

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE

Senate Bill 184 (The President, *et al.*) (By Request – Administration)
 Education, Health, and Environmental Affairs

Department of Natural Resources - Chesapeake Bay Recovery Fund

This Administration bill establishes the Chesapeake Bay Recovery Fund as a special, nonlapsing fund in the Department of Natural Resources (DNR) to fund projects to restore the Chesapeake Bay; the revenue source would be private contributions. The bill authorizes DNR to enter into agreements with nonprofit public charities to solicit and manage contributions. The bill also establishes a 20-member Chesapeake Bay Recovery Commission to design, develop, and implement innovative fundraising projects for the recovery of the bay; solicit gifts; and advise the Secretary on the use of gifts received. DNR, in cooperation with the Maryland Department of the Environment (MDE), the Maryland Department of Agriculture (MDA), and the Department of Budget and Management (DBM), must provide staff support for the commission.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: Special fund revenues from basic fundraising activities could increase by \$1 million in FY 2005 and grow over time as fundraising efforts escalate; this does not include revenue from additional statewide marketing efforts that may be undertaken. Special fund expenditures could increase by \$900,000 in FY 2005 and increase over time, consistent with revenue growth.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	\$1,000,000	\$1,500,000	\$1,750,000	\$2,000,000	\$2,500,000
SF Expenditure	900,000	1,400,000	1,650,000	1,899,700	2,400,100
Net Effect	\$100,000	\$100,000	\$100,000	\$100,300	\$99,900

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

Local Effect: The bill would not directly affect local governments.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration's assessment becomes available.

Analysis

Bill Summary: The bill authorizes DNR to solicit, accept, and expend gifts to the fund. Money in the fund may only be used for the recovery of the Chesapeake Bay in accordance with the terms of the gift and may not be a substitute for any money designated in the State budget for the recovery of the Chesapeake Bay.

A public charity that enters into an agreement with DNR under the bill must establish a charitable giving fund for receipt of gifts for recovery of the Chesapeake Bay; solicit and receive gifts to the charitable giving fund; account to DNR for gifts received; provide reports to donors; and distribute grants to DNR for bay recovery projects. A public charity may retain up to 3% of gifts received for payment of administrative costs.

Current Law: Through its general mandate, DNR is required to review and evaluate all natural resources policies, plans, programs, and practices of State, county, regional, and federal agencies and institutions; coordinate natural resources activities within the State; and otherwise unify, coordinate, and promulgate policies, plans, programs, and practices that insure the preservation, development, wise use, and enjoyment of all the natural resources for greatest benefits to the State and its citizens. A number of provisions within the Natural Resources Article direct DNR in its role regarding the bay.

There is a State Chesapeake Bay and Endangered Species Fund in DNR that consists primarily of net proceeds from contributions made under the checkoff system on the Maryland income tax return. The Secretary of Natural Resources must provide a portion of the net proceeds to the Chesapeake Bay Trust (a private, nonprofit organization created by the General Assembly in 1985) to provide grants to nonprofit organizations, community associations, civic groups, schools, or public agencies for citizen involvement projects that enhance or promote public education concerning the bay, the preservation or enhancement of water quality and fishery or wildlife habitat, the restoration of aquatic or land resources, reforestation projects, the publication or production of educational materials, or training in environmental studies or environmental enhancement.

Background: The Chesapeake Bay is the largest estuary in the U.S. Its watershed includes parts of six states (Delaware, Maryland, New York, Pennsylvania, Virginia, and West Virginia) and all of the District of Columbia. The bay, which is about 200 miles long, supports more than 3,600 species of plants, fish, and animals; is a commercial and

recreational resource for more than 15 million people who live in its basin; and has two of the five major North Atlantic ports in the U.S. The bay and its tidal tributaries encompass approximately 11,684 miles of shoreline. According to DNR, the estimated economic value of the Chesapeake Bay is approximately \$1.2 trillion; the estimated economic benefits to Maryland and Virginia total over \$60 billion annually.

