

**Department of Legislative Services**  
 Maryland General Assembly  
 2004 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 841

(Senator Astle)

Education, Health, and Environmental Affairs

Environmental Matters

**Department of Natural Resources - Electronic System for Transactions**

This bill authorizes the Department of Natural Resources (DNR) to develop and implement an electronic system for the sale and issuance of licenses, permits, and registrations and the recording and releasing of security interests. DNR may adopt regulations to implement such a system and determine the appropriate fee levels that may be charged by a vendor and by DNR for the electronic transmission service.

The bill takes effect July 1, 2004.

**Fiscal Summary**

**State Effect:** Special fund revenues could increase by \$8,300 in FY 2005; future year estimates reflect increased electronic sales. Special fund expenditures could total \$50,000 in FY 2005 and \$25,000 in FY 2006 for enhancements to DNR's existing licensing database.

| (in dollars)   | FY 2005    | FY 2006  | FY 2007  | FY 2008  | FY 2009  |
|----------------|------------|----------|----------|----------|----------|
| SF Revenue     | \$8,300    | \$25,100 | \$41,700 | \$58,800 | \$75,800 |
| SF Expenditure | 50,000     | 25,000   | 0        | 0        | 0        |
| Net Effect     | (\$41,700) | \$100    | \$41,700 | \$58,800 | \$75,800 |

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

**Local Effect:** The bill would not materially affect local operations or finances.

**Small Business Effect:** Minimal.

## **Analysis**

**Bill Summary:** The electronic system may include provisions for: (1) recording titling and registration data; (2) recording and releasing liens without the issuance of a security interest filing; and (3) recording information relating to an application for a license, permit, or registration. DNR must develop the electronic system consistent with the Statewide Information Technology Master Plan.

**Current Law:** To obtain a permit, license, or registration issued by DNR, application forms must be taken to one of several DNR service centers throughout the State or to an authorized DNR agent. Agents retain fees as compensation for selling specified licenses.

**Background:** Although DNR does not issue licenses electronically, DNR maintains a centralized licensing database, the Customer Oriented Information Network (COIN) System. DNR operates seven service centers throughout the State. Approximately 300 agents statewide are authorized by DNR to sell fishing and hunting licenses.

According to the International Association of Fish and Wildlife Agencies, about 40 states have implemented Internet licensing systems since 1996. While some states have developed their systems in-house, most have used vendors. The percentage of total license sales sold through these systems varies significantly by state, but ranges from less than 1% to 35%.

**State Fiscal Effect:** DNR advises that it would use the authority established by the bill to implement phone and Internet licensing systems for the sale of fishing and hunting licenses and vessel registration renewals. Based on information provided by DNR, special fund expenditures could increase by an estimated \$50,000 in fiscal 2005 and \$25,000 in fiscal 2006, which reflects costs for upgrading the COIN system to accept, integrate, and report electronic sales information. The electronic licensing system software will be customized and maintained by a vendor at no cost to the State. (The vendor will generate its revenue from convenience fees paid by the license/registration purchaser.)

Special fund revenues would increase by an estimated \$8,289 in fiscal 2005, which reflects a start-up delay. This estimate is based on the number of relevant licenses issued and registrations renewed in 2002. It reflects \$4,426 in electronic transmission service fees, assuming DNR sets a fee of \$1 per license or registration, and \$3,863 in increased license revenue because, under the electronic licensing system, agent fees would not apply. (Agents retain a specified portion of license fees as compensation for issuing various licenses.) Based on the experience of other states with electronic licensing systems, DNR anticipates that, in fiscal 2005, electronic license sales would account for

about 0.5% of fishing and hunting licenses sold and 0.25% of vessel registrations renewed.

Future year estimates reflect increased electronic licensing and assume that the total number of licenses issued and registrations renewed remains constant. By fiscal 2009, it is assumed that 4.5% of fishing and hunting licenses will be sold electronically and 3.5% of vessel registrations will be renewed electronically.

DNR advises that it could use net revenues generated under the bill to supplant the use of other DNR special funds used for licensing and registration activities, thus freeing up those funds for more programmatic activities. Also, DNR advises that, at some point, it might reduce the service fee it plans to charge in an effort to encourage electronic licensing.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Natural Resources, International Association of Fish and Wildlife Agencies, Department of Legislative Services

**Fiscal Note History:** First Reader - March 10, 2004  
ncs/ljm Revised - Senate Third Reader - April 1, 2004

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