

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 501

(Senator Edwards, *et al.*)

Education, Health, and Environmental Affairs

Environment and Transportation

**State Lakes Protection and Restoration Fund – Purpose, Use, and Funding –
 Alterations**

This bill establishes a mandated appropriation to the State Lakes Protection and Restoration Fund for fiscal 2020 and each fiscal year thereafter and modifies provisions governing the purpose and use of the fund. The bill also requires the Department of Natural Resources (DNR) to submit a related report to the Governor and the General Assembly, by December 1, 2021. **The bill takes effect July 1, 2018, and terminates June 30, 2022.**

Fiscal Summary

State Effect: General fund expenditures increase by \$1.2 million in FY 2020 and by similar amounts in future years (reflecting the bill’s mandated appropriation and personnel costs) through FY 2023. Special fund revenues and expenditures increase by \$1.0 million annually beginning in FY 2020 (reflecting receipt of the mandated appropriation and corresponding spending) through 2023. **This bill establishes a mandated appropriation beginning in FY 2020.**

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
GF Expenditure	\$0	\$1,218,500	\$1,208,200	\$1,215,400	\$1,222,900
SF Expenditure	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Net Effect	\$0	(\$1,218,500)	(\$1,208,200)	(\$1,215,400)	(\$1,222,900)

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

Local Effect: The bill does not directly affect local government finances.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill requires the Governor to include in the annual budget bill an appropriation of \$1 million to the State Lakes Protection and Restoration Fund for fiscal 2020 and each fiscal year thereafter.

The bill allows for the fund to be used to protect and restore State-managed lakes as well as State-owned lakes. The bill also specifies the following activities the fund may be used for in order to protect and restore State-owned or State-managed lakes: (1) removing sediment; (2) treating contaminated sediment; (3) preventing the spread of invasive species; (4) improving ecological and recreational value; and (5) taking any other action DNR determines necessary.

By December 1, 2021, DNR must report to the Governor and General Assembly on (1) the status of the fund; (2) the amount of money expended from the fund; (3) the costs incurred in administering the fund; and (4) any recommendations for the fund.

Current Law: Chapters 404 and 405 of 2017 established a State Lakes Protection and Restoration Fund, administered by the Secretary of Natural Resources, to protect and restore State-owned lakes. The fund consists of money appropriated in the State budget to the fund and any other money from any other source accepted for the benefit of the fund. Any interest earnings of the fund are credited to the fund. Money expended from the fund is supplemental to, and not intended to take the place of, funding that would otherwise be appropriated for the protection or restoration of State-owned lakes. DNR must develop (1) a working budget for the funding and (2) in coordination with local governments, organizations, and citizens, an annual work plan that prioritizes and details projects that will receive funding.

Background: The State Lakes Protection and Restoration Fund has been established, but there is no money in the fund yet. The fiscal 2019 budget does not contain an appropriation for the fund. There are 16 State-owned or -managed lakes, with Deep Creek Lake being the largest.

In the fiscal and policy notes for House Bill 477 and Senate Bill 396 of 2017 (Chapters 404 and 405), the Department of Legislative Services (DLS) estimated that a minimum of \$200,000 would be needed to capitalize the fund and that at that level of funding, the fund could support efforts such as education, outreach, and steward programs. DLS noted that a more robust program, including efforts such as dredging, would require more significant amounts of funding and additional staff.

State Fiscal Effect: General fund expenditures increase by \$1,218,548 in fiscal 2020, which reflects the \$1 million mandated appropriation plus costs of additional personnel

needed to administer a protection and restoration program at that level of funding. Because the fund already exists but has not yet been funded, it is assumed that no funding is provided for the fund until the mandated appropriation takes effect. Thus, there is no impact in fiscal 2019.

It is assumed, for the purposes of this fiscal and policy note, that the personnel costs, which begin July 1, 2019, cannot be covered with a portion of the \$1 million mandated appropriation to the fund, since administrative costs are not an explicitly authorized use of the fund. The necessary personnel include a project manager (to, among other things, coordinate development of the budget and work plan for the fund, oversee projects, and manage contracts), an environmental project reviewer (to complete necessary environmental impact review work for proposed projects), and an administrative specialist (to provide support in managing and tracking project bids and commenced projects). These responsibilities cannot be absorbed by existing staff. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3
Salaries and Fringe Benefits	\$191,643
Mandated Appropriation	1,000,000
Operating Expenses	<u>26,905</u>
Total FY 2020 State Expenditures	\$1,218,548

Future year expenditures reflect the continued mandated appropriation, full salaries with annual increases and employee turnover, and ongoing operating expenses. While the bill terminates June 30, 2022, it is assumed that the mandated appropriation continues through fiscal 2023, since the fiscal 2023 mandated appropriation will be included in the annual budget bill in the 2022 legislative session, when the bill is still in effect. In addition, because the fund is permanent and does not terminate when the bill terminates, it is assumed that permanent employees are hired. However, the employees may no longer be needed after the mandated appropriation terminates, unless continued funding is provided.

Special fund revenues to the fund and expenditures from the fund increase by \$1 million annually from fiscal 2020 through 2023, which reflects the receipt of the mandated appropriation and corresponding spending. It is assumed that the entire mandated appropriation is spent in each year.

Small Business Effect: Small businesses may meaningfully benefit from the opportunity to bid on protection and restoration projects funded under the bill.

Additional Information

Prior Introductions: None.

Cross File: HB 801 (Delegate Beitzel, *et al.*) - Environment and Transportation.

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

Fiscal Note History: First Reader - February 9, 2018
nb/lgc Third Reader - March 16, 2018
Enrolled - April 24, 2018
Revised - Amendment(s) - April 24, 2018

Analysis by: Scott D. Kennedy

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