

Department of Legislative Services
 Maryland General Assembly
 2012 Session

FISCAL AND POLICY NOTE

House Bill 1307 (Chair, Environmental Matters Committee)(By Request -
 Departmental - Natural Resources)

Environmental Matters

Natural Resources - State Boat Act - Fees and Requirements

This departmental bill establishes new and increases existing fees paid to the Department of Natural Resources (DNR) under the State Boat Act. The bill increases existing vessel registration fees and bases the new fees on vessel length; requires sailboats to be registered unless they are less than 16 feet in length; and increases existing fees for boat dealer certificates of number, boat dealers' licenses, replacement certificates, and titles. The bill also authorizes owners of specified nonmotorized vessels to apply to DNR for a new nonmotorized vessel decal and establishes related requirements. Finally, the bill reduces, from 90 days to 60 days, the period after which temporary certificates of number expire.

Fiscal Summary

State Effect: Special fund revenues increase by \$3.5 million in FY 2013 due to the fee increases. Future year revenues reflect annualization and the phase-in of additional fee increases in FY 2015. Special fund expenditures increase by \$1,000 annually beginning in FY 2013 to procure the new nonmotorized vessel decals established by the bill.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
SF Revenue	\$3,520,344	\$4,665,760	\$8,191,472	\$9,366,710	\$9,366,710
SF Expenditure	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Net Effect	\$3,519,344	\$4,664,760	\$8,190,472	\$9,365,710	\$9,365,710

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Although the bill does not directly affect local governments, they may benefit from additional grants and technical assistance as a result of the bill.

Small Business Effect: DNR has determined that this bill has a meaningful impact on small business (attached). Legislative Services concurs with this assessment as discussed below.

Analysis

Bill Summary/Current Law: As illustrated in **Exhibit 1**, the bill increases existing vessel registration fees and bases the new fees on vessel length; requires sailboats to be registered unless they are less than 16 feet in length; and increases existing fees for boat dealer certificates of number, boat dealers' licenses, replacement certificates, and titles. The bill requires vessels documented by the U.S. Coast Guard to pay the same graduated vessel registration fees as other vessels; under current law, U.S. Coast Guard-documented vessels are only required to purchase a \$10 biennial use sticker. The changes to the vessel registration fees are phased in on October 1, 2012, and October 1, 2014.

Exhibit 1 State Boat Act Fees Under the Bill

	<u>Current Fee</u>	<u>Proposed Fee Oct. 1, 2012</u>	<u>Proposed Fee Oct. 1, 2014</u>
Voluntary Nonmotorized Vessel Decal	Not applicable	\$12	\$12
Registration Fees (Certificates of Number) ¹			
Vessels Under 16 Feet ²	\$24 or \$0 (if nonmotorized or 7.5 hp or less)	25	50
Vessels 16 to Less Than 32 Feet	24	75	125
Vessels 32 to Less Than 45 Feet	24	125	250
Vessels 45 to 65 Feet	24	250	500
Vessels Greater Than 65 Feet	24	350	700
Boat Dealer's Vessel Registration/Certificate	24	100	100
Boat Dealer License ³	25	100	100
Replacement or Corrected Certificate ⁴	2	10	10
Vessel Title Fee ⁴	2	25	25

¹ The bill applies the new vessel registration fees to vessels documented by the U.S. Coast Guard; under current law, those vessels are only required to purchase a \$10 biennial use sticker.

² Sailboats less than 16 feet in length remain exempt from registration under the bill.

³ Indicates an annual fee; the amounts noted are the maximum fee allowable.

⁴ Indicates a one-time fee.

Note: Unless otherwise indicated, the fees shown in the exhibit are biennial.

Source: Department of Natural Resources

The bill establishes a voluntary biennial nonmotorized vessel decal that an owner of a vessel without propulsion machinery used principally on the waters of the State and not subject to the vessel registration requirements may apply for on a form approved by DNR. The bill establishes various requirements about the display of the new decal and the transfer of vessels with decals.

Finally, the bill reduces, from 90 days to 60 days, the number of days after which temporary certificate of boat numbers expire, consistent with federal regulations.

The fees affected by the bill are paid into the State Boat Act Fund, which is administered by DNR and used to carry out the purposes of the State Boat Act, including:

- developing plans for the improvement and promotion of the waters of the State for recreational purposes;
- promoting safety of life and property through an educational program directed to boat owners, boat operators, and others concerning the inherent hazards to vessels and people on the waters;
- planning a regulatory program and its related cooperation with officials of other states, the federal government, and local governments;
- improving the State's waterways by deepening channels; acquiring and developing access areas; clearing waterways by removing logs, debris, and other material obstructing or detrimental to navigation; building docks; and clearing waters of aquatic vegetation;
- cooperating with federal, State, or local agencies which make funds available for the administration of the State Boat Act;
- towing disabled vessels on any waters of the State to the nearest safe harbor or to a location where commercial towing facilities are available in order to protect life and property while not competing with commercial towing services; and
- designating and marking channels in State waters.

DNR is authorized to use the State Boat Act Fund for specified administrative costs. In addition, within the limits of funds available, DNR may enter into any agreement with the federal government, any municipality or other political subdivision of the State, or any private agency to share the cost of any development, construction, or improvement of waterways or of facilities determined to have beneficial value to the boating public.

Background: DNR's Boating Services Unit seeks to foster the sustainable development, use, and enjoyment of all State waterways in cooperation with federal, State, and local government entities for the benefit of the general boating public. Among other things, the unit coordinates the Clean Marina Program, oversees two State-owned marinas, funds boating access facilities and navigation channel dredging, and places regulatory markers and navigation aids.

