

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 1159 (Chair, Environmental Matters Committee) (By Request –
 Departmental – Natural Resources)
 Environmental Matters

Department of Natural Resources - State Boat Act Fees

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.

Fiscal Summary

State Effect: Special fund revenues would increase \$7.0 million in FY 2008 and nearly \$9.4 million annually thereafter due to fee increases. The bill does not require any additional expenditures.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	\$7,029,600	\$9,372,800	\$9,372,800	\$9,372,800	\$9,372,800
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$7,029,600	\$9,372,800	\$9,372,800	\$9,372,800	\$9,372,800

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 has 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 \$100; • increases the two-year vessel registration fee from \$24 to \$100; • increases the fee to replace a lost, destroyed, or corrected registration from \$2 to \$10; • increases the fee for a two-year documentation use decal from \$10 to \$100; • increases the application fee for a manufacturer's or dealer's certificate of number from \$24 to \$100; • 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. According to DNR, the proposed fees

are based on the minimum fees needed to cover current costs of administering the State Boat Act. The number of registered boats in Maryland increased 41% from 1984 to 2005, and currently totals over 200,000 boaters. Because vessel fees have not kept pace with program costs, the Natural Resources Police (NRP) patrol fleet has no regular replacement schedule, and DNR advises that it has only purchased one large patrol boat since 1991.

State Revenues: Special fund revenues would increase by \$9,372,817 annually beginning in fiscal 2009, as shown in **Exhibit 1**. Due to the bill's October 1, 2007 effective date, special fund revenues would increase by \$7,029,613 in fiscal 2008.

Exhibit 1
Additional Revenues Generated Under the Bill

<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	100	10,350,000	7,866,000
Documentation Use Decal*	12,000	10	120,000	100	1,200,000	1,080,000
Replacement Registration	3,500	2	7,000	10	35,000	28,000
Manufacturer/Dealer Certificate of Number*	567	24	13,608	100	56,700	43,092
Manufacturer/Dealer License	567	25	<u>14,175</u>	100	<u>56,700</u>	<u>45,525</u>
Total			\$2,717,083		\$12,089,900	\$9,372,817

*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 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 bill would not require additional expenditures. However, DNR advises that the additional revenue generated from the bill could be used for a variety of purposes authorized by the State Boat Act. First, the additional revenues could be used to supplant Waterway Improvement, wildlife, or fisheries funds currently used to fund NRP and Licensing and Registration activities, freeing up those funds for more programmatic activities. Second, the additional revenue could be used to update the NRP vessel fleet to support marine law enforcement activities. Finally, the additional revenue could be used to enhance Internet services available to the public and to upgrade current information technology systems that process boating transactions.

Additional Information

Prior Introductions: Similar legislation was introduced during the 2004 session as HB 181 and during the 2002 session as HB 1187. HB 181 of 2004 received an unfavorable report from the House Environmental Matters Committee. Environmental Matters held a hearing on HB 1187 of 2002 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 Environmental Matters.

Cross File: None.

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

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