

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 654 (Delegate Boutin, *et al.*)
 Environmental Matters

Department of Natural Resources - Electronic Transactions

This bill authorizes the Department of Natural Resources (DNR) to develop and implement an electronic system for: (1) receiving, over the Internet, information or fees required for the sale or issuance of any license, permit, or registration under the Natural Resources Article; and (2) completing such a sale or issuance over the Internet. The bill authorizes DNR to determine the appropriate fee to be paid to a service provider and to adopt regulations to implement the bill.

Fiscal Summary

State Effect: Special fund expenditures could be as high as \$231,300 in FY 2005 to develop and implement the system; future year estimates are adjusted for inflation and reflect ongoing maintenance costs. Special fund revenues could increase by \$5,000 in FY 2005; future year estimates reflect increased Internet sales.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	\$5,000	\$20,000	\$30,000	\$40,000	\$50,000
SF Expenditure	231,300	75,800	76,500	77,300	78,000
Net Effect	(\$226,300)	(\$55,800)	(\$46,500)	(\$37,300)	(\$28,000)

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

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 over the Internet, 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 Expenditures: DNR advises that it would use the authority established by the bill to implement an Internet licensing system. According to DNR, the first phase of the system would focus on fishing and hunting licenses; over time, the system would likely be expanded to include vessel registrations. Because the cost to implement a system depends largely on future negotiations with a vendor, it is difficult to reliably estimate the bill's impact on expenditures. Based on information provided by DNR, however, special fund expenditures could increase by as much as \$231,250 in fiscal 2005, which reflects the bill's October 1, 2004 effective date. This estimate reflects one-time costs of an estimated \$175,000 (\$100,000 for vendor assistance with the initial procurement process and \$75,000 for the initial interfaces with the COIN System) and maintenance costs of an estimated \$56,250. Future year estimates are annualized and reflect 1% annual increases in maintenance costs.

Because DNR would try to negotiate with a vendor to reduce costs, however, total expenditures could be significantly less. In addition, depending on how the system is developed, costs DNR currently incurs to mail licenses could decrease. It is assumed that DNR would be able to pass on any convenience fees or credit card fees that may be established to the purchaser; to the extent DNR is unable to do so, DNR would have to absorb that cost.

State Revenues: Based on the number of fishing and hunting licenses currently sold through agents, for every 1% of such licenses sold over the Internet, special fund revenues would increase by about \$10,000 annually because agent fees would not apply. (Agents retain specified fees as compensation for issuing various licenses.) Based on the experience of other states with Internet licensing systems, DNR anticipates that Internet

license sales would account for about 0.5% of fishing and hunting licenses sold in fiscal 2005 due to the bill's effective date and a start-up delay. Accordingly, special fund revenues could increase by an estimated \$5,000 in fiscal 2005. Future year estimates reflect Internet license sales accounting for 2% of fishing and hunting licenses sold in fiscal 2006, increasing by 1% per year. To the extent the number of licenses sold over the Internet is higher than what is currently anticipated, revenues would increase accordingly.

Additional Comments: In the long run, it is anticipated that increased revenues from the sale of licenses over the Internet would offset costs to maintain the system.

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

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