

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 1144 (Delegate Conroy, *et al.*)
 Environmental Matters

Natural Resources - Waterway Improvement Fund and Commercial Marina
 Loan Program

This bill: (1) establishes a Commercial Marina Loan Program within the Department of Natural Resources (DNR); and (2) expands the allowable uses of the Waterway Improvement Fund (WIF) to allow DNR to provide interest-free and low-interest loans to owners of commercial marinas for structural enhancements and marketing of commercial marinas. Proceeds from the repayment of loans are credited to WIF. DNR must adopt regulations to implement the bill.

Fiscal Summary

State Effect: Special fund expenditure increase of \$515,600 to implement the loan program, exclusive of loan activity. Future year estimates are annualized, adjusted for inflation, and reflect ongoing operating expenses. Special fund revenues would increase in accordance with proceeds from loan repayments. Approximately \$10 million annually in WIF expenditures would be redirected to provide loans to commercial marina owners.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	-	-	-	-	-
SF Expenditure	515,600	594,500	621,600	650,800	682,500
Net Effect	(\$515,600)	(\$594,500)	(\$621,600)	(\$650,800)	(\$682,500)

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

Local Effect: Local revenues from WIF for public boating projects would decrease.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The regulations must establish application procedures, criteria for the award of a loan, criteria for determining the interest rate, and procedures for an applicant to demonstrate that the applicant has the financial capacity to repay a loan. The interest rate on a loan may range from 0% to the market interest rate. The term of a loan may not exceed 20 years and repayment must begin within one year of completion of the project or program funded by the loan. A loan must be evidenced by a loan agreement that describes the terms and conditions of the loan. Those terms and conditions may be modified by DNR with the consent of a loan recipient. A recipient's obligation to repay a loan may not be waived or reduced.

Current Law: Except for specified exemptions, the State Boat Act provides that WIF may be used solely for the following projects: (1) marking channels and harbors and establishing aids to navigation in cooperation with and as an extension of operations of the U.S. Coast Guard; (2) clearing debris, aquatic vegetation, and obstruction from waters of the State; (3) dredging channels and harbors and construction of jetties and breakwaters in cooperation with and as an extension of operations of the U.S. Army Corps of Engineers; (4) constructing and maintaining marine facilities beneficial to the boating public; (5) improvement, reconstruction, or removal of bridges, drawbridges, or similar structures over or across waters, if those structures delay, impede, or obstruct the boating public; (6) evaluation of water-oriented recreation needs and recreational capacities of Maryland waterways and development of comprehensive plans for waterway improvements; (7) matching grants to local governments for the construction of marine facilities for marine firefighting, marine police, or medical services and for the acquisition of vessels and equipment for vessels for those purposes; (8) structural and nonstructural shore erosion control; (9) acquisition of equipment and State vessels for firefighting, policing, first aid and medical assistance, and communications; (10) boating information and education; and (11) interest-free loans to a governing body for specified dredging.

Background: WIF serves the boating public by funding projects that mark channels, clear debris, build and maintain boat facilities, improve bridges that may obstruct boats, and other activities. Financial support for WIF comes primarily from the vessel excise tax and 0.3% of eligible proceeds from Maryland's motor fuel tax. Estimated fiscal 2004 revenues to WIF total approximately \$27 million.

State Revenues: Proceeds from the repayment of any loans provided under the new program must be credited to WIF. Special fund revenues will increase accordingly. Because the specifics of the loan program are not yet known, a reliable estimate of any such proceeds cannot be made at this time.

State Expenditures: There are approximately 600 commercial marinas in the State. According to DNR, the majority of these marinas were constructed prior to 1980 and are therefore nearing the end of their expected 20-30 year life cycle. In addition, many of these facilities do not meet current State and federal electrical/plumbing codes. Based on typical costs for structural enhancements alone, DNR advises that the demand for loans could exceed \$100 million annually. Based on estimated demand, DNR anticipates a loan activity level of approximately \$10 million annually, or 10% of the estimated demand. Total WIF finances would not be affected; DNR would redirect funding from current uses.

The following estimate of administrative expenditures is based largely on the assumption that there will be a significant number of applications under the new loan program. DNR currently has six staff involved with providing assistance to local jurisdictions under WIF; this bill would increase the number of eligible applicants for WIF funding by about 600. To the extent that demand is less than what is currently anticipated, expenditures could decrease.

In order to implement the new loan program, special fund expenditures could increase by an estimated \$515,600 in fiscal 2004, which accounts for the bill's October 1, 2003 effective date. This estimate reflects the cost of eight new positions (one program manager to oversee the loan program; one fiscal specialist to maintain the database and process loan payments; an agency grant specialist manager to coordinate loan-related activities; three agency grant specialists to coordinate and assess project applications, conduct site evaluations, inspect projects, approve contracts and payments, and attend meetings; one administrative officer to coordinate general office operations; and one administrative aide to answer phones and complete correspondence). The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses including travel, training, and contractual services for advertising, printing, software, and rental equipment necessary to conduct needs assessments.

Salaries and Fringe Benefits	\$296,000
Contractual Services	86,200
Auto Purchases/Operations	83,100
Equipment/Other Operating Expenses	<u>50,300</u>
FY 2004 State Operating Expenditures	\$515,600

Future year expenditures reflect: (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Local Fiscal Effect: Local jurisdictions receive assistance from WIF to finance the completion of public boating access, navigation, and boating safety projects. Local revenues for such projects will decrease to the extent DNR provides loans to commercial marinas in accordance with the bill. The total amount of funding redirected from public (State and local) projects to provide loans to commercial marinas is anticipated to total about \$10 million annually.

Small Business Effect: Owners of commercial marinas would be eligible to apply to DNR for interest-free or low-interest loans to pay for structural enhancements and marketing. Based on information provided by DNR, the anticipated level of loan activity is about \$10 million annually.

Additional Comments: The proposed Budget Reconciliation and Financing Act of 2003 (HB 935/SB 657) would redirect \$8 million in unexpended fiscal 2003 special funds from WIF to the general fund. In addition, \$10 million in fiscal 2004 special fund revenues would be transferred to the general fund. Finally, the bills allow DNR to use 100% of WIF funds in fiscal 2003 and 2004 for administrative expenses relating to implementing the purposes of WIF.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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lc/jr

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