

FISCAL NOTE
Requested by Legislative Council
01/10/2017

Revised
 Bill/Resolution No.: HB 1268

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$13,218,000		\$(39,518,000)
Expenditures				\$100,000		\$0
Appropriations				\$100,000		\$0

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The bill creates a lifetime fishing license and the department to adopt rules necessary to determine eligibility and license fee. The bill would significantly reduce license sales revenue and could reduce federal revenue from USFWS.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The bill would significantly reduce license sales revenue and could reduce federal revenue from the USFWS.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The bill would significantly reduce license sales revenue in the future. The Department currently has several types of resident fishing licenses. The estimate we used for the fiscal note is based on the average age of individuals who purchased a \$16 resident fishing license for the 2015-16 license season. The average age is 36 years old and the life expectancy is 78 years based on actuarial life tables. The number of \$16 resident fishing licenses sold for the 2015-16 license season was 60,913. Based on this, we estimated a NET potential loss of \$23.7M from fishing licenses and \$2.6M from the annual certificate fee sales. The total NET loss is \$26.3M over the lifetime of the license holder.

Also, there would be a significant loss of non-resident (NR) license revenue when Residents purchase a lifetime license prior to moving out of state. This was not included in the above figures.

The earliest the proposed bill would take effect is the 2018 season. We do not know how many anglers would purchase the license in the first year. The first year we will collect the full amount of the revenue upfront for the lifetime license. The remaining years will be a loss of revenue. For simplicity, we showed the entire estimated loss of revenue in 2019-21 beinnium; even though the loss would be spread over countless future years. Since we don't know what year an angler would purchase the lifetime license we are unable to project with any certainty which year the loss would occur.

Lifetime licenses are an unpredictable future revenue source. It is also possible for the department to lose future

USFWS federal revenue by not being able to count lifetime licenses as an annual license. This potential loss was not estimated nor included in the above figures.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The proposed bill would require additional staff time and IT programming changes to the Game and Fish online licensing system. We would need to determine whether to sell the lifetime fishing license as a set fee for all ages or base it on age brackets which would add more complexity. In addition, each individual for each lifetime license will need to be flagged and tracked for life by annually renewing the license, which adds additional cost. We estimate the IT programming changes to cost the department approx. \$100,000. It would take ITD a significant amount of time for these complex programming changes.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

This bill creates a one-time cost of \$100,000 for IT programming changes.

Name: Kim Kary

Agency: ND Game and Fish Dept.

Telephone: 328-6605

Date Prepared: 01/25/2017

FISCAL NOTE
Requested by Legislative Council
01/10/2017

Bill/Resolution No.: HB 1268

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(26,300,000)		
Expenditures				\$100,000		
Appropriations				\$100,000		

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

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Lifetime licenses are an unpredictable future revenue source. It is also possible for the department to lose future USFWS federal revenue by not being able to count lifetime licenses as an annual license. This potential loss was not estimated nor included in the above figures.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

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This bill creates a one-time cost of \$100,000 for IT programming changes.

Name: Kim Kary

Agency: ND Game and Fish Dept.

Telephone: 328-6605

Date Prepared: 01/18/2017

2017 HOUSE ENERGY AND NATURAL RESOURCES

HB 1268

2017 HOUSE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee Coteau –A Room, State Capitol

HB 1268
1/19/2017
27146

- Subcommittee
 Conference Committee

Committee Clerk Signature

Kathleen Davis

Explanation or reason for introduction of bill/resolution:

relating to administrative rules that would impose a fiscal impact on the oil and gas industry

Minutes:

Attachment #1 - #2

Chairman Porter: Opened the meeting.

Rep. Dobervich: I would like to start this with saying that one of the co-sponsor's called this a "fun little bill" so I would encourage everyone to keep their minds open to it being a fun little bill before we get to the spirited discussion afterwards. Continued with testimony (Attachment #1)

Rep. Lefor: Have you gotten a look at the fiscal note and what would you comment be on that?

Rep. Dovervich: I have not had a chance to look at the fiscal note yet but the last information I had gotten was just some print out worksheets that I had done on it and I was under the impression that the fiscal not was going to be completed and printed and here.

Rep. Keiser: The game and fish is what I call an enterprise fund. They don't receive general fund dollars. All of their revenues come from fees and penalties collected and other sources of income that they manage and regulate. Your approach has been to take current numbers and kind of extend them into a lifetime limit but the dilemma with that is it doesn't incorporate inflation and that is a real problem for the funding of this agency. You are a freshman so you haven't had the opportunity to watch this committee work but we rarely but occasionally get request from the department to raise fees because they have a defecate in their budget and with this approach all of those raises that would incur would have to be absorbed by those people not buying the life time licenses this is a protection from inflation for those people. I understand that but do you think that's really fair? Even if it is 5% of the people to escape those increased fees.

