

FISCAL NOTE
Requested by Legislative Council
01/08/2019

Bill/Resolution No.: HB 1331

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$405,600		\$405,600
Expenditures				\$240,000		\$190,000
Appropriations				\$240,000		\$190,000

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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 authorizes the Department to adopt rules necessary to determine eligibility and license fee.

- 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.*

Lifetime licenses are a long term commitment that leaves the department vulnerable to unanticipated future changes affecting revenue and possible loss of federal funds. Lifetime licenses require additional administrative expenditures to track this license for the life of the license holder and adds complexity to an already complex licensing system.

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.*

Based on the assumptions listed below, we estimate total Lifetime Fishing License Revenue for 2019-2021 would be \$405,600. The collection of this upfront revenue amount reflects 100% recovery of the regular annual fees over the lifetime of the angler.

This upfront revenue would need to earn enough interest over the lifetime of the anglers to allow us to withdraw the normal annual fishing license fee every year for each angler over the lifetime of the angler in order to return what a normal license fee would have. Thus, leaving the account at zero at the end of the calculated life expectancy of the individual.

The Department currently has several types of resident fishing licenses. The Revenue estimates for this fiscal note are based on the following assumptions: 1) resident \$16 fishing license plus the \$1 certificate fee (total \$17); 2) to represent the varying age groups that might buy a lifetime fishing license, we used ages 16 & 45; 3) we estimate up to 300 new lifetime licenses would be purchased by ND resident anglers per year (150,000 annual Resident Certified Anglers X 0.2%), the 0.2% ratio is based on sales from another state; 4) we estimated the 300 new lifetime licenses would be split 150 for 16 yr olds & 150 for 45 yr olds; 5) we used 0.7% as our expected annual rate of interest on the lifetime license fees (this is the ave. interest rate earned on Bank of ND 1 year CD's since July 2018). In order to estimate the fees that we need to charge an angler and earn the revenue that an annual license sale

would return over the lifetime of that angler, we used an annuity calculator and federally approved Social Security Administration Actuarial Life Tables to determine annual return on upfront fees and life expectancies. We only estimated the fees needed to return 100% of the current license fee.

Lifetime Licenses are long-term commitments that could leave the department vulnerable to future losses.

Negative effects NOT included in the revenue calculation for this fiscal note: 1) Future license fee increases; 2) interest rate variations; 3) future Federal Rule changes that could result in not being able to count lifetime license holders as "Certified Anglers" in our annual License Certification resulting in less USFWS federal funds; 4) actual interest earned being less than projected would result in not being able to count the lifetime license holders as "Certified Anglers" in our annual License Certification resulting in less USFWS federal funds 5) estimated revenue calculations do not recover the estimated expenditures below.

With a Lifetime Fishing License, anglers are still required to annually login to our licensing system and "activate" this license so that we can count them as a "Certified Angler". This is a requirement for our federal funding.

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 one-time IT programming changes to the Game and Fish online licensing system. It would take ITD a significant amount of time for these complex programming changes. We estimate the IT programming changes to cost the department approx. \$50,000 or more.

We would need additional staffing and need to hire a consultant to develop the methodology and set up an appropriate system that meets USFWS complex requirements, manage investment, manage the license, track each individual for their lifetime, and verify residency, all of which adds additional cost. One (1) New FTE \$165K/biennium and approx. \$25K for a Consultant.

2019-21 TOTAL: \$240,000 (50K+165K+25K). 2021-23 TOTAL: \$190K (165K+25K).

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.*

Increase appropriation for Salaries line and Operating line. The salaries amount includes a request for one (1) New FTE.

Name: Kim Kary

Agency: Game & Fish Dept

Telephone: 328-6605

Date Prepared: 01/17/2019

2019 HOUSE ENERGY AND NATURAL RESOURCES

HB 1331

2019 HOUSE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee Coteau A Room, State Capitol

HB 1331
1/31/2019
31940

- Subcommittee
 Conference Committee

Committee Clerk	Kathleen Davis
-----------------	----------------

Explanation or reason for introduction of bill/resolution:

Relating to lifetime fishing licenses

Minutes:

Attachment 1,2

Chairman Porter: opened the hearing on HB 1331.

Rep. Dobervich presented [Attachment 1](#).

Chairman Porter: questions? Testimony in support? Opposition?

3:58

John Bradley, ND Wildlife Federation: we are opposed to HB 1331 it creates a lot of hoops for the department to jump through in order to get the dollars attached to Dingle Johnson Sport Fishing Restoration Act.

