

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

House Bill 181 (Chairman, Environmental Matters Committee)
 (By Request – Departmental – Natural Resources)

Environmental Matters

Department of Natural Resources - Vessel Fees - State Boat Act Fund

This departmental bill increases various fees paid to the Department of Natural Resources (DNR) under the State Boat Act and repeals the service charge for returned checks. The bill also conforms the statutory structure of the existing State Boat Act Account to the current use of the account as a special fund.

Fiscal Summary

State Effect: Special fund revenues would increase by \$2.0 million in FY 2005 and by almost \$2.4 million annually thereafter due to fee increases. The Governor’s proposed FY 2005 budget reduces the general fund appropriation to the Natural Resources Police – Field Operations by \$300,000 contingent upon the enactment of this bill; therefore, general fund expenditures would decrease by \$300,000, and special fund expenditures would increase accordingly. The bill does not require any additional expenditures.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	\$2,023,400	\$2,380,400	\$2,380,400	\$2,380,400	\$2,380,400
GF Expenditure	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
SF Expenditure	300,000	300,000	300,000	300,000	300,000
Net Effect	\$2,023,400	\$2,380,400	\$2,380,400	\$2,380,400	\$2,380,400

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. To the extent DNR uses the additional revenue to supplant other special funds currently used for law enforcement and/or administrative activities, however, State funding for programmatic activities (such as local waterway improvement projects) could increase.

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 increases the maximum fee DNR may assess for a manufacturer's or dealer's license from \$25 to \$50; increases the two-year vessel registration fee from \$24 to a maximum of \$40; increases the fee to replace a lost, destroyed, or corrected registration from \$2 to a maximum of \$10; increases the fee for a two-year documentation use decal from \$10 to a maximum of \$40; increases the application fee for a manufacturer's or dealer's certificate of number from \$24 to a maximum of \$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 U.S. Coast Guard (USCG) or other specified vessels such as lifeboats or boats powered only by sail. Registration fees for these numbers are \$24 and are due at renewal 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 are used principally for pleasure on the waters of the State do not have to register. However these vessels must display 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 required to be numbered must apply to DNR for a certificate of title for the vessel. 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 annual fee may not exceed \$25. If a licensed dealer or manufacturer owns vessels mainly used in the business and held for sale and that are required to be numbered, the dealer or manufacturer may apply to DNR for certificates of number. The biennial fee for each certificate of number is \$24.

DNR imposes a \$5 service charge for every check for an owner's certificate of number or registration returned unpaid. The Commercial Law Article also provides for a collection fee of up to \$35 for a dishonored check.

Any fee and other revenue DNR collects under the State Boat Act must be deposited in the State Treasury and used exclusively for the administration, functions, and objectives of the State Boat Act. These funds are credited to DNR.

Background: DNR advises that vessel fees have not been increased in 20 to 30 or more years and have not kept pace with program costs. For example, the title fee and the boat dealer's license fee have 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 the 1970s; and the documentation use decal fee has not increased since 1981.

In reviewing its statutory authority for its special funds, DNR realized that the State Boat Act Account is not drafted in the manner currently used for special funds. Accordingly, this bill conforms the statute to the current format recommended by the Department of Legislative Services for drafting special funds.

State Revenues: Special fund revenues would increase by \$2,380,447 annually beginning in fiscal 2006, as shown in **Exhibit 1**. Due to the bill's October 1, 2004 effective date, special fund revenues would increase by \$2,023,380 in fiscal 2005.

Exhibit 1
Additional Revenues Generated Under HB 181

<u>Fee Description</u>	<u>Number Issued Annually</u>	<u>Current Fee</u>	<u>Current Annual Revenue</u>	<u>Proposed Fee</u>	<u>Proposed Annual Revenue</u>	<u>Annual Increase in Revenue</u>
Title	39,150	\$2	\$78,300	\$10	\$391,500	\$313,200
Vessel Registration*	103,500	24	2,484,000	40	4,140,000	1,656,000
Documentation Use Decal*	12,000	10	120,000	40	480,000	360,000
Replacement Registration	3,500	2	7,000	10	35,000	28,000
Manufacturer/Dealer Certificate of Number*	567	24	13,608	40	22,680	9,072
Manufacturer/Dealer License	567	25	14,175	50	28,350	14,175
Total			\$2,717,083		\$5,097,530	\$2,380,447

* Indicates annual effect of fees associated with biennial issuance.

These estimates assume that the number of titles, registrations, decals, certificates, and licenses issued by DNR on an annual basis remains constant. The estimates also assume that DNR increases fees to the maximum levels authorized by the bill.

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: The Governor's proposed fiscal 2005 budget reduces the general fund appropriation of the Natural Resources Police – Field Operations by \$300,000 contingent upon the enactment of this bill. Therefore, general fund expenditures would decrease by \$300,000 in fiscal 2005, and special fund expenditures would increase accordingly in order to supplant the general funds.

Other than the \$300,000 in special fund expenditures that would supplant general funds for the Natural Resources Police, the bill would not require additional expenditures. DNR advises that the additional revenue generated from the proposed fee increases will be used to cover maintenance and enhancements of its Customer Oriented Information Network System for licensing and registration, possibly fund a new Natural Resources Police class, and update the Natural Resources Police vessel fleet. Legislative Services advises that, while some of this spending may be new, some of it may supplant other special fund activity (such as monies from the Waterway Improvement Fund) that otherwise would have occurred for law enforcement and licensing and registration costs, freeing up those funds for more programmatic activities (such as grants for local waterway improvement projects).

Additional Information

Prior Introductions: Similar legislation was introduced during the 2002 session as HB 1187. The House Environmental Matters Committee held a hearing on the bill, but no further action was taken. HB 458 of 1999 would have increased the fees for various boating certificates, registration cards, and titles. The bill passed the House with amendments, and the Senate Economic and Environmental Affairs Committee held a hearing on the bill, but no further action was taken. HB 902 of 1996 would have increased title and documentation fees. 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

Fiscal Note History: First Reader - January 28, 2004
ncs/ljm

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