Rep. Dobervich: That is one of those things that came to mind and truly not being a communist it was difficult to estimate how many people would spend \$500 plus dollars for

one of these lifetime licenses so it was and is truly impossible to figure out what those numbers might look like. I do agree that it is not fair to put the cost of inflation on the backs of other individuals so I would definitely agree with you on that point. So for the fiscal aspect of this again it is truly and constituent based request for a bill that seemed like a fun little bill and I do truly leave it at the committee to do with it what they choose to do. I personally don't fish, but I come from a family who are diehard fishers so whatever you choose to do with it I will still like you all after the vote. I do what to make sure very much that fiscally the state of North Dakota if this were to pass is not put in a bad situation.

Rep. Mitskog: I see that Minnesota and I live on the boarder of Minnesota, and being the state of 10,000 lakes I am very familiar with the fishing and they offer a lifetime fishing license, is that correct?

Rep. Dobervich: That is correct. In Minnesota there is a different rate for different age groups and in North Dakota if you are under the age of 16 there is no charge. That was not figured into the initial cost of the life time fishing license that those first 16 years of life were still considered free years of fishing. In Minnesota the rates for a child 5 and under is \$305 if you purchase it at that age. Going up to \$508 so Minnesota does offer a lifetime fishing license.

Rep. Roers Jones: I was going to ask something along the same lines if you purchase one from Minnesota I know that they have this program that's the lifetime hunting and fishing license. So I wanted to know if you had any data from their program that you had been able to look at to see how the implement. How profitable or unprofitable it has been. I'm guessing maybe not but I also want to add that I think part of the benefit of the youth less expensive one to purchase one or who are not hunters or fishers down the road but you are still getting it just in case they are. So you are collecting some money that wouldn't otherwise be collected.

Rep. Dobervich: I did not look at Minnesota's program other than what are their rates so there would be some comparison to be able to offer. I did not look deep into detail. But I would be happy to provide you with that if there is a request.

Chairman Porter: Is there any other support? Any opposition?

Foster R. Hager, Representing the Cass County Wild Life: When you bring up Minnesota they don't have a game and fish they have a natural resource department that operates a lot differently so you are kind of comparing apples and oranges and ending up with lemons as far as this bill is concerned. This bill will cost money to the department of game and fish and therefore that's a reason we oppose it.

Chairman Porter: Any further testimony in opposition? Would the department come up and walk us through the fiscal note please?

Kim Kary, Chief of Administrative Services Division OF North Dakota Game and Fish Department: Read testimony. (Attachment #2)

Chairman Porter: One thing I would ask is the way this reads I don't see anything in here that restricts this to residents only. The way I read this it could be anyone that fishes could buy this lifetime license and where its placed in the code is just under the duties of the director. So I don't see where it is jut resident in the first place.

Rep Lefor: When you did your fiscal not what did you plug into a figure for the lifetime fee?

Kim Kary: We decided to start with bare bones and say what would the feds make us charge for a thirty-six-year-old we used the minimum fee of \$234. That's what's giving us the big negative revenue. The number that representative Dobervich had received wasn't even really a number that we had discussed yet or even had ready. He was up communicating some of the concerns and that \$500 is not near what we would need it would almost have to be double that.

Chairman Porter: Closed the hearing.

2017 HOUSE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee Coteau –A Room, State Capitol

HB 1268
1/19/2017
27149

- Subcommittee
 Conference Committee

Committee Clerk Signature

Kathleen Davis

Explanation or reason for introduction of bill/resolution:

Relating to lifetime fishing licenses

Minutes:

Chairman Porter: Called the committee to order on HB1268.

Rep. Lefor: I move a Do Not Pass.

Rep. Ruby: Seconded.

Chairman Porter: I have a motion for a Do Not Pass from Rep. Lefor for a do not pass to HB 1268, second from Rep. Ruby. Discussion?

Rep. Seibel: I'm considering not voting for the Do Not Pass because I was hoping to buy one! (laughter).

Chairman Porter: Rep. Seibel, based upon the fee, and the \$16 divided out, I think it would be a bad investment on your part but I'm no actuarial! (laughter) We've had numerous bills in front of us that have looked at doing this. We are a very unique state and agency the way we operate solely off the fees and federal matching funds. We've always felt that actuarially it would never put us in a good future position to do this. We've always kept our fees very much in line for these recreational sports, so we've said no to this concept. Any other discussion? Seeing none the clerk will call the roll on a Do Not Pass on HB 1268.

