

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

(517) 373-5383

RECEIVED

MAR 31 1988

Michigan State Law Library

House Bill 4764 (Substitute S-2 as reported)**Sponsor: Representative Thomas Scott****House Committee: Conservation and Environment****Senate Committee: Natural Resources and Environmental Affairs****Date Completed: 3-7-88****RATIONALE**

The Game and Fish Protection Fund, which is administered by the Department of Natural Resources (DNR), is the primary source of funding for the State's hunting and fishing programs. Such programs include enforcement of game and fish laws and related support services, educational services, and administrative cost. Most of the money in the Fund is derived from the sale of hunting, fishing, and trapping licenses and stamps.

Reportedly, the Game and Fish Protection Fund has been plagued with short- and long-term budgetary problems. Some of the problems, it has been claimed, can be traced to specific sources, such as the shortfall generated by the State's failure to reimburse the Fund completely for revenue losses resulting from the institution of discounted senior citizens' license fees. A continuing problem for the Fund, however, has been that it is based primarily on fixed license fees; its income is relatively constant while the costs of the programs it supports continue to rise with inflation. The combination of fixed fees and rising costs results in periodic budgetary shortfalls, followed by periodic license fee increases.

One way to offset the need for periodic fee increases, some contend, would be to establish a trust fund, whose interest and earnings could be used to cover increased costs due to inflation.

CONTENT

The bill would create a new Act to establish the "Game and Fish Lifetime License Trust Fund" and do all of the following:

- Authorize lifetime licenses to be issued for certain categories of hunting and fishing and specify the fees for those licenses.
- Outline the application process for a lifetime license.
- Regulate the proposed Game and Fish Lifetime License Trust Fund.

The bill would take effect on July 1, 1988.

Licenses and Fees

The bill would allow certain hunting and fishing licenses, which would be valid for the life of the licensee even if he or she subsequently moved out of state, to be purchased by a Michigan resident between March 1, 1989, and February 28, 1990. Such a license would allow the licensee the same privileges, responsibilities, and duties that would be allowed by the equivalent annual license or stamp issued under the Hunting and Fishing License Act. Under the bill, the following lifetime licenses could be issued for the indicated fee:

- A small game license for \$220.
- A firearm deer license for \$285.
- A bow and arrow deer license for \$285.
- A sportsperson license for \$1,000.
- A fishing license for \$220.
- A trout and salmon license for \$220.

Application

A lifetime license could be purchased by a Michigan resident from an individual authorized by the Director of the DNR to sell such licenses. An applicant for licensure would have to submit a completed application and the required fee. The application would have to provide information required by the DNR, including the applicant's name, age, height, weight, eye color, and Social Security number. If the applicant were licensed to drive, his or her driver's license number also would have to be included on the application. If a licensee's name or address changed, he or she would have to notify the DNR.

The bill would allow one person to purchase a lifetime license for another person. Upon receipt of payment, the DNR would have to issue a certificate that would entitle the designated person to apply for a license. If such a certificate were issued in the name of a minor who was too young to use the license legally, the completed application would have to be submitted at a DNR district or regional office when the child reached the minimum legal age to use the license. A recipient of a certificate could not use the license until he or she completed the application process and received a license from the DNR.

When the DNR received an application for lifetime licensure, it would be required to review the application and mail the license to the applicant within seven days. If the DNR determined that the applicant was not eligible for the corresponding license or stamp under the Hunting and Fishing License Act, however, the fee would have to be returned to the applicant with notification of the denial of licensure. The individual who sold the license could retain the following amounts from the application fees, regardless of whether the application was approved or rejected:

- \$6 for each lifetime fishing license, small game license, and trout and salmon license sold.
- \$8 for each lifetime firearm deer license and bow and arrow deer license sold.
- \$15 for each lifetime sportsperson license sold.

Before the 25th day of each month, an authorized license vendor would be required to tender the money received from sales for the period of the 15th day of the previous

H.B. 4764 (3-7-88)

OVER

month to the 15th day of the current month to the Director of the DNR. Before March 31, 1990, vendors would have to report to the DNR all lifetime licenses sold. All the information required of applicants, unsold licenses, and any remaining money not previously sent to the DNR would have to be returned to the Department. The bill also specifies that any person who violated the application forwarding provisions of the proposed Act would have to forfeit the right to issue lifetime licenses. In addition, a vendor would forfeit the right to retain the specified portion of the application fee for licenses not received by the DNR within 20 days after the date the fees should have been tendered.

If a license were lost, damaged, or destroyed, the licensee could apply for a replacement lifetime license by filing an affidavit and meeting the bill's requirements for obtaining a lifetime license. The fee for a lifetime license would be waived, however, if the licensee gave the damaged license to the DNR, or if the facts regarding the destruction or loss of the license were verified by a police report or other verification approved by the DNR. The Director of the DNR or a conservation officer could require a licensee to obtain a replacement if the license were mutilated or illegible.

