

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 327 (Delegate Beitzel, *et al.*)
Environmental Matters

Natural Resources - Black Bear Damage - Funds for Reimbursement

This bill requires permit application fees collected by the Department of Natural Resources (DNR) for the black bear hunting permit lottery to be used to make up any difference between the balance in the Black Bear Damage Reimbursement Fund and the amount of money sufficient to satisfy all claims for reimbursement for eligible black bear damage.

Fiscal Summary

State Effect: Special fund expenditure increase of up to approximately \$36,000 annually, reflecting payment of claims for reimbursement for black bear damage. Potential significant annual decrease in federal fund revenue that supports wildlife management programs due to noncompliance with federal requirements applicable to wildlife restoration funding.

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: If money in the Black Bear Damage Reimbursement Fund is not sufficient to satisfy all claims for reimbursement, an equal percentage of each claim is paid. The Black Bear Damage Reimbursement Fund consists primarily of proceeds from the sale of conservation bear stamps or decals and may be used by DNR to provide reimbursement for damage to a person's beehives, fruits, or other crops, or livestock and poultry. Eligibility for reimbursement is contingent on a person having followed

recommended black bear damage preventative measures, a determination of the damage amount by an extension agent of the University of Maryland Cooperative Extension Service, and verification by DNR that the damage was caused by black bears. Subject to available funding, a person may be reimbursed for between \$200 and \$3,000 per year.

Background:

Black Bear Damage Reimbursement Fund

The Black Bear Damage Reimbursement Fund was established under Chapter 418 of 1996. DNR has been selling bear stamps and decals since then to raise revenue for the fund to reimburse landowners for bear damage. Some additional funding has been generated from donations and sales of other items. DNR indicates the revenue generated for the fund has never equaled the claims for bear damage, and the reimbursement rates have ranged from 8% to 72%. As shown in **Exhibit 1**, the number and amount of claims submitted each year and the amount paid in reimbursement has varied from year to year.

Exhibit 1
Summary of Black Bear Damage Claims in Maryland

<u>Year</u>	<u>Claims Submitted</u>	<u>Amount Paid</u>	<u>% of Claim Paid</u>	<u>Number of Claims</u>
1996	\$21,941	\$8,756	40	26
1997	49,782	17,407	35	35
1998	19,421	6,615	34	26
1999	14,209	7,291	51	10
2000	12,170	8,519	70	13
2001	36,389	17,742	49	24
2002	21,146	11,995	57	18
2003	50,523	4,024	8	19
2004	8,673	3,477	40	5
2005	4,603	3,301	72	4
2006	15,236	2,129	14	18
2007	6,451	1,934	30	15

Note: Years represent the calendar year in which the damage occurred. Reimbursement is paid in the first half of the calendar year following the year in which the damage occurred.

Source: Department of Natural Resources

Black Bear Hunt

Maryland's first black bear hunting season took place in 2004. Interested hunters pay a \$15 application fee (not refunded), and a limited number of permits are issued via a lottery system. An additional fee is not charged for the permit.

Over the five years since the black bear hunt began, an average of \$39,135 in application fee revenues has been generated, from an average of 2,610 applicants. DNR, however, only collected an average of \$27,299 in net revenues after costs were deducted by the vendor that runs the lottery system. Interest in the hunt has generally been increasing, and in 2008, \$49,170 (\$36,212 in net revenues to DNR) in application fee revenue was generated from 3,278 applicants.

State Expenditures: Special fund expenditures increase by up to approximately \$36,000 annually, reflecting payment of claims for reimbursement for black bear damage with money collected from black bear hunt permit application fees. This money is paid out of the State Wildlife Management and Protection Fund in which revenues collected by DNR from black bear hunt permit application fees are deposited. The information and assumptions used in calculating the estimate are stated below:

- Permit fee revenues collected by DNR in fiscal 2010 and future years are similar to those collected in fiscal 2009 from the 2008 black bear hunt. Revenues have been increasing in recent years as more permit applications have been submitted each year since 2005 (a trend which, if continued, could result in higher potential special fund expenditures increases), but future interest in the bear hunt and associated application fee revenues collected cannot be reliably estimated at this time.
- Only DNR's net revenues (excluding vendor costs for running the permit lottery) are subject to diversion toward black bear damage reimbursement. The vendor that conducts the black bear hunt permit lottery for DNR deducts its costs from permit application fees it receives and forwards the remaining revenues to DNR. If the bill were interpreted to require the full amount of permit fees to be diverted to black bear damage reimbursement, the potential special fund increase would be higher. As noted above, in 2008 (fiscal 2009) \$49,170 in application fees was generated prior to deduction of vendor costs.

Special fund expenditures increase by *up to* approximately \$36,000 annually, but the actual special fund expenditure increase each year depends on the amount of claims for reimbursement submitted and whether the full amount of permit fee revenues is needed to pay the claims. In fiscal 2008, for example, the dollar amount of claims submitted was \$6,451, down from \$15,236 in fiscal 2007. A similar dollar amount of claims in

fiscal 2010 would result in a considerably smaller special fund expenditure increase than \$36,000. DNR, however, expects that the number of claims will increase when affected landowners become aware that more funding is available (*See Small Business Effect*).

State Revenues: Federal fund revenues may annually decrease significantly due to federal requirements under the Pittman-Robertson Federal Aid in Wildlife Restoration Act. Federal regulations require, as a condition for eligibility for wildlife restoration funding, that license fees paid by hunters not be diverted to purposes other than the administration of a state's fish and wildlife agency. DNR advises, after consultation with U.S. Fish and Wildlife Service (which distributes the funding) personnel, that the diversion of license fees under this bill is not a permissible use under the federal requirements and will cause DNR to be ineligible for federal funding.

In fiscal 2006, 2007, 2008, and 2009, DNR has received \$2.1 million, \$2.3 million, \$2.2 million, and \$3.3 million, respectively, of such funding.

Small Business Effect: Small businesses that incur damage and are eligible for reimbursement from the Black Bear Damage Reimbursement Fund benefit from the availability of additional reimbursement funding. As mentioned above, due to lack of available funds, full reimbursement of submitted claims has not occurred since the establishment of the fund. In addition, submitted claims may only represent a portion of the damage eligible for reimbursement in a given year. For example, DNR indicates the Maryland Field Office of the U.S. Department of Agriculture's National Agricultural Statistics Service reported that farmers in Allegany and Garrett counties experienced \$124,007 in bear-related damage in 2006. However, as shown in Exhibit 1, only 18 claims of bear damage totaling \$15,326 were submitted to DNR for reimbursement in 2006, and only \$2,129 was paid out.

DNR indicates the loss of federal wildlife restoration funding will severely hinder the department's ability to continue its hunting programs, potentially reducing hunting in the State. This could have a negative effect on sales revenue of small businesses that cater to the hunting community.

Additional Information

Prior Introductions: None.

Cross File: SB 293 (Senator Edwards) - Education, Health, and Environmental Affairs.

Information Source(s): Department of Natural Resources, University of Maryland (Maryland Cooperative Extension), Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2009
ncs/ljm

Analysis by: Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510