

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1097 (Fourth Edition)
SHORT TITLE: Fisheries Reform Act - 2
SPONSOR(S): Representatives Preston & Redwine

FISCAL IMPACT

	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES					
Departmental Receipts from Licensing Revenue			\$355,151	\$490,306	\$623,927
EXPENDITURES					
Performance Audit	\$25,000				
Marine Fisheries Commission	\$114,384	\$114,384	\$114,384	\$114,384	\$114,384
Coastal Habitat Protection Plans		\$294,847	\$283,489	\$290,028	\$296,988
Fisheries Management Plans		\$1,256,483	\$1,082,770	\$1,100,498	\$1,116,298
Licensing Program Administration *		\$542,491	\$511,191	\$521,632	\$532,747
TOTAL EXPENDITURES	\$139,384	\$2,208,205	\$1,991,834	\$2,026,542	\$2,060,417
NET GENERAL FUND	\$139,384	\$2,208,205	\$1,636,683	\$1,536,236	\$1,436,490
POSITIONS:		34.25	34.25	34.25	34.25

**Licensing administration to be phased in during the 1998-99 fiscal year to have necessary equipment and personnel in place July 1, 1999.*

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Department of Environment, Health, and Natural Resources - Marine Fisheries Commission, Division of Marine Fisheries; Department of Correction; Judicial Department; Office of the State Auditor

EFFECTIVE DATE: Part I (performance audit) is effective retroactively to March 1, 1997. Part II (Marine Fisheries Commission) and Part IV (Marine Fisheries Law Enforcement) are effective September 1, 1997. Part III (Coastal Habitat Protection Plans and Fishery Management Plans) is effective July 1, 1998. Part V (Commercial Fishing Licenses) is effective July 1, 1999. Part VI, section 6.1 (extend moratorium on licenses) is effective June 30, 1997. Sections 5.1 and 5.2 expire September 1, 2003. Section 5.6 (crab license) will expire July 1, 2000 and section 5.7 will become effective July 1, 2000. Sections 1.1, 5.8, 6.7, 6.9, 6.10, 6.12, 6.13, and 6.14 are effective when the act becomes law.

BILL SUMMARY: Part I of the bill directs the State Auditor to conduct a performance audit of the Division of Marine Fisheries and to present the audit to the General Assembly by February

1, 1998. Part II of the bill reduces the membership of the Marine Fisheries Commission from 17 to 9 and changes the type of appointments to the Commission. Part III directs the Department of Environment, Health, and Natural Resources (DEHNR) to coordinate the preparation of draft Coastal Habitat Protection Plans and to prepare Fishery Management Plans for all commercially and recreationally significant fish species. Part IV increases the penalties for violating general fisheries laws and expands the powers of the marine patrol inspectors. Part V creates a Standard Commercial Fishing License (SCFL) priced at \$200 for residents and \$2000 for nonresidents. Owners of a SCFL must have a vessel endorsement whose price is based on vessel length. This part also creates a \$35 Recreational Commercial Gear License (RCGL) for recreational fishermen who want to use commercial gear such as shrimp nets and crab pots. This part also makes changes in dealer licenses and other minor licenses. Part VI has miscellaneous provisions dealing with the moratorium on fishing licenses, the staggered terms of Marine Fisheries Commission members, and further legislative study of marine and estuarine fisheries habitats.

ASSUMPTIONS AND METHODOLOGY:

REVENUE

The differences in the current fishing licenses and the licenses proposed by HB 1097 are shown in the chart below and on page 3. The major change is the creation of the Standard Commercial Fishing License (SCFL) and the Recreational Commercial Gear License (RCGL), and the deletion of Endorsements to Sell.

LICENSE TYPE	CURRENT LAW	HB 1097
<u>Standard Commercial Fishing Lic. (SCFL)</u>		
Resident		\$200
Nonresident		\$2,000
Retired		\$100
Replacement		\$10
<u>Vessel Endorsements</u>		
	0-18 ft @ \$1.00/ft	0-18 ft @ \$1.00/ft
	18-38 ft @ \$1.50/ft	18-38 ft @ \$1.50/ft
	>38 ft @ \$3.00/ft	38-50 ft @ \$3.00/ft
		>50 ft @ \$6.00/ft
	nonresident = \$200	
<u>Endorsement to Sell</u>		
	0-18 ft @ \$25	
	18-38 ft @ \$35	
	>38 ft @ \$45	
<u>Fish Dealers</u>		
Oysters	\$50 stock shipper/\$100 shucker	\$50
Scallops	\$50 stock shipper/\$100 shucker	\$50
Clams	\$50 stock shipper/\$100 shucker	\$50
Crabs	\$50 unprocessed/\$100 processed	\$50
Shrimp (incl. bait)	\$50 unprocessed/\$100 processed	\$50