Yes 12, No 0, Absent 2

Chairman Porter: Rep. Lefor will carry the bill. Thank you very much. Session closed on HB 1268.

Date: 1-19-17

Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1268

House Energy & Natural Resources Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass
- As Amended
- Place on Consent Calendar
- Without Committee Recommendation
- Rerefer to Appropriations

Other Actions Reconsider _____

Motion Made By Rep Lefor Seconded By Rep. Ruby

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter	✓		Rep. Lefor	✓	
Vice Chairman Damschen	✓		Rep. Marschall	✓	
Rep. Anderson	✓		Rep. Roers Jones	✓	
Rep. Bosch	✓		Rep. Ruby	✓	
Rep. Devlin	✓		Rep. Seibel	✓	
Rep. Heinert	✓				
Rep. Keiser	A		Rep. Mitskog	A	
			Rep. Mock	✓	

Total (Yes) 12 No 0

Absent 2

Floor Assignment Rep Lefor

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1268: Energy and Natural Resources Committee (Rep. Porter, Chairman)
recommends **DO NOT PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING).
HB 1268 was placed on the Eleventh order on the calendar.

2017 TESTIMONY

HB 1268

HB 1268
#1
1-19-17
Rep. Dobervich

Good afternoon Chairman Porter and Members of the House Energy and Natural Resources Committee. My name is Representative Gretchen Dobervich, I serve District 11. I am here to discuss House Bill 1268, which establishes a lifetime fishing license option for North Dakota Anglers. This bill is the idea of a North Dakota grandpa who loves fishing and thinks lifetime licenses would make a great gift for his grandkids. It also offers serious anglers the opportunity spend more time on the water and less time renewing their license each year.

Currently, the fee schedule for annual resident fishing licenses is:

Under 16- Free (No license required)

Over 16- \$16 (does not include paddle fish snagging)

Husband/Wife License- \$22

65+- \$5

Disabled Fishing- \$5

Veteran with a 50% Disability- \$5

Paddlefish Tag- \$10 (Annual fishing license also required)

In the United States, 33 million people are estimated to fish annually; this is a small increase over past years when fishing's popularity was on the decline nationally. Of these 33 million Americans, on average only 4% renew their license annually and 46% do not fish the following year. (American Sportingfish Association, 2015)

Here in North Dakota, 60,376 fishing licenses were sold in 2016.

There are currently 32 states that offer some type of lifetime fishing/hunting stand alone or combination license. South Dakota currently does not offer one and Montana only offers a \$10 lifetime license to visually impaired

residents. Minnesota offers lifetime fishing licenses with fees based on age: 3 years and under \$305, 4-15 Years \$415, 16-50 years \$508 and 51+ years \$335.

The greatest challenge to state's issuing lifetime licenses is loss of annual income for their fish and wildlife departments. It is imperative that the cost of a lifetime license in North Dakota be priced so that there is no loss of revenue for the department. This includes assuring that lifetime licenses are certified by the Fish and Wildlife Service. This certification is required for the North Dakota Game and Fish to receive sport fishing funds through the Dingle-Johnson Act. North Dakota receives \$5 million dollars per year through the federal sport fishing funds. The amount received is based on the number of certified paid licenses issued in a state. A certified license is one that returns at least \$1 of revenue to the state it is issued in. There is also a federal rule that lifetime fishing license fees must be equal to 80% of what a person would pay over a lifetime of 61 years for an annual license each year.

To assure the ND Game and Fish Department can issue lifetime licenses without losing revenue an annuity would be created with the North Dakota lifetime fishing license fees. The ND Game and Fish Department would draw from it to pay costs associated with what annual fishing license fee would be. The "break even" price point for a lifetime license would be \$536, this does not include program administration fees.

Therefore, I am proposing a fee of \$550 for a lifetime fishing license. While this price point would be prohibitive for many North Dakota anglers, the current annual licenses would remain available to ensure they could continue to enjoy fishing.

I respectfully request the House Energy and Natural Resources Committee vote "Fish On" with a do pass on HB 1268.

This concludes my testimony and I stand for questions.

HB 1268
1-19-17
#2



House Energy and Natural Resources Committee
Testimony on HB 1268

North Dakota Game and Fish Department
Kim Kary, Chief Administrative Services Division
February 19, 2017

Chairman Porter and members of the House Energy and Natural Resources committee, my name is Kim Kary, Chief of Administrative Services Division of the North Dakota Game and Fish Department and I am testifying on HB 1268.

The bill creates a lifetime fishing license. The bill would significantly reduce license sales revenue and could reduce federal revenue received from the U.S. Fish and Wildlife Service (USFWS).

The Game and Fish Department is a special fund agency using only hunting, fishing, boat license revenue and federal funds. We receive no general funds. Approximately 48% of our funds are federal funds.

