

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 489

(Chairman, Economic Matters Committee)

Economic Matters

Education, Health, and Environmental Affairs

State Board of Pilots - Sunset Extension and Program Evaluation

This bill extends the termination date for the State Board of Pilots from July 1, 2003 to July 1, 2013, and requires a sunset evaluation of the board by July 1, 2012. The bill also clarifies that the board is general funded, and codifies specified fiscal practices carried out on behalf of the board by the Association of Maryland Pilots.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: State finances for the board will continue beyond FY 2003. The FY 2003 general fund budget allowance for the board is \$440. The proposed 2003 budget assumes the board will generate \$250 in general fund revenues. Out-year revenues and expenditures are expected to remain relatively constant.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: In addition to extending the termination date for the board, the bill requires the board to pay all money collected, unless otherwise provided by law, into the general fund. The bill specifies that compensation and expense reimbursements for the board shall be as provided in the State budget. The bill places pilots eligible to receive payments for permanent disability 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 the other 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.

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

Fiscal Note History: First Reader - February 4, 2002
mld/jr Revised - Enrolled Bill - April 29, 2002

Analysis by: Mitchell J. McCalmon

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510