Finfish (incl. bait)	\$50 unprocessed/\$100 processed	\$50
Dehydrating or oil-extracting plant	\$50 fish dehydrating/\$100 menhaden	\$50
Consolidated		\$300
Other		
Shellfish	\$7.50	\$25
Crab	\$7.50	\$7.50
Shellfish and crab	\$15.00	
Vessel Crab	\$22.50	
Menhaden	\$2 per gross ton	\$2 per gross ton
Spotter airplane	\$100	\$100
Tournament		\$100
Ocean Fishing Pier	\$0.50 per ft	\$0.50 per ft
Crew Licenses	MFC authority to adopt	not to exceed \$100
Permit for gear, equipment, special activity	MFC authority to adopt	not to exceed \$50
Land or Sell License	\$200	\$200
Recreational Commercial Gear Lic. (RCGL)		Resident \$35

The change in fishing licenses will increase revenue to the Division of Marine Fisheries beginning in FY 1999-00. In FY 1995-96, the primary revenue from fishing license receipts came from vessel endorsements (\$700,137), endorsements to sell (\$243,365), and dealers (\$86,050). The revenue lost from reducing the number of ships needing vessel endorsements, abolishing the endorsement to sell, and reducing the dealer fees is replaced by the \$200 SCFL and the \$35 RCGL. When the new licenses become effective in FY 1999-00, the SCFL will yield \$780,000 in revenue and the RCGL will earn \$455,000 as shown below.

License Type	License Cost	Estimated			
		Licenses	FY 1999-00	FY 2000-01	FY 2001-02
Standard Comm. Fishing Lic. (SCFL)					
Resident	\$200	3900 (initial)	\$780,000	\$880,000	\$980,000
Retired/Nonresident	\$100/\$2000	NA			
Vessel Endorsements					
	0-18 ft @ \$1.00/ft	1,825	\$29,383	\$33,295	\$37,078
	18-38 ft @ \$1.50/ft	1,759	\$64,643	\$72,765	\$81,034
	38-50 ft @ \$3.00/ft	168	\$22,025	\$23,074	\$25,696
	>50 ft @ \$6.00/ft	148	\$61,627	\$73,286	\$81,614
Fish Dealers					
Oysters	\$50	57	\$2,850	\$2,936	\$3,024
Scallops	\$50	17	\$850	\$876	\$902
Clams	\$50	34	\$1,700	\$1,751	\$1,804
Crabs	\$50	114	\$5,700	\$5,871	\$6,047
Shrimp (incl. bait)	\$50	143	\$7,150	\$7,365	\$7,585
Finfish (incl. bait)	\$50	177	\$8,850	\$9,116	\$9,389
Dehydrating or oil-extracting plant	\$50	3	\$150	\$150	\$150
Consolidated	\$300	0	\$0	\$0	\$0
Other					
Shellfish	\$25	300	\$7,500	\$7,500	\$7,500

Menhaden	\$2 per gross ton	20	\$25,000	\$25,000	\$25,000
Spotter airplane	\$100	20	\$2,000	\$2,000	\$2,000
Crab	\$7.50	4,500	\$33,750	\$33,750	\$33,750
Tournament	\$100	20 (initial)	\$2,000	\$2,500	\$3,000
Ocean Fishing Pier	\$0.50 per ft	20	\$6,000	\$6,000	\$6,000
Crew Licenses	\$100	0			
Permit for gear,equipment,special activity	\$50	0			
Recreational Comm. Gear Lic. (RCGL)	Resident \$35	13,000	\$455,000	\$464,100	\$473,382
	Non-Resident \$250	NA			
Revenue from HB 1097			\$1,516,178	\$1,651,333	\$1,784,954
FY 95-96 Revenue from Existing Fees			\$1,161,027	\$1,161,027	\$1,161,027
Net revenue gain to Marine Fish. Div.			\$355,151	\$490,306	\$623,927

The Division of Marine Fisheries estimates that 3,900 SCFLs will be purchased in FY1999-00. It assumes that only a portion of the fishermen now holding Endorsements-to-Sell (ETS) will buy the new license. In FY 1994-95 there were 6,539 individuals with ETS licenses. Of this number, 45% or 2,943 sold less than \$1,000 worth of seafood. The Division assumes that the \$200 license will discourage most of these low volume fishermen from obtaining a SCFL. The Division projects 3,780 individuals with a ETS license will apply for the SCFL. In addition, the Division assumes that the owners of 120 vessels that were granted vessel licenses through the appeals process in the last few years will also apply for a license. This brings the total to 3,900. This number will grow to 4,400 in FY 2000-01 and to 4,900 in FY 2001-02 when additional licenses are made available to new entrants into the market.

