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**FISCAL IMPACT STATEMENT**

**LS 7412**

**BILL NUMBER:** HB 1552

**NOTE PREPARED:** Apr 29, 2003

**BILL AMENDED:** Apr 26, 2003

**SUBJECT:** Natural Resources.

**FIRST AUTHOR:** Rep. Bischoff

**FIRST SPONSOR:** Sen. Weatherwax

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (CCR Amended) This bill includes the following provisions:

(A) The bill makes changes to the classified forest and forest plantation programs.

(B) It increases and establishes several fees, and deposits certain fees into new or existing funds.

(C) The bill requires the Department of Natural Resources (DNR) to issue registration decals for off-road vehicles. It requires ORVs purchased after December 31, 2003, to be registered and creates exemptions to the registration requirement. It consolidates statutes governing the registration of off-road vehicles and snowmobiles. The bill also allows certain persons to carry a loaded handgun while operating an ORV or a snowmobile.

(D) - (1) The bill increases the injury or damage level required for an off-road vehicle or snowmobile operator to file an accident report. (2) It prohibits gathering plants or artifacts on private land without the owner's consent. (3) It defines "farmland" for certain hunting license requirements. (4) It establishes procedures to suspend a person's driver's license for failure to appear in response to a summons issued by a conservation officer.

(E) The bill allows DNR to regulate the safety and maintenance of certain dams and structures. It removes references to private geologists in the dam inspection laws. It also provides that dams have an engineering inspection.

(F) This bill establishes requirements to transfer an oil or gas well permit.

(G) It repeals certain provisions concerning classified land programs and state parks and reservoir funds, and agents who are not state employees to retain hunting and fishing license service fees.

(H) The bill also extends certain reclamation fees.

(I) It requires the Department of Natural Resources to implement an automated point-of-sale hunting, fishing, and trapping licensing system. It provides for funding of the system and for the bonding of an agent authorized to sell licenses until the earlier of the date the agent begins to offer licenses under the automated point-of-sale system or July 1, 2005. It also removes authority of the circuit court clerk to designate subagents to sell licenses.

(J) It allows the Water Resources Development Fund to be used for the operation of the Division of Water. It establishes new and increased fees the Department must charge for the following: (1) A permit to alter a lake shoreline or bed; (2) A technical inspection of a low-hazard or significant-hazard dam; (3) A permit to make other uses of a floodway.

The bill also makes technical corrections and conforming amendments. (The introduced version of this bill was prepared by the Natural Resources Study Committee.)

**Effective Date:** Upon passage; June 30, 2003; July 1, 2003; July 1, 2005.

**Explanation of State Expenditures:** *Provision A & G* - Provision G eliminates the windbreak land classification program while grandfathering lands currently classified under the program.

*Provision A* allows landowners who currently have land classified as native forest land, forest plantation, or wildlife habitat to add contiguous acres by filing an application with the State Forester. Currently, a landowner must apply with the State Forester to withdraw land that is currently classified and then must reapply with the State Forester having included the additional acres in the total land to be classified. This would save the State Forester one step in a two-step application process.

The Department should be able to streamline expenses related to administering these programs as changed by this proposal.

When the valuation of classified real property is removed from the tax base, part of the property tax burden shifts from the classified property to business personal property, causing the state's expense for regular property tax replacement credit (PTRC) to be reduced. Part of the tax burden would also shift to homestead property which would cause Homestead Credits to be increased.

If the total number of classified acres is reduced by the bill, then PTRC expenses would be increased while Homestead Credits would be reduced. Conversely, if the total number of classified acres is increased by the bill, then PTRC expenses would be reduced while Homestead Credits would be increased.

PTRC and Homestead Credits are paid from the Property Tax Replacement Fund, which is annually supplemented by the state General Fund. Therefore, any change in PTRC or Homestead Credit payments would ultimately impact the state General Fund.

*Provision B - Plant Nurseries:* The annual net fiscal impact of this provision on the Division of Entomology and Plant Pathology is \$114,000. This positive impact is generated from additional fee collections (see

*Explanation of State Revenues* below) and reduced publication expenses. The cost for a directory of Nursery Dealers License holders is eliminated because the Division will publish the directory on the Internet. The Division expects a reduced expenditure of \$5,500 due to publication cost savings of the directory.

*Provision C* - This provision requires the Division of Outdoor Recreation to issue registration decals that show the registration number as well as the year in which the registration will expire. Currently, the expected cost for issuing such registration decals is indeterminable. The Division has not chosen a method by which it would provide the decals.

