

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**

House Bill 1187 (Chairman, Environmental Matters Committee)  
 (Departmental – Natural Resources)

Environmental Matters

**Department of Natural Resources - Vessels**

This departmental bill makes several changes to the various fees paid to the Department of Natural Resources (DNR) under the State Boat Act. The bill increases specified fees, repeals an exemption from the registration fees for small vessels, and establishes an optional three-year schedule for obtaining registrations and documentation use decals.

**Fiscal Summary**

**State Effect:** Special fund revenues will increase by an estimated \$1,538,700 in FY 2003, which reflects the bill’s October 1, 2002 effective date. Out-year revenues reflect the full revenue increase beginning in FY 2004 and vary due to the biennial fee schedule of the documentation use decal. DNR can handle the bill’s changes with existing budgeted resources.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$1,538,700	\$2,311,800	\$2,051,600	\$2,311,800	\$2,051,600
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$1,538,700	\$2,311,800	\$2,051,600	\$2,311,800	\$2,051,600

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

**Local Effect:** The bill would not directly affect local operations or finances.

**Small Business Effect:** DNR has determined that this bill will have minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

## Analysis

**Bill Summary:** The bill eliminates the two-year registration fee exemption for specified small vessels and sets a fee of \$25; increases the two-year registration fee for other vessels from \$24 to \$40; establishes a three-year registration fee (\$37.50) for specified small vessels; establishes a three-year registration fee for other vessels (\$60); increases the fee to replace a lost, destroyed, or corrected registration from \$2 to \$10; increases the fee for a two-year documentation use decal from \$10 to \$40; establishes a three-year documentation use decal fee (\$60); increases the maximum fee DNR may assess for a manufacturer's or dealer's license from \$25 to \$50; increases the application fee for a manufacturer's or dealer's registration from \$24 to \$40; increases the fee to issue a certificate of title, a transfer of title, or a duplicate or corrected certificate of title from \$2 to \$10; and repeals the \$5 service charge for returned checks.

**Current Law:** Any vessel equipped with propulsion machinery of any type must be numbered for identification; this does not include vessels that have a valid document issued by the United States Coast Guard (USCG) or other specified vessels such as lifeboats or boats powered only by sail. Registration fees for these numbers are \$24 and must be renewed every two years; vessels 16 feet in length or less and equipped with a 7.5 horsepower motor or less are exempt from the registration fee. The fee to replace a lost, destroyed, or corrected registration is \$2. Vessels that have a valid document issued by the USCG (and do not have to register) must obtain a vessel validation (documentation use) decal that costs \$10 and must be renewed every two years. Any owner of a vessel principally used on the waters of the State and to be numbered must apply to DNR for a certificate of title. DNR charges a \$2 fee to issue a certificate of title, a transfer of title, or a duplicate or corrected certificate of title.

A manufacturer or dealer may not conduct business in the State unless licensed pursuant to DNR regulations. The fee may not exceed \$25. If a licensed dealer or manufacturer owns a vessel mainly used in the business and held for sale and that is required to be numbered, the dealer or manufacturer may apply to DNR for certificates of number. The application fee for each certificate of number is \$24.

DNR imposes a \$5 service charge for every check returned unpaid. The Commercial Law Article also provides for a collection fee of up to \$35 for a dishonored check.

**Background:** DNR advises that vessel fees have not increased in several years. For example, the title fee has not increased since 1965; the registration fee, the replacement fee, the manufacturer's or dealer's certificate of number fee, and the boat dealer's license fee have not increased since 1973; and the documentation use decal has not increased since 1981. DNR advises that the revenue generated from the proposed fee increases will

be used to fund two initiatives relating to the 2000 Chesapeake Bay Agreement and a third initiative relating to online vessel registration.

