

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 113

(Chair, Education, Health, and Environmental Affairs
Committee)(By Request - Departmental - Natural
Resources)

Education, Health, and Environmental Affairs

Environment and Transportation

Natural Resources - Recreational License Incentive Discount Program

This departmental bill establishes a Recreational License Incentive Discount Program in the Department of Natural Resources (DNR) to provide incentive discounts on recreational fishing and hunting licenses. Incentive discounts may not exceed 50% of the underlying license fee and may be offered or provided only to an individual who has not held the specific license within the previous two years. DNR is authorized to adopt regulations to implement the bill. **The bill takes effect June 1, 2018.**

Fiscal Summary

State Effect: Special fund revenues likely decrease annually, at least in the near term, by an indeterminate amount. Expenditures are not affected.

Local Effect: None.

Small Business Effect: DNR has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment.

Analysis

Current Law/Background:

Chapter 22 of 2014 – Recreational Incentives Pilot Program

Chapter 22 of 2014, which terminated September 30, 2017, established a Recreational Incentives Pilot Program within DNR to determine whether incentive discounts offered to individuals who have not purchased a recreational fishing or hunting license in the previous three years increases the purchase of those licenses. The department was required to develop and carry out a specified plan to implement the pilot program; under the plan, an incentive discount could not exceed 50% of the underlying license fee or be offered or provided to an individual who had held the specific license within the previous three years.

Under the pilot program, discounts were only offered on recreational fishing licenses (not on hunting licenses) – specifically, on the annual angler’s (nontidal) and annual Chesapeake Bay and coastal sport fishing (tidal) licenses. The overall program consisted of both a youth program, offering discounts to 16-year-olds (the age at which a person must first have a license in order to fish recreationally), and a program for new and returning adult licensees who had not held a license in the previous three years. In both cases, a 50% discount was offered. The youth program was offered throughout calendar 2016 and the adult program was offered during two shorter time periods (one from the middle of December 2014 through January 2015 and one during two weeks in April 2015).

The discount program appears to have attracted some new and returning licensees that would not otherwise have purchased a license, but not enough to outweigh the loss in revenue (at least in the near term) resulting from providing the discount to new and returning licensees that were planning on purchasing a license anyway, regardless of the discount.

Fishing and Hunting License Fees

Varying fees apply for DNR recreational fishing and hunting licenses. The annual fees for resident angler’s (nontidal), Chesapeake Bay and coastal sport fishing (tidal), and hunting licenses are \$20.50, \$15.00, and \$24.50, respectively. Lower fees apply to certain junior, senior, and short-term licenses, and higher fees apply to nonresident licenses. More detailed information can be found in DLS’ recent report [Maryland Fishing and Hunting Licenses, Permits, and Stamps \(September 2017\)](#).

State Revenues: DNR special fund revenues likely decrease annually, at least in the near term, based on information provided by DNR from its experience with the pilot program conducted pursuant to Chapter 22 of 2014. However, the bill provides DNR relatively

broad discretion as to how the discount program is designed, and the impact on special fund revenues cannot be reliably estimated without knowing how the program is ultimately implemented. The effect of the discount program on special fund revenues depends primarily on:

- the percentage of the discount offered (the bill allows up to a 50% discount);
- the number of people who the discount is provided to who would have purchased a license regardless of the discount;
- the number of people who the discount is provided to who purchase the license as a result of the discount; and
- the number of people who purchase the license as a result of the discount who go on to purchase a license in subsequent years at full price.

Exhibit 1 shows two illustrative scenarios, one in which a discount program results in an overall *increase* in revenue over the first five years of the program and one in which there is an overall *decrease* in revenue over the first five years. For simplicity, the scenarios only focus on one license type – resident annual angler’s licenses. Under the bill, discounts could be applied to other types of fishing and hunting licenses as well. For context, the total number of resident annual angler’s licenses sold in 2016 (to all licensees) was 117,204.

Information provided by DNR indicates that the pilot program under Chapter 22 of 2014 likely resulted in at least an initial decrease in revenue, since it appears that a similar circumstance as shown in Scenario 2 in Exhibit 1 occurred (where there were already a significant number of people purchasing licenses each year who had not purchased those licenses in the three previous years, and the discount did not draw enough additional purchases to outweigh the loss in revenue from discounts provided to persons who would have purchased a license at full price, regardless of the discount). It is not clear how many of the people who bought a discounted license under the pilot program (as a result of the discount), have become repeat customers, purchasing licenses at full price in subsequent years; therefore, it is unclear to what extent the pilot program may have a net positive effect on revenue in later years.

Exhibit 1
Discount Program Illustrative Scenarios

Assumptions

- A 50% discount is offered on resident annual angler’s licenses (\$20.50) to persons who have not held the license in the previous two years
- 10,000 people take advantage of the discount each year
- 40% of those 10,000 each year become repeat customers and go on to purchase full price licenses in subsequent years
- **Scenario 1** – Of the 10,000 people, 2,500 would have purchased a license regardless of the discount and 7,500 purchased a license because of the discount
- **Scenario 2** – Of the 10,000 people, 7,500 would have purchased a license regardless of the discount and 2,500 purchased a license because of the discount

Scenario 1

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>Total</u>
Revenue lost – on discounted licenses that would have been purchased regardless of the discount (-\$10.25 x 2,500)	(\$25,625)	(\$25,625)	(\$25,625)	(\$25,625)	(\$25,625)	(\$128,125)
Revenue gained – from discounted licenses purchased because of the discount (\$10.25 x 7,500)	\$76,875	\$76,875	\$76,875	\$76,875	\$76,875	\$384,375
Revenue gained – from full-price licenses purchased in subsequent years by licensees who purchase because of the discount and go on to become repeat customers (\$20.50 x 7,500 x 40%) (compounded in future years)		\$61,500	\$123,000	\$184,500	\$246,000	\$615,000
Net Fiscal Impact	\$51,250	\$112,750	\$174,250	\$235,750	\$297,250	\$871,250

Scenario 2

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>Total</u>
Revenue lost - on discounted licenses that would have been purchased regardless of the discount (-\$10.25 x 7,500)	(\$76,875)	(\$76,875)	(\$76,875)	(\$76,875)	(\$76,875)	(\$384,375)
Revenue gained - from discounted licenses purchased because of the discount (\$10.25 x 2,500)	\$25,625	\$25,625	\$25,625	\$25,625	\$25,625	\$128,125
Revenue gained - from full-price licenses purchased in subsequent years by licensees who purchase because of the discount and go on to become repeat customers (\$20.50 x 2,500 x 40%) (compounded in future years)		\$20,500	\$41,000	\$61,500	\$82,000	\$205,000
Net Fiscal Impact	(\$51,250)	(\$30,750)	(\$10,250)	\$10,250	\$30,750	(\$51,250)

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 15, 2018
nb/lgc Third Reader - January 24, 2018

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: **Natural Resources – Recreational Licenses –
Incentive Discounts**

BILL NUMBER: SB 113

PREPARED BY: Sarah Widman

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

There may be a slight increase in sales of fishing and hunting equipment by small businesses as a result of this bill if the number of new recreational licensees continues to increase.