The owners of a SCFL must also buy a vessel endorsement. The cost of the endorsement is based on vessel length. The average length of the vessel and the percent of vessels in each category are shown below.

0-18 ft @ \$1.00/ft	16.1 ft.	47%
18-38 ft @ \$1.50/ft	24.5 ft	45%
38-50 ft @ \$3.00/ft	43.7 ft.	4%
>50 ft @ \$6.00/ft	69.4 ft.	4%

Of the 22,000 vessels that can now obtain vessel licenses and use commercial fishing gear in North Carolina, the Division estimates that 14,500 are owned by recreational fishermen. The Division believes 13,000 recreational fishermen will opt to buy the RCGL instead of the SCFL.

The number of dealers and other licenses shown in the chart are also estimates of the Division. The dealers licenses are grown by 3% a year.

EXPENDITURES

The Division of Marine Fisheries is currently authorized to use the proceeds from the sale of licenses and vessel endorsements to offset the operating costs of the License Administration Section, the Statistics and Information Management Section and the Marine Patrol Section. Although this legislation will increase license revenues beginning with the 1999-2000 fiscal year, the increased receipts will not be enough to offset the costs associated with implementing all the provisions of this act. Therefore, General Fund support will be required. However, revenues are projected to be sufficient to cover the increased costs associated with administering the licensing provisions by the 2001-2002 fiscal year.

◆ Marine Fisheries Commission *Effective September 1, 1997*

The bill reduces the membership of the Marine Fisheries Commission from seventeen to nine and establishes three technical advisory committees and four regional advisory committees.

The Division of Marine Fisheries estimates the annual operating costs of the reformed commission, exclusive of the advisory committees, to be \$85,680. This estimate is based on a total travel (\$178) and per diem (\$100) rate of \$278 per day for commission members in accordance with G.S. 138-6 and assumes the commission will meet up to eight times per year, for up to three days (9 members x \$278/day x 8 meetings x 3 days/meeting = \$60,048). In addition, the estimate includes allowed subsistence of \$178 per day for two representatives from the Office of the Attorney General (2 representatives x \$178/day x 8 meetings x 3 days/meeting = \$8,544). Subsistence expenses for an ad hoc committee of twelve members are also included in the estimate, as the chair of the commission may appoint ad hoc committees to address special issues, (12 members x \$178/day x 4 meetings x 2 days/meeting = \$17,088).

The total annual cost of the seven technical and regional advisory committees is estimated to be \$136,704, assuming there are twelve members on each committee, and six of the committees meet four times per year for two days (12 members x \$178/day x 4 meetings x 2 days/meeting x 6 committees = \$102,528), and the seventh committee meets 8 times per year for two days (12 members x \$178/day x 8 meetings x 2 days/meeting \$34,176).

The continuation budget for the Division of Marine Fisheries includes \$108,000 to fund expenses incurred by the commission and should be used to offset any costs associated with modifying the present structure of the commission. Therefore, the net increase in expenditures for the Marine Fisheries Commission is \$114,384 each year (\$85,680 + \$136,704 - \$108,000).

◆ Coastal Habitat Protection Plans *Effective July 1, 1998*

According to the division, four marine biologists and an office assistant will be required to develop habitat protection plans as required by the bill. The additional staff will be primarily responsible for preparing protection plans for critical fisheries habitats in cooperation with the Division of Water Quality and the Division of Coastal Management. The staff will also participate in the preparation of fisheries management plans with respect to habitat issues.

The total estimated budget requirements to implement the section on coastal habitat protection plans is outlined in the following table:

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02
Personnel					
(4) Marine Biologist II		165,380	170,767	176,501	182,605
Office Assistant IV		23,966	24,722	25,527	26,383
Total Salaries & Benefits *	-	189,347	195,489	202,028	208,988
Positions		5.0	5.0	5.0	5.0
Operating Expenses		105,500	88,000	88,000	88,000
Total Requirements	\$0	\$294,847	\$283,489	\$290,028	\$296,988

*Salaries are adjusted to reflect the projected growth estimated for average hourly earnings in the manufacturing. The inflation rates are based on forecasts by Data Resources, Inc.