Chairman Porter: questions? Further testimony in opposition?

Curt Decker, Dickinson, ND: I'm afraid as time goes on and the economics of it. The state will be taking a hit on it. Game and Fish doesn't get any general fund money and are self-funding with license fees. Think about what the long term affects are. I'm a lifelong citizen of this state, which I'm proud of. If you want to partake of this wonderful resource, you should be a tax paying citizen living here, not just buy a license and cut out of here and enjoy it. It's not that big of a deal to get a license on your computer or smart phone, short term. To monitor and tract all this could be prohibitive.

Chairman Porter: Further opposition? Fish and Game rep, can you explain the fiscal note?

8:00

Kim Kary, Chief of Administrative Services, Game & Fish Dept. presented [Attachment 2](#).

Rep. Keiser: Why should we put the fund at risk when someone wants a lifetime license simply for the purpose of saving money? If one person is saving money someone else is paying more is that true?

Kary: You're absolutely correct.

Rep. Devlin: Someone might leave the state, not be a resident and just keep using it. Do they have to prove their residency yearly?

Kary: That's a hurdle we have discussed and whether we'd have to have a FTE to track residency. I'm thinking they would have to. We don't know if you've moved away so you'd almost have to prove residency when you activate that, to know that you're still living in the state for that resident lifetime license.

Chairman Porter: Questions? Closed the hearing.

2019 HOUSE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee Coteau A Room, State Capitol

HB 1331
2/1/19
31975

- Subcommittee
 Conference Committee

Committee Clerk	Kathleen Davis
-----------------	----------------

Explanation or reason for introduction of bill/resolution:

Relating to lifetime fishing licenses

Minutes:

--

Chairman Porter opened the hearing on HB 1331.

Rep. Keiser: Move a Do Not Pass on HB 1331.

Rep Heinert: Second.

Chairman Porter: Discussion? I would echo the concerns from Game and Fish from the actuarial numbers and the way the system ties in to the federal system. I think long term it's a net loser for the state to get into this. Other states don't fund their agencies strictly special funds like we do and I think it puts our agency at risk for 25 years down the road because it's not actuarially sound for our financial situation.

Clerk will call the roll on a Do Not Pass on HB 1331. 11 yes 1 no 2 absent. Motion carried. Rep Heinert is carrier.

Date: 2-1-19
 Roll Call Vote #: 1

**2019 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1331**

House Energy and Natural Resources Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep Keiser Seconded By Rep. Heinert

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter	✓		Rep. Lefor	AD	
Vice Chairman Damschen	✓		Rep. Marschall	✓	
Rep. Anderson	✓		Rep. Roers Jones	✓	
Rep Bosch	✓		Rep. Ruby		✓
Rep. Devlin		AD	Rep. Zubke	✓	
Rep. Heinert	✓		Rep. Mitskog	✓	
Rep. Keiser	✓		Rep. Eidson	✓	

Total (Yes) 11 No 1

Absent 2

Floor Assignment Rep Heinert

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

REPORT OF STANDING COMMITTEE

HB 1331: Energy and Natural Resources Committee (Rep. Porter, Chairman)
recommends **DO NOT PASS** (11 YEAS, 1 NAYS, 2 ABSENT AND NOT VOTING).
HB 1331 was placed on the Eleventh order on the calendar.

2019 TESTIMONY

HB 1331

Testimony HB 1331 Lifetime Fishing License
Representative Gretchen Dobervich, District 11 Fargo
Tuesday, January 31, 2019 2:30pm
House Energy and Natural Resources Committee

Chairman Porter and Members of the House Energy and Natural Resources Committee, for the record, my name is Representative Gretchen Dobervich from District 11 in Fargo. I am here to introduce HB 1331, a bill which seeks to offer anglers in ND the option of purchasing a lifetime fishing license.

House Bill 1331 comes before the ND House Energy and Natural Resources Committee via a constituent request, a grandfather who would like to be able to purchase them for his grandchildren as a gift. Currently, 31 states* offer some type of lifetime hunting and/or fishing licenses. (Frisman, Paul, 2005)

Previous concerns regarding a lifetime fishing license in ND focused on the administration of a lifetime license program- tracking of licenses for federal reimbursement, what to do when a license holder moves out of state, program operation costs, long term impact on annual sales, etc.