Funding for boating services in Maryland has decreased in recent years. DNR advises that the State Boat Act fees affected by the bill have not been increased in decades and, as a result, fee revenues have not kept pace with program costs. In addition, revenues to the Waterway Improvement Fund, which is funded through the 5% vessel excise tax and used by DNR to finance projects and activities that promote, develop, and maintain Maryland's waterways for boating, have decreased significantly in recent years due to fewer boat sales. Furthermore, the U.S. Army Corps of Engineers recently indicated that federal funds for dredging will decrease by approximately \$6 million annually.

According to DNR, the bill seeks to diversify, enhance, and stabilize the annual funding available for boating-related capital projects so Maryland can better maintain navigation channels and strengthen Natural Resources Police (NRP) enforcement efforts. DNR advises that current staffing levels enable NRP to place only about nine officers on duty statewide per shift, which is inadequate to maintain an effective force. DNR advises that it intends to use a majority of the revenue generated by the bill for waterway capital projects.

DNR advises that, while the proposed registration fees are higher than those in neighboring states, no other state in the nation offers the expansive boating opportunities, nor faces the annual maintenance needs of Maryland's waterways. DNR further advises that states with relatively comparable vessel registration fees include Connecticut, Rhode Island, New Hampshire, and Michigan.

State Revenues: Special fund revenues increase by \$3.5 million in fiscal 2013, \$4.7 million in fiscal 2014, \$8.2 million in fiscal 2015, and \$9.4 million in fiscal 2016 and 2017 due to the fee increases, as shown in **Exhibit 2**. This estimate is based on information provided by DNR and assumes that (1) actual fee revenue generated in fiscal 2011 would have remained constant in fiscal 2013 through 2017 in the absence of the bill; (2) the total number of vessels remains constant at the fiscal 2012 level; (3) 5,700 nonmotorized vessel decals are requested annually; and (4) current trends with regard to the times registrations are typically submitted continue. This estimate does not reflect new registrations for sailboats over 16 feet because a reliable estimate of the number of affected vessels is not readily available.

Exhibit 2
New State Boat Act Revenue Under the Bill
Fiscal 2013-2017

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Registration Fees (Certificates of Number)	\$2,974,411	\$3,965,881	\$7,491,593	\$8,666,831	\$8,666,831
Boat Dealer's Vessel Registration/Certificate	23,940	31,920	31,920	31,920	31,920
Vessel Title Fee	409,015	545,353	545,353	545,353	545,353
Boat Dealer License	34,950	34,950	34,950	34,950	34,950
Replacement or Corrected Certificate	9,628	19,256	19,256	19,256	19,256
Voluntary Nonmotorized Vessel Decal	68,400	68,400	68,400	68,400	68,400
Total New Revenue	\$3,520,344	\$4,665,760	\$8,191,472	\$9,366,710	\$9,366,710

Source: Department of Natural Resources

State Expenditures: Special fund expenditures increase by an estimated \$1,000 annually beginning in fiscal 2013 to procure the new decals established by the bill. Although the bill does not require any additional expenditures beyond the procurement of the decals, DNR advises that it will use the majority of the additional revenue generated under the bill for waterway capital projects and a portion of the additional revenue to fill vacancies within NRP, as noted above.

Local Fiscal Effect: Although the bill does not have a direct impact on local finances, local governments will benefit from additional grants and technical assistance available for boating-related projects. DNR advises that, in fiscal 2012, it was only able to fund 11% of local government requests for assistance with waterway improvement capital projects.

Small Business Effect: Small boat dealer and manufacturing businesses are affected to the extent they must pay higher fees for annual dealer licenses and biennial certificates of number. DNR estimates that about 90% of the approximately 840 boat dealers' and manufacturers' certificates of number are associated with small businesses.

In addition, small fishing businesses are negatively affected due to the increase in vessel registration fees under the bill.

As noted in DNR's assessment, the bill may benefit small businesses that depend on Maryland's waterways and are associated with the State's boating industry. According to DNR, boating contributes up to \$2 billion annually to Maryland's economy. State-funded public navigation channels and boating facilities are essential to the boating industry and small fishing businesses. Boating projects, which DNR intends to use some of the revenue generated by the bill to support, benefit small businesses involved with commercial fishing, tourism, and marine construction.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Natural Resources, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 15, 2012
ncs/lgc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Natural Resources – State Boat Act – Fees and Requirements

BILL NUMBER: HB 1307

PREPARED BY: Department of Natural Resources

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

 X WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The Chesapeake Bay and Maryland's other waterways are known throughout the United States and abroad as one of the best locations for recreational boating. In-state spending by boat owners was estimated in 2007 by the University of Maryland to total more than \$2 billion and support 35,000 jobs, making boating a major factor in our local economy.

Since the beginning of the current recession, State and local waterway improvement projects have been critical to the economic well being of local marine contractors, engineering firms that specialize in marine construction, and suppliers that support the completion of these projects. Several contractors informed the Department that without these State funded marine construction projects, they would have had to layoff employees. In 2008, DNR budgeted nearly \$25 million to design and construct waterway improvement projects including dredging boating channels, developing and maintaining public boating facilities such as public boat ramps, docks, and other boating related infrastructure, as well as other technical related projects. That amount was reduced to \$1.24 million in FY 2012. A sustained reduction in capital waterway improvement projects will result in job losses that will directly impact these companies and associated employees. As such, the proposed additional revenues are critical in completing future waterway improvement projects along with saving existing and creating new jobs.