*Provision D* - (1) This provision raises the level of damage one must incur before an accident report must be filed and forwarded to the DNR. Currently, if an accident results in injury or at least \$100 in property damage, an accident report must be filed. The provision specifies the type of injury as severe bodily injury or death, and raises the level of property damage to \$750. This provision could cause the number of accident reports filed with the DNR to decrease, which may also decrease the DNR's administrative costs related to the accident reports. It may also cause a decrease in costs associated with conservation officers responding to accidents.

(2) This provision modifies the statute which designates what activities are prohibited on private property unless given consent by the owner or tenant of the land. Shooting with archery equipment, searching or gathering of plant life, and searching and gathering of artifacts are added to the list of prohibited activities. This provision may have a minimal fiscal impact if more citations are issued for trespassing.

(3) This provision includes a definition of farmland to clarify the statute that covers hunting licenses. This provision would have a minimal impact as it could potentially cause additional licenses to be purchased or increase citations for people hunting illegally.

(4) This provision requires the Bureau of Motor Vehicles (BMV) to forward a notice of a person's failure to appear before the court by the summons of a conservation officer to the state in which the offender lives. The Bureau must suspend the driving privileges of the defendant until the defendant appears in court and the case has been disposed. The order of suspension may be served upon the defendant by mailing the order by certified mail to the defendant's last known address. The Bureau must prescribe forms upon which the court can notify the Bureau that the defendant has appeared in court. These provisions may have a minimal fiscal impact on the BMV.

*Provision E* - No fiscal impact.

*Provision I* - This provision establishes a point-of-sale system for dispensing hunting, fishing, and trapping licenses. The Department of Natural Resources estimates the cost of the system to be approximately \$5 M to initiate and run for three to five years. This provision transfers no more than 25%, or \$4.9M, of the balance in the Lifetime Hunting and Fishing License Trust Fund to the Fish and Wildlife Fund for the purpose of implementing the point-of-sale system. This provision also designates the annual transfer of interest, plus 2.5% of the Lifetime Hunting and Fishing License Trust Fund, to the Fish and Wildlife Fund for the purpose of maintaining the point-of-sale system. Actual transfers for FY 2001 and FY 2002 were \$461,514 and \$586,092, respectively. For FY 2003 it is estimated that \$425,953 will be transferred to the Fish and Wildlife Fund. However, the estimate does not take into account the \$4.9 M one-time transfer, after which the annual transfer should decrease due to lower interest earnings. The Lifetime Hunting and Fishing License Trust Fund balance was \$19.5M as of October 31, 2002.

*Provision J* - The Department of Natural Resources Water Division would experience minimal fiscal impact by this proposal for implementing the fees for dam inspections.

**Explanation of State Revenues:** This table outlines the various fee increases provided in this bill. Further information is provided below.

Name of Fee	Additional Projected Revenue	Dedicated Fund
Ginseng Dealer License	\$3,750 annually	Fish and Wildlife Fund
Plant Nurseries: Dealer License Inspection Certification	\$80,000 annually \$28,500 annually	Entomology and Plant Pathology Fund
Timber Buyers Certification or Agent License	\$19,050 annually	Fund not specified, but accrues to the DNR
Off-road Vehicle and Snowmobile Registrations	\$192,000 over three years	Snowmobile and Off-road Vehicle Fund
Oil and Gas: Permit Transfer fee Expedited Review Permit (new permit)	\$45,000 annually \$6,000 annually \$30,000 annually, based on 20% usage of expedited process	Oil and Gas Operating Account
Coal Mining (sunset of fee increase postponed until after 2005)	\$750,000 for FY 2004 & FY 2005.	Reclamation Division Fund
Water Related Fees: Lake Shoreline or Bed Permit Dam Inspections Floodway Construction Permit	\$23,000 annually \$33,200 annually \$116,000 annually	Land and Water Resources Fund

*Provision B - Ginseng Dealer License Fees:* This provision proposes that the Ginseng Dealer's annual license fee be increased from \$25 to \$100. The Division of Nature Preserves estimates the additional revenue will be \$3,750 annually. Revenue from the Ginseng Dealer's license fee is deposited in the Fish and Wildlife Fund.

*Provision B - Plat Nursery Fees:* This provision increases the annual Nursery Dealer License fee from \$30 to \$50, and the reduced fee for those dealers who have paid an inspection fee is increased from \$10 to \$20. It raises the annual Inspection Certification fee for a nursery from \$20 to \$50 and raises the additional fee per acre of land from \$1.50 to \$3.00. The Division of Entomology and Plant Pathology estimates additional revenue of \$80,000 due to the Nursery Dealer License fee and \$28,500 due to the Inspection Certification fee.

This provision also requires the fees to be deposited into the existing Entomology and Plant Pathology Fund instead of the General Fund. As of June 30, 2002, the General Fund received \$90,425 for Nursery Dealer License and Inspection Certification fee revenue. Beginning July 1, 2003, the remaining balance of the

General Fund sub-account will revert to the General Fund. Future revenues from both fees will be deposited in the dedicated fund.