Game and Fish Lifetime License Trust Fund

The bill would create the "Game and Fish Lifetime License Trust Fund" (Trust Fund) within the State Treasury "for the benefit of the people of this state to assist in providing adequate long-term funding" for the Game and Fish Protection Fund created in Section 601 of the Hunting and Fishing License Act. The proceeds of the sale of lifetime licenses would have to be forwarded to the State Treasurer, who would be required to credit the money received to the Trust Fund and invest the Trust Fund in the same manner as surplus funds.

During the period in which lifetime licenses could be sold, the State Treasurer would have to credit to the Game and Fish Protection Fund the amount of money that the DNR would have received had the holder of a lifetime license bought the equivalent annual license during that license year. After the period during which lifetime licenses could be sold, the Treasurer annually would have to credit the amount that the DNR would have received had the lifetime licensee bought the equivalent annual license during that license year, to the Game and Fish Protection Fund from the accumulated interest and earnings of the Trust Fund, or from the corpus of the Trust Fund if interest and earnings were insufficient.

SENATE COMMITTEE ACTION

The Senate Committee on Natural Resources and Environmental Affairs adopted a substitute (S-2) to the bill that differs from the House-passed version of the bill in the application process. The House-passed version would have provided for application for licensure through Secretary of State branch offices and would have required a laminated license with a photograph of the licensee. The Senate substitute, however, provides for application and purchase through vendors authorized by the DNR and would require that the licensee's Social Security number be included on the application. Consequently, the fee retainment provision of the substitute also is different from the House-passed version. The Senate substitute would allow vendors to retain a set amount for each license sold, while the House-passed version would have allowed the Secretary of State to retain an amount necessary to defray administrative costs. The Senate substitute also added a penalty provision for vendors who failed to comply with the bill's reporting and forwarding requirements. Finally,

the Senate substitute added an effective date of July 1, 1988.

FISCAL IMPACT

This bill would provide minimal revenues and costs to the State. Because of the relatively high cost for a lifetime license, few people would purchase them. The cost apparently would amortize the lost revenue in future years. There would be minimal administrative costs in additional record keeping and mailings. The bill would have no fiscal impact on local government.

ARGUMENTS

Supporting Argument

Given the current funding method of the Game and Fish Protection Fund, periodic hunting and fishing license fee increases are inevitable. In order to limit or even eliminate such increases, the Game and Fish Protection Fund needs an additional revenue source that would keep pace with inflation. The proposed Game and Fish Lifetime License Trust Fund is designed to do just that. The amount of money that would have been collected for annual license fees would be credited yearly to the Game and Fish Protection Fund to pay for the loss of revenues that presumably otherwise would have been paid by the lifetime license holders. Assuming an average real interest rate (i.e., the nominal interest rate minus the inflation rate) of at least 2% over the next 30 years, the Game and Fish Protection Fund would receive at least as much money as if the lifetime licensees had bought annual licenses.

Response: It is impossible to know how many people would buy lifetime licenses, so there is no way of ascertaining whether the bill would generate enough money to provide sufficient revenues for the Game and Fish Protection Fund to postpone or eliminate the need for fee increases. Moreover, there are no guarantees that there will continue to be a real interest rate sufficient to offset the need for fee increases; if there is not, the Game and Fish Protection Fund would lose money, not gain.

Supporting Argument

The application process proposed in the Senate substitute is designed to incur little, if any, administrative costs. The lifetime licenses would be sold on the same basis as annual licenses; that is, private vendors authorized by the Director of the DNR to sell annual licenses also could sell the proposed lifetime licenses and retain a certain specified fee. No State department would be required to implement an application and sales process as would the Secretary of State under the House-passed version of the bill. Also, the Senate substitute to the bill would not require the license to include a photograph of the licensee or lamination, as would the House-passed version.

Opposing Argument

While the concept of a trust fund based on the sale of lifetime licenses might be a good one, this particular version has several problems. First, the proposed license fees are too high for poor and middle class people to afford. Despite the fact that buying an annual license for 30 years would cost more than using a lifetime license for 30 years, many people simply don't have the \$220 - \$1,000 that would be required up front to purchase a lifetime license. Second, there have been no marketing surveys conducted to determine the success that such a one-year sale of lifetime licenses might experience. Third, even if the proposed Trust Fund were successful, there are no safeguards to keep it from being "raided" and used for

programs other than those it is designed to support. The Kammer Recreational Land Acquisition Trust Fund, which was intended for acquiring recreational land, for example, was repeatedly raided for other purposes, and should serve as a lesson as to the dangers of establishing an unprotected trust fund. Finally, if the one-year sale of lifetime licenses is successful, nothing would prevent the Legislature from offering another lifetime license sale. This would be unfair to those people who made the effort to buy lifetime licenses on the understanding that such an offer was a once-in-a-lifetime opportunity.

Response: The proposed license fee rates were determined by estimating the amount of money that would be needed to pay for lost annual license revenues and to offset new increases. Lowering the fees would result in lost annual revenue. The lifetime license can be seen as a long-term investment that would be beneficial to the licensee and to the State.

Legislative Analyst: P. Affholter
Fiscal Analyst: A. Rich

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.