

permanent disability are placed in the same category as inactive pilots with at least 25 years as a member of the association and who are licensed to provide pilotage for vessels of any draft. Payments for disability will cease if: (1) a pilot who was declared permanently incapable of providing pilotage becomes capable; or (2) a pilot who had a federal or State pilot's license revoked for a physical disability has the license reissued. The bill clarifies that the fees collected by the Association of Maryland Pilots are distributed by the association on behalf of the board.

The board of supervisors of the association must maintain a Maintenance and Replacement Fund and must obtain written approval from the State Board of Pilots for any expenditures from the fund. Generally, the balance of the fund must remain at or above \$500,000. If the fund balance falls below \$500,000 for expenditures approved by the board, it may not remain under \$500,000 for more than ten consecutive years. At no time may the balance fall below \$100,000. The board of supervisors of the association will make deposits to the fund as determined by the board, hold the fund in trust, and may invest or hold the fund as the association finds desirable.

The association must submit to the board annual financial audits of payments to pilots and the fund, and the board is required to keep copies of the audits.

Current Law: Compensation for the board can only be paid out of money collected by the board, and there is no provision for reimbursement for expenses under the standard State travel regulations. There is no statutory language for determination of eligibility for receiving or discontinuing payments for permanent disabilities, but the computation for the payments for permanent disability is the same as that used to determine payments for inactive pilots who have been association members for at least 25 years and are licensed to provide pilotage for vessels of any draft.

There are no statutory requirements regarding the balance of the Maintenance and Replacement Fund, nor any provision that the association must have board approval for fund expenditures. Likewise, there are no provisions requiring the association to provide the board an annual audit of payments to pilots, or of the Maintenance and Replacement Fund.

Background: The authority for the State Board of Pilots is subject to the Maryland Program Evaluation Act, also known as the "sunset law," which provides a system of periodic legislative review of the regulatory, licensing, and other governmental activities of various units of State government.

The bill arises out of the sunset evaluation of the board performed by the Department of Legislative Services (DLS) during 2001. In its report, DLS recommended that the board

be continued and its termination date be extended to July 1, 2013. In addition, DLS recommended that the board report by October 1, 2002 to the Senate Education, Health, and Environmental Affairs Committee and the House Economic Matters Committee on the implementation of recommendations made in the sunset review dated October 2001.

State Fiscal Effect: General fund revenues for the board will be maintained beyond fiscal 2003. The proposed 2003 budget assumes the board will receive \$250 in fees. The Association of Maryland Pilots collects and distributes most fees associated with pilotage.

General fund expenditures will be maintained beyond fiscal 2003. Though the 2003 program allowance of \$440 is far short of estimated total program expenses of \$14,000, on a biennial average the board generates enough revenues to cover direct and indirect costs. It should be noted, however, that if license renewals are not staggered, and as the percentage of senior pilots grows, the disparity between biennial costs and revenues would continue to become more pronounced resulting in significant program deficits in non-renewal years.

Additional Information

Prior Introductions: None.

Cross File: None, but HB 489 is substantially similar.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

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