A study conducted by the Washington Department of Fish and Wildlife, "U.S. National Lifetime License Investigative Study," identified the following benefits of offering lifetime licenses:

- Allowing a customer to conveniently hunt, fish or trap during his lifetime
 - Protecting customers from future price increases
 - Creating a positive relationship with customers
 - Providing the state with a stable source of income
- (Washington Department of Fish and Wildlife, 2003)

The study also found that of the states that had implemented lifetime licenses experienced a 52% increase in revenue after implementation, 36% did experience a revenue drop. (Washington Department of Fish and Wildlife, 2003)

A lifetime fishing license should not jeopardize revenues from the Sport Fish Restoration Act (Dingell-Johnson DJ), as these revenues come from the purchase of fishing equipment, motorboat and small engine fuels. (US Fish and Wildlife, 2018) Sport Fish Restoration Act funding to states is based on a formula that includes land area and number of paid fishing licenses, of which each lifetime license should be counted as an annual paid license.

These funds are apportioned to States and Territories based on a formula which includes land area, number of paid license holders, minimums and maximums

This bill is not designed to give anglers "a deal", but to be a convenience and encourage lifelong fishing in youth. Using the average lifespan in North Dakota of 80 years, the cost of purchasing a license annually from 16-80 years old would be \$891. This does not reflect the discounted licenses for anglers with disabilities or disabled veterans. The cost of the license would be determined in administrative rules.

I encourage the House Energy and Natural Resources Committee to vote Do Pass on HB 1331 and expand the menu of North Dakota fishing license offerings to include a lifetime option.

Thank you and I stand for questions.

* Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Iowa, Kansas, Louisiana, Maine, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, New York, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Vermont, Virginia, West Virginia and Wyoming.

References

Frisman, Paul ,*Combined Hunting, Fishing and Trapping Licenses*, ripped from <https://www.cga.ct.gov/2005/rpt/2005-R-0659.htm>, September 9, 2005

National Park Service, *Fishing Fund Conservation* ripped from <https://www.nps.gov/articles/fishing-funds-conservation.htm>, June 11, 2018

Washington Department of Fish and Wildlife, U.S. National Lifetime License Investigative Study, April 21, 2003

U.S. Fish and Wildlife Service, *Wildlife and Fish Sport Restoration*, ripped from <https://wsfrprograms.fws.gov/subpages/grantprograms/sfr/sfr.htm>, February 2, 2018



House Energy and Natural Resources Committee
Information on HB 1331

North Dakota Game and Fish Department
Kim Kary, Chief Administrative Services Division
January 31, 2019

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 here to provide information on HB 1331.

The bill creates a lifetime fishing license and authorizes the Department to adopt rules necessary to determine eligibility and license fee. Conceptually, this sounds simple to just add another license type to the 9 different fishing licenses. We understand the desire for a lifetime license, but there may be other ways to offer solutions for various gifting or convenience licenses which I will talk about later.

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 45% 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 are submitted annually to 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, I'd like to explain some federal requirements surrounding issuing lifetime licenses. We need to comply with these requirements to be able to count licenses in our annual federal License Certification which is used in determining the amount of federal funds a state will receive.

- In order to estimate the fees that we need to charge an angler and earn the revenue that an annual license sale would return over the lifetime of that angler, we used an annuity calculator and federally approved Social Security Administration Actuarial Life Tables to determine annual return on upfront fees and life expectancies.

- 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. A concern we have is that 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.
- The state would need to track the lifetime license holder to ensure their existence over the life of the license. Thus, anglers would still be required to "activate" this license annually in order to be counted as a "Certified Angler". This is a requirement for our federal funding.

The above points are only some of the federal requirements involved with lifetime licenses that are used for license certification.

In order to get better estimates for the fiscal note, we contacted Minnesota Department of Natural Resources (MNDNR) who has many years of experience selling lifetime fishing licenses. Per MNDNR, they sell approximately 1.4 million regular fishing/combination licenses annually, of which, approx. 0.2% are new lifetime licenses (2,800). In regard to reporting licenses for federal License Certification, the cumulative number of people over the past 18 years who activate their lifetime fishing license annually is less than 1% of their annual license sales (approx. 15,000).

The North Dakota Game and Fish Department sold 72,000 resident fishing/combination licenses in 2011 and 150,000 in 2017. These years represent variation in the number of fishing lakes. If North Dakota anglers have the same interest of lifetime fishing licenses as Minnesota, we estimate lifetime fishing licenses to result in approx. 300 lifetime licenses sold per year (150,000 X 0.2%) based on license sales in 2017. Keep in mind this is an estimate and it could be as low as 150 lifetime licenses if it were based on 2011 license sales.