◆ Fisheries Management Plans *Effective July 1, 1998*

As written, the bill requires the Marine Fisheries Commission to establish a priority order and schedule for developing fisheries management plans (FMPs) for each of the state’s commercially or recreationally significant coastal fisheries species or species groups. The division and the Moratorium Steering Committee, established by the General Assembly in 1994, have identified 31 species and species groups for which management plans are needed.

Staff for FMP Development

The estimated staff required to prepare and periodically update fisheries management plans for all 31 species or species groups, is based on the following assumptions (*italicized*) and information on the division’s current workload capabilities:

1. *One full-time biologist is required to supervise on-going field data collection and analysis efforts to support the development of management plans for 4 species. A total of 8 full-time biologists is required to prepare FMPs for 31 species and groups. Currently, the division has 7 full-time equivalent biologists assigned to the development of management plans; therefore, the division needs 1 additional biologist.*
2. *Three full-time technicians are required to collect data to support 1 biologist. A total of 24 technicians is needed to support 8 biologists. Currently, the division has 15 full-time equivalent technicians assigned to collect data for FMPs; therefore, the division needs 9 additional technicians.*
3. *On average, at least three years of field data is necessary to develop a management plan for a single species or fisheries group.*
4. The division currently has sufficient data on 12 species groups to begin analyzing the information and writing management plans. The division also has sufficient baseline data on an additional 3 species groups to complete data collection, and begin data analysis and plan writing within two years. The division does not have any data on the remaining 16 significant species.

5. *The division will complete an average of 5 initial FMPs per year during the first 3 years of the program and an average of 3 initial FMPs per year over the next five years of the program. Based on this time line, initial management plans for all 31 species will be completed within 8 years (see table below for estimated plan development schedule).*
6. *The division will revise each FMP every three years (see table below for estimated revision schedule).*
7. *The initial preparation of a fisheries management plan will take approximately six to seven months to complete. Revision of an existing plan will take approximately three months to complete. Plans involving several species or multiple fisheries are expected to take longer.*
8. *One full-time biologist is capable of performing statistical analyses and writing plans for 2 species groups. Therefore, it will take 3 full-time biologists to write and periodically revise management plans for 31 species.*
9. *Two full-time population dynamicists are required to conduct modeling of fishery stocks to determine the status of the stocks to support the development of 31 FMPs. The division currently employs 1 full-time population dynamicist; therefore, 1 additional dynamicist will be required.*

Advisory Councils

The bill requires the Chair of the Marine Fisheries Commission to appoint an advisory council for each FMP being developed. The division expects input from each council to be required only during the period of time when the plan is actually being written or revised. Each council will comprise up to twelve members, and will likely need to hold six meetings during the initial development of a plan and three meetings to revise an existing plan.

The table below indicates the **anticipated schedule (the Marine Fisheries Commission is responsible for adopting a formal schedule)** for the initial development and revision of fisheries management plans over the next ten years, as well as the cost of the required advisory councils.

FMP Development Schedule and Advisory Councils										
	FY 98-99	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08
New FMP	5	5	5	3	3	3	3	4		
FMP Revision				5	5	5	8	8	8	11
Total Plans	5	5	5	8	8	8	11	12	8	11
Advisory Council Cost	\$ 46,080	\$ 46,080	\$ 46,080	\$ 43,008	\$ 43,008	\$ 43,008	\$ 52,224	\$ 61,440	\$ 24,576	\$ 33,792
Cost per Advisory Council										
New FMP (initial development)			\$128/day x 12 members x 6 meetings/year				9,216			
Revised FMP (3 year update)			\$128/day x 12 members x 2 meetings/year				3,072			

The total estimated budget requirements to implement the section on fisheries management plans is outlined in the following table:

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02
Personnel					
Population Dynamicist		47,026	48,566	50,205	51,950
Marine Fisheries Biologist I		36,585	37,769	39,031	40,373
(3) Marine Fisheries Biologist II		124,035	128,075	132,376	136,954
(3) Marine Fisheries Technician II		80,355	82,910	85,630	88,525
(6) Marine Fisheries Technician III		179,826	185,586	191,717	198,244
Data Clerk Supervisor		25,830	26,649	27,521	28,450
Office Assistant IV		23,966	24,722	25,527	26,383
Total Salaries & Benefits *	-	517,623	534,278	552,006	570,878
Positions		16.0	16.0	16.0	16.0
Operating Expenses		692,780	502,412	502,412	502,412
Advisory Councils		46,080	46,080	46,080	43,008
Total Requirements	\$0	\$1,256,483	\$1,082,770	\$1,100,498	\$1,116,298

*Salaries are adjusted to reflect the projected growth estimated for average hourly earnings in the manufacturing. The inflation rates are based on forecasts by Data Resources, Inc.

