

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 16 (Senator Astle)
 Budget and Taxation and Education, Health, and Environmental Affairs

Waterway Improvement Fund - Funding

This bill requires, beginning in fiscal 2007, repayment of recent transfers totaling \$27 million from the Waterway Improvement Fund (WIF) in the Department of Natural Resources (DNR) to the general fund by including WIF in the provisions relating to the disposition of any unappropriated general fund surplus. The maximum repayment in fiscal 2007 would total \$2 million; beginning in fiscal 2008, the maximum repayment would total \$5 million annually.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: Potential repayment from the unappropriated general fund surplus of up to \$2 million in FY 2007 and up to \$5 million annually thereafter until a total of \$27 million has been repaid. Special fund revenues would increase correspondingly. The bill would not require additional special fund expenditures.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$0	-	-	-	-
GF Expenditure	0	-	-	-	-
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Local revenues from WIF for waterway improvement projects would likely increase as a result of any repayments.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The Rainy Day Fund's sweeper provision provides that when there is a surplus of unappropriated funds in the general fund at the close of a fiscal year, the first \$10 million of any such surplus will be retained by the general fund, while the next \$11 million to \$60 million will be transferred to the Transportation Trust Fund (TTF), until such time as a specified amount has been repaid to the TTF. Any surplus amount exceeding \$60 million will be appropriated to the Rainy Day Fund.

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. The Budget Reconciliation and Financing Act (BRFA) of 2003 diverted \$19.0 million in fiscal 2003 and 2004 fund balances and revenues to the general fund. The BRFA of 2002 redirected \$8 million in fiscal 2002 fund balances to the general fund.

DNR advises that it receives more project requests each year than it is able to fund. For example, for fiscal 2006, DNR received funding requests totaling \$32 million, while the Governor's proposed budget includes \$20 million in special funds for such projects.

State Fiscal Effect: Under the bill, if the unappropriated general fund surplus as of June 30 of the second preceding fiscal year is sufficient, up to \$2 million in fiscal 2007 and up to \$5 million annually thereafter in general funds would be directed to WIF until a total of \$27 million has been repaid.

Based on the general fund forecast for fiscal 2004 through 2010 as shown in the Governor's proposed fiscal 2006 budget, the fiscal 2005 closing balance is estimated at \$680 million. However, all but \$17.5 million of that balance is designated for use in the Governor's proposed fiscal 2006 budget. Accordingly, it is not likely that the bill's repayment provision would be triggered in fiscal 2007. Based on the current general fund forecast for future years, the bill's repayment provision would not be triggered between fiscal 2008 and 2010. Nevertheless, if revenue attainment improves and/or if spending is less than anticipated, some repayment could occur. Special fund revenues would increase correspondingly.

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 would likely increase to the extent the bill's repayment provisions are triggered.

Small Business Effect: Any increase in funding for WIF could have a positive impact on numerous small businesses such as marinas, tackle shops, boating equipment stores, boat yards, yacht brokers, and other marine trades. According to a survey by the University System of Maryland (Maryland Sea Grant Extension Program), in 2000 recreational boaters spent approximately \$970 million that directly impacted Maryland recreational boating and related businesses. When the indirect and induced effects of that spending were factored in, the study reports that the impact on the Maryland economy in 2000 was about \$1.6 billion.

Additional Information

Prior Introductions: None.

Cross File: HB 33 (Delegate Leopold, *et al.*) – Appropriations.

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

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Analysis by: Lesley G. Cook

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