negotiated between DMF and WRC based on expected volume of license sales. Based on projected sales of approximately 780,000 licenses, the WRC estimates the transaction fee per CRFL sold would be \$2.00. This note assumes that licensed agents will sell approximately 95 percent of all licenses sold.

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

Table 7: Division of Marine Fisheries, Budget Requirements for Administration

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Administrative Personnel					
Administrative Officer II		40,245	42,217	44,328	46,544
Applications Analyst Programmer II		63,463	66,573	69,901	73,396
Accounting Clerk IV		22,080	27,795	29,185	30,644
Processing Assistant IV (3 FTEs)		66,240	83,386	87,555	91,933
Total Salaries and Benefits*		192,028	219,971	230,970	242,518
<i>Positions</i>		6.00	6.00	6.00	6.00
Operating Expenses for Admin. Positions		47,000	21,000	21,000	21,000
Computer Expenses	1,008,000	39,300	39,300	39,300	39,300
Transaction Fee Paid to WRC		740,573	1,481,147	1,481,147	1,481,147
Total Requirements	\$1,008,000	\$1,018,901	\$1,761,418	\$1,772,417	\$1,783,965

* Salaries adjusted for inflation based on January 2001 forecasts by Data Resources, Inc.

Enforcement: HB 1121 makes it unlawful for any person to engage in recreational fishing without first holding a Coastal Recreational Fishing License. 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 6336 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, 6336 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 780,000 CRFL's projected to be sold, the Division estimates that it will need 10 additional marine patrol officers. These additional officers in combination with existing staff will allow the Division to check between 16 and 32 percent of the license holders on 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 6336 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 10 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 5 to 6 years.

For the purposes of this analysis, the marine patrol officers are assumed to be effective September 1, 2002, or six months prior to the effective date of the licenses to allow for

recruitment and training. Operating support for the 2002-03 fiscal year is reduced proportionally.

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

Table 8: Division of Marine Fisheries, Budget Requirements for Enforcement

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Enforcement Personnel					
Marine Enforcement Officer I (10 FTEs)*		285,950	359,950	377,950	396,850
Operating Expenses for Enforcement Positions		556,250	95,000	95,000	95,000
Total Requirements	-	842,200	454,950	472,950	491,850
<i>Positions</i>		10.00	10.00	10.00	10.00

* *Salaries adjusted for inflation based on January 2001 forecasts by Data Resources, Inc.*

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 administrative expenditures beginning with 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:

Table 9: Appropriation Required for License Implementation

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Total Administrative Requirements	\$1,008,000	\$1,018,901	\$1,761,418	\$1,772,417	\$1,783,965
10% Admin Allowance, Sealife Enhancement Fund		(\$392,398)	(\$769,793)	(\$769,793)	(\$769,793)
Appropriation Required for Admin	\$1,008,000	\$626,503	\$991,625	\$1,002,624	\$1,014,172
Total Enforcement Requirements		842,200	454,950	472,950	491,850
Total Appropriation Required	\$1,008,000	\$1,468,703	\$1,446,575	\$1,475,574	\$1,506,022

TECHNICAL CONSIDERATIONS: The provisions of the Coastal Recreational Fishing License become effective March 1, 2003. In order to give the public time to purchase a license prior to the license requirement becoming effective, this analysis assumed that license sales would begin January 1, 2003, two months prior to the March 1 effective date. However, the bill is silent as to the date that license sales can begin.

FISCAL RESEARCH DIVISION: 733-4910

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