The majority of our federal funds come from the USFWS from excise taxes on sale of guns, ammo, archery equipment, fishing equipment and motorboat fuel. These funds are allocated to the state based on a formula that uses the number of license holders and land area relative to other states. The number of license holders is submitted annually to the USFWS in a report known as the License Certification, whereby states certify the number of paid licenses they sold during the license year to meet the federal regulations.

For the committee's information, when asked about lifetime licenses, the Department has expressed great concern regarding issuing lifetime licenses. The complexity and potential changes involving the federal requirements surrounding lifetime licenses are a big concern.

- One requirement is that lifetime license fees must be in close approximation of the annual revenue that would be received over the life of the license. The federal definition of 'close approximation' is that it must be 'not less than 80%'. If this requirement is not met, the state cannot count that license as part of its annual License Certification, which will reduce the amount of federal funds it receives. Establishing a percentage (80%) for the definition of close approximation has only been implemented in recent years, and there are some states in our region who can no longer count some of their lifetime licenses due to this change which has reduced their federal funding.

- The state must use federally approved actuarial tables to determine the life expectancy. In addition, the state must obtain prior approval from the USFWS Director of its proposed method for determining how many license holders remain alive in the license certification period. This approval is needed to ensure the state has met the requirements to be able to count the lifetime license in its annual License Certification. As stated above, the annual License Certification is used in determining the amount of federal funds a state will receive.
- The state would also need to track the lifetime license holder to ensure existence over the life of the license. The license holder may need to annually certify with the Department.
- States previously had been required to keep the revenue generated from lifetime licenses in a separate interest bearing account. Under federal law, that is no longer the case; however, the interest earned has an effect when determining the fee of the lifetime license. As stated, when calculating the license fee, it must be in 'close approximation' of the annual revenue that would be received over the life of the license. When using the annuity tables to determine this fee, a state must use the average interest rate of the U.S. Treasury over the past 30 years. This equates to approximately 5%. However, our current interest rate is less than 1%. By using the federally required rate of 5%, the return on lifetime license fees appears greater than it would actually be based upon current interest rates. Thus, we would want to set a license fee greater than that calculated by the annuity table.

The above points are only some of the requirements involved with lifetime licenses that are used for license certification. It is a long term commitment that leaves us vulnerable to un-anticipated changes. Some states currently risk the exclusion of lifetime licenses from their License Certification, and thus a possible reduction of their future federal revenue apportionment.

As stated above, the annual License Certification is used in determining the amount of federal funds a state will receive. The approval of the state's method is open to federal interpretation. One state in our region has experienced a conflict when its method had been approved by one federal official only later to be overruled by his superior. That state has had to stop counting lifetime licenses which has reduced its federal funds.

HB1268 would significantly reduce license sales revenue in the future. The Department currently has several types of resident fishing licenses. The estimate we used for the fiscal note is based on the average age of individuals who purchased a \$16 resident fishing license for the 2015-16 license season. The average age is 36 and the life expectancy is 78 based on actuarial life tables. The number of \$16 resident fishing licenses sold for the 2015-16 license season was 60,913. Based on this, we estimated a net potential loss of \$23.7M from fishing licenses and \$2.6M from the annual certificate fee sales. The total loss is \$26.3M over the lifetime of the license holders.

It is hard to capture the full future impact of this bill in a two biennium fiscal note. In the fiscal note, for simplicity, we showed the entire estimated net loss of revenue in 2017-19; even though the first year we'll see an increase of revenue since we are collecting the fee upfront for the lifetime of the license and future revenue loss would be spread over countless future years.

I would also like to point out that since a lifetime license is valid for the life of the license holder there would be a significant loss of non-resident (NR) license revenue when a resident purchases a lifetime license prior to moving out of state.

Lifetime licenses are an unpredictable future revenue source. The long-term commitment of a lifetime license could leave the Department vulnerable to losses from future license fee increases and also loss of USFWS federal revenue if unanticipated changes don't allow us to count lifetime licenses as an annual license. These potential losses were not estimated or included in the figures for the fiscal note.

The proposed bill would require additional staff time and IT programming changes to the Game and Fish online licensing system. We would need to determine whether to sell the lifetime fishing license as a set fee for all ages, or base it on age brackets which would add more complexity. In addition, each individual for each lifetime license will need to be flagged and tracked for life by annually renewing the license, which adds additional cost. We estimate the IT programming changes to cost the department approx. \$100,000. It would take ITD a significant amount of time for these complex programming changes.

For the previously stated reasons, the Department is concerned about the proposed bill and its significant negative affect on revenue and our future fund balance. This concludes my testimony. I would be happy to answer any questions.