

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

Senate Bill 437 (Senator Frosh)
Education, Health, and Environmental Affairs

**Nonresident Recreational Fishing and Crabbing Licenses - Oyster Restoration
Surcharge**

This bill authorizes the Department of Natural Resources (DNR) to require a nonresident to pay a surcharge in addition to any license fee for an angler's license (including a short-term license), a Chesapeake Bay and coastal sport fishing license (including a short-term license), and a recreational crabbing license. DNR must establish the amount of the surcharge by regulation. All surcharges collected must be credited to the Fisheries Research and Development Fund (FRDF) and used only for DNR activities relating to oyster restoration. DNR may adopt regulations necessary to implement the bill.

Fiscal Summary

State Effect: To the extent DNR chooses to impose a surcharge by regulation, the bill has an indeterminate impact on special fund finances by *increasing* revenues available for oyster restoration activities, but potentially also *decreasing* license fee revenues available for other fisheries management activities (due to decreased license sales). General fund expenditures may increase by up to \$25,000 if a surcharge is implemented due to one-time programming costs.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law:

Nonresident Licenses

Exhibit 1 shows the current nonresident fees for an angler's license, Chesapeake Bay and coastal sport fishing license, and recreational crabbing license.

Exhibit 1 Current Nonresident License Fees

<u>License Type</u>	<u>Duration</u>	<u>Fee</u>
Angler's	annual	\$30.50*
	7 days	7.50*
	3 days	5.00*
Chesapeake Bay and coastal sport fishing	annual	\$22.50
	7 days	12.00
Recreational crabbing	annual	\$10.00

*Greater of the amount shown or the fee charged a Maryland resident by the nonresident's home state for a similar license.

Revenue from angler's license fees is deposited into the Fisheries Management and Protection Fund, which is used for the scientific investigation, protection, propagation, and management of nontidal finfish, and for administrative costs.

FRDF is composed of revenue from, among other things, Chesapeake Bay and coastal sport fishing licenses; recreational crabbing licenses; commercial fishing licenses and permits; specified oyster and clam shell payments; the sale of seed oysters; specified fines or forfeitures; and general fund appropriations. FRDF revenues must be used for (1) replenishing fisheries resources and related research; (2) matching federal funds available for research and development of fishing resources; and (3) administrative costs.

Background: Since 1994, the Chesapeake Bay's oyster population has languished at 1% of historic levels, suitable oyster habitat has decreased 80%, and the number of harvesters has dwindled. To help reverse this trend, DNR unveiled a new management and restoration plan for oysters and the State's oyster industry in December 2009. The SB 437/ Page 2

plan increased the State's network of oyster sanctuaries from 9% to 24% of the bay's remaining quality oyster bars, established oyster aquaculture leasing opportunities and related financial assistance programs, and maintained 76% of the bay's remaining quality oyster habitat for a public oyster fishery.

DNR's oyster restoration activities include the construction of restored oyster reefs, oyster production, and the promotion of oyster aquaculture. Costs for DNR's oyster restoration and aquaculture program for fiscal 2015 through 2017 are projected to be just over \$10 million annually and to consist largely of capital general obligation bond funding, smaller amounts of general and federal funding, as well as funds received from the Maryland Port Administration.

State Fiscal Effect:

Oyster Restoration Surcharge

To the extent DNR chooses to impose a surcharge on the specified fishing and crabbing licenses, the bill has an indeterminate net impact on special fund finances. While revenues available for oyster restoration activities *increase* due to the surcharge, the surcharge may cause a *decrease* in revenues available for other fisheries management activities to the extent that the surcharge causes fewer licenses to be sold.

Analyses conducted by the research firm Responsive Management for Maryland in 2009 (*The Impact of Changes in Fishing License Structure and Fees on Fishing Participation and License Sales in Maryland*) and North Carolina in 2011 (*Understanding the Impact of Changes to North Carolina's Hunting and Fishing License Structure and Fee Schedule*) indicate that increases in license fees may result in a decrease in license sales based on experiences in other states.

According to DNR, in 2013 the department sold 76,689 of the nonresident licenses covered by the bill, generating \$2.0 million in license fee revenues. *For illustrative purposes*, a surcharge equal to 10% of each license fee could potentially generate \$200,000 for oyster restoration activities annually. However, that additional revenue may be less, and also offset by a decrease in license fee revenues, if the surcharge discourages some people from purchasing licenses. DNR indicates that the establishment of a surcharge may, in fact, result in a net decrease in special fund revenues.

One-time Programming Changes

To the extent DNR chooses to impose a surcharge, general fund expenditures may increase if COMPASS, the department's online licensing and registration system, needs to be modified to accommodate the surcharge. Any costs incurred are not expected to be more than \$25,000.

Small Business Effect: To the extent that the establishment of a surcharge reduces license sales, small businesses benefitting from sales or services provided to nonresident licensees (*e.g.*, hotels, restaurants, retailers) may be meaningfully impacted.

Additional Information

Prior Introductions: None.

Cross File: HB 618 (Delegate Lafferty) – Environmental Matters.

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

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ncs/lgc

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