*Provision B - Timber Buyers License Fee:* This provision proposes that the application fee or renewal fee for a Timber Buyers Certificate be increased from \$80 to \$105, and the Timber Buyers Agent License fee be increased from \$5 to \$10. The fee for an actual certificate is to remain \$20. The Division of Forestry estimates the additional income to be \$19,050. The Division’s revenue generated from these fees was \$67,079 for FY 2002.

*Provision C -* This provision combines the statutes regulating snowmobile and off-road vehicle registration. In doing so, the Off-road Vehicle fee is raised from \$6 to \$30 for every three years. The Division of Outdoor Recreation expects to generate \$192,000 in additional revenue from this fee increase, based on those vehicles that are currently required to be registered. The Division’s revenue from this fee may increase even further as this bill also provides for certain off-road vehicles to be registered in addition to those already required to be registered. The Division may also experience an increase in revenue due to the collection of penalties for unregistered vehicles.

The following table presents the number of annual vehicle registrations processed by the Department of Natural Resources each year. The number of unregistered vehicles is unknown. Given that there is now a penalty for operating a vehicle without registration numbers, the number of vehicles registered may increase. The effect this will have on fees collected for new registrations is unknown.

**Off-Road Vehicle Registration.**

Year	New Registrations	Renewals	Total
CY 2001	7,107	1,210	8,317
CY 2002	6,534	1,033	7,567

Note: 2002 as of October 31.

Revenues collected in relation to off-road vehicle registration are to be deposited in the Off-Road Vehicle and Snowmobile Fund, which this provision creates. Money in the Fund is to be used for the enforcement, construction, and maintenance of both off-road and snowmobile trails. The Fund is to be administered by the Department.

Other fees are also changed by this provision. Various registration fees, including recording a new address, transferring ownership, and providing a duplicate copy are currently set at \$1, but this provision makes it so the fees can be established by the Department. The \$10 Demonstration and Testing fee for the first two registrations and the \$5 fee for additional demonstration and testing registrations are also to be established by the Department. The fiscal impact of this provision is dependent on the amounts established by the Department.

Violation penalties are also changed by this provision. Currently, it is a Class B misdemeanor to have an altered or defaced vehicle number; the penalty is changed to a Class C infraction. It is currently a Class C infraction for a dealer to operate in unsafe conditions or to have inadequate or no liability insurance and for an individual to operate a vehicle at an excessive speed or in a dangerous manner; the penalty for both is changed to a Class B misdemeanor.

Due to the change in violation penalties, this bill potentially increases revenue to the Common School Fund but could reduce revenue that is deposited in the state General Fund. This is because fines from misdemeanors are deposited in the Common School Fund, while infraction judgements are deposited in the state General Fund. Currently, the maximum judgment for a Class C infraction is \$500, which is deposited into the state General Fund, while the maximum fine for a Class B misdemeanor is \$1,000, which is deposited into the Common School Fund. Besides the issuance of fines, the sentencing court may assess a court fee if a guilty verdict is entered. The court fee for an infraction is \$70, while the court fee for a misdemeanor is \$120. The state receives 70% of the court fee that is assessed when a guilty verdict is entered and the fee is collected in a court of record and 55% if a case is filed in a city or town court.

*Provision D* - (4) This provision also removes the cap imposed on fines issued by the court for failure to appear. This may allow a person who fails to appear in response to a summons to be charged with a Class C misdemeanor, which has a maximum fine of \$500 that is deposited in the state's Common School Fund.

*Provision F* - This provision increases the fee for an oil and gas permit from \$100 to \$250. The Division of Oil and Gas expects the fee to generate approximately \$45,000 in additional revenue. A person may also pay a fee of \$500 to have an expedited review of the permit application. This fee is estimated to generate approximately \$30,000. This provision also creates the Oil and Gas Permit Transfer fee of \$10 or \$15 depending on the number of permits transferred at one time. The Division expects the fee to generate approximately \$6,000 in additional revenue. Money generated from these fees is deposited in the Oil and Gas Fund.

*Provision G* - This provision has no fiscal impact. The Division of Parks and Reservoirs currently manages the parks and reservoirs together. By combining the two special revenue funds, this provision will help simplify the Division's accounting procedures.