**State Revenues:** Special fund revenues will increase by an estimated \$1,538,680 in fiscal 2003, which reflects the bill's October 1, 2002 effective date. Special fund revenues will increase by \$2,311,793 in fiscal 2004 and every other fiscal year thereafter (which reflects a full year under the new fee structure and includes revenues from documentation use decals which are issued biennially), and by \$2,051,573 in fiscal 2005 and every other fiscal year thereafter (which reflects no revenue from documentation use decals), as shown below:

<u>Fee</u>	<u>Number Issued Annually</u>	<u>Current Fee</u>	<u>Current Revenue</u>	<u>Proposed Fee</u>	<u>Proposed Revenue</u>	<u>Revenue Increase</u>
Title	30,000	\$2	\$60,000	\$10	\$300,000	\$240,000
Registration (2-year)	82,265	24	1,974,360	40	3,290,600	1,316,240
Registration-small boats (2-year)	17,770	0	0	25	444,250	444,250
Registration (3-year)	N/A	N/A	N/A	60	0	0
Registration-small boats (3-year)	N/A	N/A	N/A	37.50	0	0
Documentation Use Decal (2-year) *	8,674*	10	86,740	40	346,960*	260,220*
Documentation Use Decal (3-year)	N/A	N/A	N/A	60	0	0
Replacement Registration	3,500	2	7,000	10	35,000	28,000
Manufacturer/Dealer License	563	25	14,075	50	28,150	14,075
Manufacturer/Dealer Cert.	563	24	13,512	40	22,520	9,008
<b>Total</b>			<b>\$2,155,687</b>		<b>\$4,467,480</b>	<b>\$2,311,793</b>

\*Issued every two years (revenue will accrue in fiscal 2004 and 2006 over the next five fiscal years).

These estimates assume that the number of vessels remains constant and that all individuals continue to obtain boat registrations and documentation use decals that are

valid for a two-year period. The number of individuals that will choose to use the bill's new three-year fee category cannot be reliably estimated at this time. In any event, the annualized fees for the two-year and three-year fees are equal (\$20 per year for registration of larger vessels and documentation use decals and \$12.50 per year for registration of small vessels that are currently exempt).

The repeal of the fee for returned checks is not anticipated to materially affect special fund revenues; even though the bill repeals the current \$5 fee, the Commercial Law Article provides for a collection fee of up to \$35 for a dishonored check.

**State Expenditures:** Although DNR can handle the bill's requirements with existing budgeted resources, DNR advises that it anticipates spending the additional revenue generated as a result of the bill in order to fund two new initiatives relating to the 2000 Chesapeake Bay Agreement and a third initiative relating to online vessel registration. DNR's plans for fiscal 2003 include spending approximately \$1.17 million in contractual services, \$209,000 for salaries and fringe benefits to hire three natural resource planners and three natural resource biologists, and \$162,500 in one-time start-up costs and ongoing operating expenses. DNR advises that the funding for contractual services will be distributed as follows:

- DNR plans to fund the 2000 Chesapeake Bay Agreement commitment to improve the education of Maryland students about the Chesapeake Bay watershed. DNR advises that it plans to provide grants of an estimated \$700,000 to local school districts and nonprofit organizations for outdoor experience and environmental restoration projects;
- DNR also advises that it will use approximately \$460,000 of the proposed revenue increase to fund the 2000 Chesapeake Bay Agreement commitment to accelerate protection and restoration of submerged aquatic vegetation (SAV) beds in the Chesapeake Bay and coastal bays. Funding will be provided to local contractors to grow SAV for transplantation. Funding also will be provided to watermen to assist in planting activities, and to researchers to assist in the development of new techniques and analysis of findings. DNR advises that interested local jurisdictions may be involved in the planning and implementation of the SAV restoration activities in their areas; and
- DNR advises that it also plans to contract with a vendor to create an internet application that will allow boat owners to use DNR's website to renew their boat registration.

In the out-years, DNR advises that it plans to spend all the increase in revenue generated as a result of the bill for the continuation of those activities.

## **Additional Information**

**Prior Introductions:** HB 902 of 1996 would have eliminated the registration fee exemption for specified small vessels and increased the fee for documented vessels and the title fee. The bill received an unfavorable report by the House Environmental Matters Committee.

**Cross File:** None.

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

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