

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 571
Appropriations

(Delegate Cadden, *et al.*)

Waterway Improvement Fund - Repayment of Funds

This bill requires, beginning in fiscal 2008, 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. Beginning in fiscal 2012, a repayment to WIF may only be made after any required appropriations to the transfer tax special fund.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Potential repayment from the unappropriated general fund surplus of up to \$27 million annually beginning in FY 2008 until a total of \$27 million has been repaid. Special fund revenues would increase correspondingly. The bill would not require additional special fund expenditures.

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: Provisions relating to the Revenue Stabilization Account (Rainy Day Fund) provide that, when there is a surplus of unappropriated funds in the general fund at the close of a fiscal year, there must be an appropriation to the account in the second

subsequent fiscal year equal to the amount by which the unappropriated surplus exceeds \$10 million. Beginning in fiscal 2012, an amount equal to any unappropriated surplus between \$11 million and \$60 million must be appropriated to the transfer tax special fund until such time as a specified amount has been repaid to the transfer tax special 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 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 2007, DNR received funding requests totaling \$34.6 million, while the Governor's proposed budget includes \$25 million in special funds and \$1 million in federal 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 \$27 million in general funds annually beginning in fiscal 2008 would be directed to WIF until a total of \$27 million has been repaid.

Based on the general fund forecast for fiscal 2005 through 2011 as shown in the Governor's proposed fiscal 2007 budget, the fiscal 2006 closing balance is estimated at \$1.2 billion; however, all but \$32.5 million of that balance is designated for use in the Governor's proposed fiscal 2007 budget. Although any unappropriated general fund surplus cannot be reliably estimated at this time, based on the current forecast, an estimated \$22.5 million could be repaid to WIF in fiscal 2008. Based on the current general fund forecast for future years, however, the bill's repayment provision would not be triggered between fiscal 2009 and 2011. Nevertheless, if revenue attainment improves and/or if spending is less than anticipated, some repayment could occur in those years. 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: Similar legislation was introduced as SB 16/HB 33 of 2005 and HB 225 of 2005. The Budget and Taxation Committee and the Education, Health, and Environmental Affairs Committee held a hearing on SB 16, but no further action was taken. HB 33 and HB 225 were both reported unfavorably by the Appropriations Committee.

Cross File: None.

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

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