



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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Legislative Fiscal Analyst  
CLAYTON SCHENCK

EXHIBIT 7  
DATE 3.8.05  
#B 172

DATE: February 10, 2005  
TO: Representative Jill Cohenour  
FROM: Barbara Smith, Associate Fiscal Analyst *Barbara Smith*  
RE: FWP – Timing of Fee Increases

Recently you inquired about the benefits of a two tier increase of FWP license and permit fees as it relates to budget matters.

Fees derived from the privilege of hunting and fishing are collected on a license year basis, rather than a fiscal year. In order to generate revenues from a fee increase, that increase needs to be implemented in the first year of the biennium in order to produce a full year of revenue in the second year of the biennium. Since the license year starts in March, the first year of the biennium will only produce a maximum of 25% of the forthcoming revenues.

A two-tier increase provides additional options. First, if the first increase does not sufficiently increase revenues, the second phase of the increase can be implemented immediately upon the effective date. There is no need to return to the legislature for the increase as it has been granted in advance. The two-tier system could also work in reverse. If the first increase produces sufficiently more revenues, the second phase can be eliminated or delayed through a statute amendment during the following legislative session.

The most important factor in implementing any fee increase will be the timing. When the department approaches the critical level of funding, the time for a fee increase is well past. The increase needs to come before the critical time in order to add revenues to the accounts, which will be utilized to provide cash flow over time. If a one-time fee increase is adopted and sufficient revenues are not produced, and expenditures continue at their current rate, the potential exists for program reductions. A subsequent increase in fees would occur after the fact would not be readily available to reinstate reductions.

Should you have any additional questions, feel free to contact me at xt.5347.