The Chesapeake Bay Commission (CBC) is a tri-state legislative commission created in 1980 to advise the members of the General Assemblies of Maryland, Virginia, and Pennsylvania on matters of bay-wide concern. The commission serves as the legislative arm of the Chesapeake Bay Program, a federal/state/local partnership established through the historic Chesapeake Bay Agreement of 1983. On June 28, 2000, the Chesapeake Executive Council signed the *Chesapeake 2000* agreement, which will guide Maryland, Pennsylvania, Virginia, the District of Columbia, CBC, and the U.S. Environmental Protection Agency (EPA) in their combined efforts to restore and protect the bay. *Chesapeake 2000* outlines more than 90 commitments detailing protection and restoration goals critical to the health of the bay watershed. From pledges to increase riparian forest buffers, preserve additional tracts of land, restore oyster populations, and protect wetlands, *Chesapeake 2000* strives toward improving water quality as it is the most critical element in the overall protection and restoration of the bay and its tributaries.

According to DNR, the estimated cost to cover Maryland's share of restoring the bay by 2010 is nearly \$8 billion. The Ehrlich Administration has identified restoration of the Chesapeake Bay as one its legislative priorities for the 2004 session. This bill is intended to raise funds from the private sector for large-scale bay restoration activities such as oyster restoration, cover crops, and the planting of bay grasses. In addition to this bill, the Administration has introduced legislation that would provide funding for upgrades to the State's wastewater treatment plants and encourage compliance with the Water Quality Improvement Act of 1998.

State Fiscal Effect: Although it is difficult to predict the amount of revenue that would be generated under the bill, DNR advises that, over time, it will approach 100 or more foundations and corporations, as well as private individuals, for various types of funding. Based on DNR's current plans with respect to basic corporate and foundation fundraising efforts only, special fund revenues could total \$1 million in fiscal 2005; future year estimates, which increase up to an estimated \$2.5 million in fiscal 2009, reflect donations anticipated from enhanced fundraising efforts. These estimates do not reflect revenues that could be generated from several statewide marketing efforts DNR hopes to undertake; these will include partnerships with major retailers, events groups, manufacturers, and the financial community. For example, DNR is looking into the possibility of entering into a partnership with a bottling company to produce bottled water specific to Maryland. Another concept DNR is considering is to sell stewardship

shares in the bay. Accordingly, revenues to the new fund could be significantly higher depending on the success of these campaigns.

Based on DNR's plans with respect to basic fundraising only, special fund expenditures could increase by an estimated \$900,000 in fiscal 2005, which reflects the bill's July 1, 2004 effective date. This estimate includes \$841,000 for bay-restoration project activities and \$59,000 for DNR's administrative costs, including contractual services for fundraising activities as well as costs for travel and supplies.

Bay-restoration Projects	\$841,000
Contractual Services - Fundraising	40,000
Travel and Supplies	<u>19,000</u>
Total FY 2005 State Expenditures	\$900,000

For the first three to five years, DNR advises that spending on projects will be targeted toward the Horsehead Farms project, in which DNR will be partnering with the National Oceanic and Atmospheric Administration and the Wildfowl Trust of North America to undertake large-scale submerged aquatic vegetation plantings and oyster restoration.

Future year expenditures reflect: (1) an increase in projects, based on the estimated revenue stream; (2) an increase in costs for contractual services and travel associated with increased basic fundraising efforts; and (3) 1% annual increases in costs for supplies. Future year expenditures do not reflect costs associated with the statewide marketing campaigns DNR hopes to undertake or additional project spending that would occur with the funds generated from those efforts.

It is assumed that DNR, MDE, MDA, and DBM could provide staff support for the commission using existing resources.

Additional Comments: It is possible that the fundraising program could help stimulate federal funding for bay-restoration activities in the future, especially where such funding requires State matching funds. Any increase in federal fund revenues is speculative at this point, however.

Additional Information

Prior Introductions: None.

Cross File: HB 288 (The Speaker and the Minority Leader, *et al.*) (By Request – Administration) – Environmental Matters.

Information Source(s): Department of Natural Resources, Maryland Department of the Environment, Maryland Department of Agriculture, Department of Budget and Management, Department of Legislative Services

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Analysis by: Lesley Cook

Direct Inquiries to:
(410) 946-5510
(301) 970-5510