

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE

Senate Bill 525 (Senators Colburn and Dyson)
 Education, Health, and Environmental Affairs

Fishing - Sustainable Fisheries Enforcement Fund

This bill establishes a \$10 annual surcharge on specified fishing licenses and creates a Sustainable Fisheries Enforcement Fund (a special, nonlapsing fund) to finance the enforcement of fisheries laws and regulations by the Department of Natural Resources (DNR) Natural Resources Police (NRP) and related administrative costs. The surcharge is applied to anglers licenses, commercial tidal fishing licenses, and Chesapeake Bay and Coastal Sport Fish licenses. DNR must administer the fund. Expenditures from the fund for NRP enforcement activities must be supplemental to, and not take the place of, funding that would otherwise be appropriated.

The bill takes effect December 1, 2013.

Fiscal Summary

State Effect: Net special fund revenues for DNR increase by \$1.4 million in FY 2014, which reflects the bill’s December 1, 2013 effective date, and by \$1.8 million annually thereafter. The net increase reflects an *increase* in revenues from the new surcharge, but a *decrease* in existing recreational fishing license fee revenues as a result of the establishment of the surcharge. Net special fund expenditures increase correspondingly. General fund revenues increase minimally from investment earnings of the new fund.

(\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
GF Revenue	-	-	-	-	-
SF Revenue	\$1.4	\$1.8	\$1.8	\$1.8	\$1.8
SF Expenditure	\$1.4	\$1.8	\$1.8	\$1.8	\$1.8
Net Effect	\$0	\$0	\$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: Meaningful.

Analysis

Bill Summary: The fund consists of (1) surcharges on nontidal, commercial tidal, and recreational tidal fishing licenses; (2) money appropriated in the State budget to the fund; (3) the fund's investment earnings; and (4) any other money from any other source accepted for the fund's benefit. The fund's investment earnings must be retained and may not be transferred to the general fund.

The bill requires expenditures from the fund to be made only in accordance with the State budget.

Current Law: DNR offers numerous types of fishing licenses that authorize fishing during different time periods, for specific animal species, and within specific geographic locations. Among others, the fishing licenses DNR offers include the:

- annual nontidal fishing license, which currently costs residents \$20.50 and allows licensees to fish in the State's fresh waters from January 1 through December 31;
- annual tidal fishing license, which is the single, commercial license issued by DNR with respect to fishing and fisheries in tidal waters and is in effect from September 1 through August 31 of the following year. The annual fee for an unlimited authorization is \$300;
- annual tidal Chesapeake Bay sport fishing license, which currently costs residents \$15 and allows licensees to fish in the Chesapeake Bay and its tributaries from January 1 through December 31;
- annual charter boat license, which costs \$240 to \$290 and allows everyone on board a charter boat operated by a licensed fishing guide to fish in tidal waters;
- annual Chesapeake Bay and Coastal sport boat fishing license, which costs \$50 annually and allows everyone on board a vessel used for pleasure to recreationally fish in the Chesapeake Bay and its tributaries in lieu of individual licenses; and
- annual commercial fishing pier license, which costs the pier owner or operator \$290 and exempts individuals fishing from the pier from purchasing a fishing license.

Revenue generated from the sale of angler's licenses is deposited into the Fisheries Management and Protection Fund (FMPF) and used only for the scientific investigation, protection, propagation, and management of nontidal finfish. The Fisheries Research and Development Fund (FRDF) is composed of revenue from, among other things, Chesapeake Bay and coastal sport fishing 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: NRP serves as a public safety agency with statewide authority to enforce all natural resources and conservation laws and regulations relating to seafood harvesting and sport fishing, boating, waterways pollution, wildlife conservation, and enforcement activities in State parks, forests, and other public lands. In addition, NRP is responsible for maritime and rural search and rescue and is the lead agency for maritime homeland security on State waterways. NRP also provides public education in the areas of hunting, boating, and water safety. Each NRP officer has full law enforcement powers statewide. The fiscal 2013 State budget and the Governor's proposed fiscal 2014 budget authorize 238 NRP officers.