◆ **Licensing Administration *Effective July 1, 1999***

The bill provides for the purchase and renewal of Standard Commercial Fishing Licenses, Recreational Commercial Gear Licenses, vessel endorsements, dealer and other licenses at the central and district offices of the Division of Marine Fisheries, by mail (applies to renewals only) or through designated license agents. Currently licenses are available only at the central office, located in Morehead City, and through authorized license agents. In addition to the office in Morehead City, the division maintains district offices in Wilmington, Washington, Columbia, Wanchese and Elizabeth City.

The division currently employs five full-time permanent and two part-time temporary staff persons to handle administration of the commercial licensing program. The current authorized budget of the Licensing Section is \$208,649, of which \$88,059 is from General Fund appropriations, and \$120,590 is from license receipts.

According to the Division of Marine Fisheries, an additional 13.25 full-time equivalent positions are required to implement the licensing provisions of this act. The new positions include a processing unit supervisor to oversee the day-to-day operations of the new licensing program, and to investigate and resolve problems or questions concerning licenses. An office assistant position is needed to provide clerical support to the unit supervisor and licensing staff in the district offices. The division also anticipates the need for 10.25 full-time equivalent processing assistants to handle licensing transactions. This number includes seven full-time and two part-time (1.25 full-time equivalents) positions to manage sales in the division's five district offices along the coast, one full-time position to process and track requests for renewals by mail, and one full-time position to oversee the newly created Recreational Commercial Gear License. The division plans to implement a more sophisticated licensing system by automating the current system, which relies heavily on hard copy paper flow and file maintenance, consolidating several

existing data bases, and providing on-line access to historical license data and violation statistics. A computer services analyst position is proposed to maintain the new computer based licensing system.

Since the licensing requirements of this act are effective July 1, 1999, the division needs to complete the computer system and technology upgrades during the 1998-99 fiscal year to ensure the automated licensing system is in place and operational on July 1, 1999. The division also needs to phase in new staff during the 1998-99 fiscal year in order to have adequate time to hire and train personnel to be in place on July 1, 1999. The budget requirements reflected for licensing administration for the 1998-99 fiscal year assume funding for the positions will be effective January 1, 1998.

The total estimated budget requirements to implement the licensing section is outlined in the following table:

	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02
Personnel					
Processing Unit Supervisor V		25,244	26,043	26,894	27,799
Office Assistant IV		23,966	24,722	25,527	26,383
(7.25) Processing Assistant III		159,068	164,048	169,349	174,993
(3) Processing Assistant IV		70,271	72,483	74,838	77,345
Computer Services Analyst		32,965	34,027	35,157	36,360
Total Salaries & Benefits *	-	155,757	321,324	331,765	342,880
Positions		13.25	13.25	13.25	13.25
Operating Expenses		386,734	189,867	189,867	189,867
Total Requirements	\$0	\$542,491	\$511,191	\$521,632	\$532,747

**Salaries are adjusted to reflect the projected growth estimated for average hourly earnings in the manufacturing. The inflation rates are based on forecasts by Data Resources, Inc.*

◆ Department of Correction and Judicial Department (Criminal and Civil Penalties)

Currently, the Judicial Department does not have an offense code relating to offenses outlined in G.S. 113-187 and G.S. 113-190. This indicates a small number of offenses since “offense codes” are established only when the number of offenses is significant. Based on this finding, the Sentencing Commission does not expect the proposed changes to have any significant impact on prison populations. The Sentencing Commission estimates, for example, that if 10 individuals are convicted of these offenses per year, approximately 1 or 2 additional inmates will be added to the prison population. If there are as many as 30 convictions, no more than 3 to 6 additional inmates will be added to the prison system. These few potential additional inmates can be absorbed within existing Department of Correction resources.

Likewise, there will not be a significant fiscal impact on the Judicial Branch, as no major changes are expected in the time required to process or dispose of these cases. The Judicial Department can absorb these potential few new cases within existing resources.

◆ Office of the State Auditor

The State Auditor estimates the cost of conducting a detailed operational review and performance audit of the Division of Marine Fisheries by February 1, 1998 will be \$25,000.

FISCAL RESEARCH DIVISION 733-4910

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DATE: May 29, 1997



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