*Provision H* - Currently, statute provides that surface and underground coal mining operations shall pay \$0.055 and \$0.03 per ton of coal produced, respectively, to the Reclamation Division Fund until June 30, 2003. After this date the fee will decrease to \$0.03 and \$0.02, respectively. This provision extends the \$0.055 and \$0.03 fees until June 30, 2005. According to the Division of Reclamation, an average of 28,122,553 surface tons and 4,727,399 underground tons of coal, corrected for moisture, have been mined annually since 1997. If this average remains constant, the Division would retain approximately \$750,340 in FY 2004 and FY 2005. The Fund received \$1 M in coal mining fee revenue for FY 2002. The money is used to offset the costs of administering the Surface Coal Mine Inspection and Enforcement Program.

*Provision I* - This proposal could potentially lead to increased hunting, fishing, and trapping license sales as the point-of-sale system makes purchasing a license faster and more accessible.

The bill would allow DNR divisions that sell licenses to keep the \$0.75 service fee normally retained by independent license agents. A portion of this revenue would be diverted from the Fish and Wildlife Fund to other dedicated funds within the DNR, depending on the division that sells the license. This provision would not affect the amount of revenue received by the agency from the licenses sold.

*Provision J* - The total projected additional revenue to the Department of Natural Resources from these fees is \$172,200. Revenues from these fees are deposited in the Land and Water Resources Fund, which had a balance of \$126,205 in FY 2002.

This bill provides for the Public Freshwater Lake Permit Fee and the Construction in a Floodway Permit Fee,

both issued by the Department of Natural Resources Division of Water, to be increased. The Public Freshwater Lake Permit Fee is to be increased from \$25 to \$100. The projected additional revenue from this fee is \$23,000.

The Construction in a Floodway Permit Fee, other than for residences, is to be increased from \$50 to \$200. The projected additional revenue from this fee is \$116,000.

This bill also proposes new fees for the inspection of a significant-hazard structure and a low-hazard structure by the Department of Natural Resources. The fees are to be \$200 and \$100, respectively. The projected additional revenue is \$33,200.

**Explanation of Local Expenditures:** *Provision A* - By allowing a landowner to add contiguous acres of land to an existing parcel of classified land without having to withdraw the existing classification, the county assessor would no longer be required to assess the property and would be able to save related expenses.

*Provision C - Penalty:* Local expenditures could increase if offenders are incarcerated in local jails instead of being only fined. A Class B misdemeanor is punishable by up to 180 days in jail. The average daily cost of housing an offender in jail is reported to be \$44. There is no term of imprisonment for an infraction.

*Provision D - (4)* Currently, upon failure to appear before the court by summons of a conservation officer, the court is to issue a warrant for the arrest of the offender. Failure to appear is a Class C misdemeanor, which is punishable by up to 60 days in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44. This provision also provides that in addition to the warrant for arrest, the court shall issue an order to suspend the defendant's drivers license until the defendant appears in court. This will have a minimal fiscal impact.

*Provision I* - Administrative costs for clerks of the circuit courts should decrease because the point-of-sale system will eliminate the need for reporting of licenses sold by them to the Department of Natural Resources.

**Explanation of Local Revenues:** *Provision A & G* - Provision G eliminates the windbreak land classification program while grandfathering lands currently classified under the program. Land that is currently designated under this program would not be affected by this provision. Provision A allows native forest or forest plantation land to contain certain open areas.

Classified land is valued at \$1 per acre for property tax purposes. This bill would prevent any additional land from being classified as a windbreak. The allowance of certain open areas within classified land could result in an increase in the total number of acres that are classified and assessed at \$1 per acre.

When land is assessed at \$1 per acre, the assessed value tax base is reduced, which in turn shifts part of the property tax burden from the owner of the classified land to all taxpayers. If the bill ultimately results in fewer classified acres, then this shift would be diminished. However, if the total number of classified acres is increased by this bill, then this shift would be greater.

*Provision C - Penalty:* Local governments could receive additional revenues from any court fees that are collected for cases that were infractions and are now misdemeanors. 27% of court fees that are collected are deposited in the county general fund when a guilty verdict is entered for a misdemeanor. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. From city and town courts, the county general fund receives 20% of

the court fee while the city or town general fund receives 25%.

*Provision I* - This bill would no longer allow circuit court clerks to designate subagents to sell licenses. Currently, clerks may keep \$0.25 of the service fee retained when a subagent sells a license. However, this provision will have no fiscal impact as none of the circuit court clerks have subagents designated to sell licenses.

**State Agencies Affected:** Department of Natural Resources, Bureau of Motor Vehicles, Department of Correction.

**Local Agencies Affected:** Local courts, trial courts; local law enforcement agencies; township and county assessors.

**Information Sources:** Dan Mathis, Legislative Liaison, Department of Natural Resources (317) 233-6904; Emily Kress, Division of Outdoor Recreation, Department of Natural Resources, 317-232-4070; Revenue Trial Balance, FY 2002; Indiana Sheriffs Association.

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