

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 405 (Delegate Beitzel, *et al.*)
 Environment and Transportation

Natural Resources - State Lakes Protection and Restoration Fund - Mandatory
 Funding and Repeal of Termination Date

This bill increases the mandated appropriation to the State Lakes Protection and Restoration Fund, from \$1 million to \$3 million. The bill also repeals the June 30, 2022, termination date of Chapter 698 of 2018, making specified changes under Chapter 698 permanent. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund expenditures increase by \$2.2 million in FY 2021, by similar amounts through FY 2023, and by approximately \$3.2 million annually beginning in FY 2024 (reflecting mandated funding and personnel costs). Special fund revenues and expenditures increase by \$2.0 million from FY 2021 through 2023 and by \$3.0 million annually beginning in FY 2024 (reflecting receipt of the mandated funding and corresponding spending). **This bill increases an existing mandated appropriation beginning in FY 2021 and makes it permanent.**

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$3,000,000
GF Expenditure	\$0	\$2,223,100	\$2,215,100	\$2,222,300	\$2,229,700
SF Expenditure	\$0	\$2,000,000	\$2,000,000	\$2,000,000	\$3,000,000
Net Effect	\$0	(\$2,223,100)	(\$2,215,100)	(\$2,222,300)	(\$2,229,700)

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

Local Effect: The bill does not directly affect local government finances.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Chapters 404 and 405 of 2017 first established the State Lakes Protection and Restoration Fund, administered by the Secretary of Natural Resources, to protect and restore State-owned lakes. Under Chapters 404 and 405, the fund consisted of money appropriated in the State budget to the fund and any other money from any other source accepted for the benefit of the fund. Chapter 698 of 2018, however, requires the Governor to include in the annual budget bill an appropriation of \$1 million to the fund for fiscal 2020 and *each fiscal year thereafter*.

Chapter 698 also allows for the fund to be used to protect and restore State-managed lakes as well as State-owned lakes and specifies the following activities the fund may be used for in order to protect and restore State-owned or State-managed lakes: (1) removing sediment; (2) treating contaminated sediment; (3) preventing the spread of invasive species; (4) improving ecological and recreational value; and (5) taking any other action DNR determines necessary. Chapter 698 terminates June 30, 2022. (However, pursuant to Chapters 404 and 405, the fund continues.)

Pursuant to provisions established under Chapters 404 and 405, any interest earnings of the fund are credited to the fund. Money expended from the fund is supplemental to, and not intended to take the place of, funding that would otherwise be appropriated for the protection or restoration of State-owned (or State-managed) lakes. DNR must develop (1) a working budget for the funding and (2) in coordination with local governments, organizations, and citizens, an annual work plan that prioritizes and details projects that will receive funding.

Background: There are 16 State-owned or State-managed lakes, with Deep Creek Lake being the largest. As required by Chapter 698, the Governor's proposed fiscal 2020 budget includes \$1 million for the State Lakes Protection and Restoration Fund, a small portion of which (\$47,500) is for a contractual position to help manage and track projects.

DNR held a series of State Lakes Protection and Restoration Fund "open houses" in the late fall of 2018. Stakeholder comments indicated that there are many issues impacting the health of the State-owned and State-managed lakes, including impacts and control of aquatic invasive species, a general lack of lake water quality and habitat formation, and sediment accumulation.

State Fiscal Effect: General fund expenditures increase by \$2,223,107 in fiscal 2021, which reflects the \$2 million increase in the mandated appropriation for the fund plus costs of additional personnel needed to administer a protection and restoration program at that level of funding. General fund costs for the same personnel were included in the fiscal and policy note for Senate Bill 501 of 2018 (Chapter 698) as an impact of that bill beginning

in fiscal 2020, independent of the \$1 million mandated appropriation. However, only a contractual position, funded with a portion of the \$1 million mandated appropriation, has been included in the Governor’s proposed fiscal 2020 budget. Those personnel are reflected again in this fiscal and policy note as a general fund impact (independent of the \$2 million increase in the mandated appropriation) because (1) the need for those personnel still exists and is even greater beginning in fiscal 2021 because of the increase in funding for the program required by the bill and (2) the bill does not explicitly allow for the mandated funding to be used for costs of personnel needed to administer the fund.

The necessary personnel include a project manager (to, among other things, coordinate development of the budget and work plan for the fund, oversee projects, and manage contracts), an environmental project reviewer (to complete necessary environmental impact review work for proposed projects), and an administrative specialist (to provide support in managing and tracking project bids and commenced projects). These responsibilities cannot be adequately managed by existing staff. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3
Salaries and Fringe Benefits	\$199,562
Increased Mandated Appropriation	2,000,000
Operating Expenses	<u>23,545</u>
Total FY 2021 State Expenditures	\$2,223,107

Future year expenditures reflect the continued increased mandated appropriation for fiscal 2022 and 2023, the full mandated appropriation for fiscal 2024 (due to the repeal of the Chapter 698 of 2018 termination date), full salaries with annual increases and employee turnover, and ongoing operating expenses. While Chapter 698 is set to terminate June 30, 2022, it is assumed that, in the absence of this bill, the mandated appropriation continues through fiscal 2023, since Chapter 698 would still be in effect when the Governor introduces the annual budget bill for fiscal 2023 during the 2022 legislative session.

Special fund revenues to the fund and expenditures from the fund increase by \$2 million in fiscal 2021 through 2023 and by \$3 million annually beginning in fiscal 2024, which reflects the receipt of the mandated appropriation and corresponding spending. It is assumed that the entire mandated appropriation is spent in each year.

Small Business Effect: Small businesses may meaningfully benefit from the opportunity to bid on protection and restoration projects funded by the increased mandated funding under the bill.

Additional Information

Prior Introductions: None.

Cross File: SB 213 (Senator Edwards) - Education, Health, and Environmental Affairs.

Information Source(s): Department of Natural Resources; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2019
md/lgc

Analysis by: Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510