The revenue estimates for the fiscal note are based on the following assumptions:

1. a ND resident \$16 fishing license plus the \$1 certificate fee (total \$17);
2. to represent the varying age groups that might buy a lifetime fishing license, we used ages 16 & 45;
3. we estimate up to 300 new lifetime licenses would be purchased by ND resident anglers per year (150,000 annual resident certified anglers X 0.2%), the 0.2% ratio is based on sales from MNDNR;
4. we estimated the 300 new lifetime licenses would be split 150 for 16 yr olds & 150 for 45 yr olds;
5. we used 0.7% as our expected annual rate of interest on the lifetime license fees (this is the average interest rate earned on Bank of ND 1 year CD's since July 2018).

Based on the above, the estimated fee for a lifetime fishing license for a 16 yr. old is \$836 and a 45 yr. old is \$516.

Based on these assumptions, we estimate total Lifetime Fishing License Revenue for 2019-2021 would be \$405,600. The collection of this upfront revenue amount reflects 100% recovery of the regular annual fees over the lifetime of the angler.

This upfront revenue would need to earn enough interest over the lifetime of the anglers to allow us to withdraw the normal annual fishing license fee every year for each angler over the lifetime of the angler in order to return what a normal license fee would return. Thus, leaving the account at zero at the end of the calculated life expectancy of the individual. The fee above was not set at an amount to earn additional revenue.

As indicated in the fiscal note, the proposed bill would require 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 based on age brackets which would add more complexity and programming costs. We estimate the IT programming changes to cost the department approximately \$50,000.

We would need one (1) new FTE to manage investments, manage the licenses, track each individual for their lifetime, verify residency, etc. We would need to hire a consultant to develop the methodology and set up an appropriate system that meets USFWS complex requirements. The additional FTE and a consultant will increase expenditures by approximately \$190,000 for the biennium.

Lifetime licenses are long-term commitments that could leave the department vulnerable to future revenue losses and unanticipated changes some of which we have no control over. The following, in relation to lifetime licenses, could have potential negative effects on the Department (the items below were not included in the revenue calculation for the fiscal note):

1. future license fee increases;
2. interest rate variations;
3. future Federal Rule changes that could result in not being able to count lifetime license holders as "Certified Anglers" in our annual License Certification resulting in less USFWS federal funds;
4. actual interest earned being less than projected would result in not being able to count the lifetime license holders as "Certified Anglers" in our annual License Certification resulting in less USFWS federal funds;
5. estimated revenue calculations do not recover the additional estimated expenditures in the fiscal note.

As I mentioned at the beginning of my testimony there may be other ways to offer options for gifting of licenses. We are exploring the possibility of auto-renewals. We still have more

information to gather and would like to present it to the public at our advisory board meetings before making a determination.

For the previously stated reasons, the department is concerned the projected utilization of a lifetime license may be too minimal to warrant the risk, the potential lost federal revenue, the additional complexity added to the licensing system, and the additional expense of sportsmen dollars.

Mr. Chairman and committee members, I would be happy to answer any questions.

FISCAL NOTE INFORMATION

Resident Fishing License - Age 16

	Age	Will live more years:	\$ lost per year	\$ lost per person	# of people who purchased a license	Interest		Net Potential Loss from Lifetime License Purchases
						Does Not Include Interest	Includes 0.7% Interest	
a.	16	60	\$17	\$1,020	150	Potential Revenue from Purchase of Annual Fishing License \$153,000	Revenue Earned from Purchase of Lifetime License \$153,000	\$0
						\$153,000	\$153,000	\$0

Resident Fishing License - Age 45

	Age	Will live more years:	\$ lost per year	\$ lost per person	# of people who purchased a license	Interest		Net Potential Loss from Lifetime License Purchases
						Does Not Include Interest	Includes 0.7% Interest	
a.	45	34	\$17	\$578	150	Potential Revenue from Purchase of Annual Fishing License \$86,700	Revenue Earned from Purchase of Lifetime License \$86,700	\$0
						\$86,700	\$86,700	\$0

REVENUE EARNED UP FRONT NOT INCLUDING INTEREST 300 \$202,800 1st year

Calculations above:

- Included sales levels with average ages of 16 & 45.
- Price Reduction at age 65 not accounted for.
- Future fee increases not included.
- Effect on combination licenses not accounted for.
- Future federal rule changes not accounted for.
- Interest rate variation not accounted for.
- Implementing, tracking, verifying residency, and programming costs not accounted for.

 = Upfront Lifetime License Fee