

Department of Legislative Services
 Maryland General Assembly
 2011 Session

FISCAL AND POLICY NOTE

Senate Bill 420 (Senator Edwards)
 Education, Health, and Environmental Affairs

Hunting and Recreational Fishing Licenses - Issuance by Agent - Service Charge

This bill authorizes agents that issue hunting and recreational fishing licenses to impose a service charge of up to \$5 per license.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: Department of Natural Resources (DNR) special fund expenditures increase by \$50,000 in FY 2012 to modify licensing software. Special fund revenues may be impacted in FY 2012 and future years, but any impact cannot be reliably estimated. Although the bill takes effect June 1, 2011, State finances are not affected in FY 2011.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
FF Revenue	\$0	-	-	-	-
SF Expenditure	\$0	\$50,000	\$0	\$0	\$0
Net Effect	\$0	(\$50,000)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: The bill is not expected to significantly affect local operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background: DNR works with sports license agents, which in most cases are small businesses, to issue hunting and fishing licenses and stamps. Agents are

located throughout Maryland and include sporting goods stores, bait and tackle shops, and other businesses associated with recreational fishing, hunting, or boating activities. DNR advises that there are more than 250 agents throughout the State.

Generally, agents retain (1) \$1 per fishing license sold and issued; (2) \$0.75 for each resident senior hunting license and individual hunting stamp sold and issued; and (3) \$1.50 for each resident junior, nonresident junior, resident regular, nonresident regular, and nonresident three-day hunting license sold and issued.

In Maryland, the majority of hunting and recreational fishing licenses are sold by sports license agents. In 2010, 74% of licenses were sold by agents, 15% were sold online, 10.8% were sold at DNR regional service centers, and 0.2% were sold via the telephone. Currently, in addition to DNR license fees, customers pay convenience fees with online and telephone license purchases. The convenience fees are published on DNR's website and in the instructions for these purchase options, so customers can decide if the convenience is worth the additional cost.

State Revenues: In response to fishing license fee increases in 2008, DNR saw substantial changes in angler buying behavior that resulted in an 18% to 19% decrease in sales for several licenses and an 11% decrease in license sales overall. Because an increase in license fees has resulted in reduced license sales in the past, DNR licensing revenues may decrease, beginning in fiscal 2012, as a result of the bill. On the other hand, to the extent service fees established by agents prompt individuals to buy licenses from DNR instead of agents, DNR special revenues increase since agents will not be retaining a portion of each license fee. The overall impact on license sale revenues cannot be reliably estimated.

State Expenditures: While not required by the bill, if the bill passes, DNR advises that it will implement licensing software modifications to maintain the quality of its customer service; help ensure accountability among agents; and inform customers of the total price of licenses so they can make informed purchasing decisions. Thus, this estimate assumes DNR special fund expenditures increase by \$50,000 in fiscal 2012 to (1) modify sport licensing agent software to collect, store, and track service charge data; and (2) adjust related databases to reflect new agent profile information.

The bill also results in an increase in DNR's workload at each of the seven DNR regional service centers. Each service center has an industry liaison that serves as the main point of contact for managing agents. To implement the bill, the liaisons will create new agent agreements and identify a service charge amount with each agent in early fiscal 2012. DNR will enter the service charge amounts into each agent's profile and post all service charge amounts on the DNR website to keep customers informed of the additional fees. DNR will revisit service charges with each agent annually.

As noted above, if agents establish service charges, some customers may avoid agents and instead purchase licenses at DNR regional service centers or online to avoid service charges. To the extent this occurs, DNR's workload increases further. Also, the addition of agent service charges may lead to confusion and complaints by customers, increasing DNR's workload.

Small Business Effect: The majority of sports license agents are small businesses. To the extent sports license agents use this authority to establish additional service charges, small business revenues increase. However, to the extent customers avoid purchasing licenses from agents that have service charges, small business revenues decrease.

For illustrative purposes only, assuming that agents sell 74% of licenses, a total of 820,468 licenses are sold, and all 250 agents establish a \$5 service charge per license, agent revenues increase by \$3.0 million annually. This illustrative example, however, does not take into account any change in consumer behavior that may occur as a result of the establishment of agent service charges.

Additional Information

Prior Introductions: None.

Cross File: Although HB 1042 (Delegates Beitzel *et al.* – Environmental Matters) is designated as a cross file, it is different.

Information Source(s): Department of Natural Resources, Department of Legislative Services

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