DNR advises that there were a total of 451 law enforcement positions within both NRP and the State Forest and Park Service in 1990. In 2005/2006, when NRP assumed responsibility for law enforcement in State forests and parks, law enforcement positions associated with State forests and parks were consolidated into NRP. Currently, 238 NRP officer positions are authorized to provide law enforcement throughout the State. This information suggests that while NRP's responsibilities have increased substantially over the past 20 years, the number of NRP officers available to fulfill these responsibilities has decreased.

In January 2013, DNR submitted a report on NRP level of service standards to the budget committees, in accordance with the 2012 *Joint Chairmen's Report*. Among other things, the report had several findings about NRP staffing levels, which are summarized below.

- To offset anticipated retirements, NRP must hire and train enough recruits to replace a minimum of 14 officers annually over the next five years.
- A total of 233 NRP patrol officers – 70 more than current staffing levels – are required to handle the current patrolling workload. In addition, 10 positions are required to support the additional NRP officers on patrol duty.
- NRP officers should be hired on a contractual, rather than permanent, basis to respond to summer peak workload demands in State forests and parks.

State Fiscal Effect: DNR's net special fund revenues and expenditures increase by \$1.4 million in fiscal 2014, which reflects the bill's December 1, 2013 effective date, and by \$1.8 million annually thereafter. The net increase in revenues reflects (1) a *decrease* in existing license fee revenues paid into FMPF and FRDF resulting from a decrease in the number of recreational licenses sold and (2) an *increase* in special fund revenues from the new surcharge, as discussed below. Thus, special fund expenditures from FMPF and FRDF decrease, and special fund expenditures from the new Sustainable Fisheries Enforcement Fund increase.

Fisheries Management and Protection Fund/The Fisheries Research and Development Fund

Based on DNR's actual experience with fee increases in 2007, DNR estimates that the establishment of a \$10 surcharge will reduce recreational fishing license revenues by approximately 11%. Based on recreational license fee revenues from the 2011-2012 fishing season, license fee revenues decrease by an estimated \$721,600 in fiscal 2014 (due to the bill's effective date) and by an estimated \$902,000 annually thereafter. As a result, DNR's Fisheries Service will need to reduce its expenditures. According to DNR, the reductions could be made in service contracts, facilities, or staffing. *For illustrative purposes*, DNR advises that if the entire reduction were addressed through staff reductions, DNR would need to eliminate 13 full-time employees.

Sustainable Fisheries Enforcement Fund

Special fund revenues to the new fund increase by an estimated \$2.1 million in fiscal 2014, which reflects the bill's December 1, 2013 effective date, and by an estimated \$2.7 million annually thereafter due to the new surcharge. This estimate is based on the following information and assumptions:

- 299,304 individuals purchased licenses in 2012;
- each person who purchases a fishing license is required to pay the surcharge only once annually;
- 11% of people who currently purchase recreational fishing licenses will no longer do so as a result of the surcharge; and
- 80% of the people who purchase fishing licenses do so during the December through June period.

Special fund expenditures from the new fund increase correspondingly for NRP to enforce fisheries laws and regulations. It is assumed that DNR will hire additional NRP officers as a result of the establishment of this new special fund, but it is unclear how many officers will be hired and when the positions will be filled.

Investment Earnings

Although the bill specifies that the fund's investment earnings accrue to the new special fund, it does not amend § 6-226 of the State Finance and Procurement Article to exempt the fund from existing law that requires all investment earnings and interest from special funds to accrue to the general fund. Thus, general fund revenues increase minimally from interest earned on the new special fund.

Small Business Effect: The bill has a significant impact on small fishing businesses and other small businesses in the fishing industry. Because a new fee is established, the bill has a negative impact on, among others, the approximately 5,480 watermen with commercial fishing licenses. Also, DNR works with agents, which in most cases are small businesses, to issue fishing licenses. To the extent increasing the fees for fishing licenses leads to a decrease in licenses issued, there may be an indirect negative impact on hotels, restaurants, and retailers.

Additional Comments: While this analysis assumes that an individual is required to pay the surcharge not more than once annually, the bill is not clear.

Additional Information

Prior Introductions: None.

Cross File: HB 1241 (Delegates Jacobs and Wood) - Environmental Matters.

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

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mm/lgc

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