

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1075 (Delegates Buckel and Beitzel)
 Environment and Transportation and
 Appropriations

Natural Resources – State Lakes Protection and Restoration Fund – Funding and
 Sunset – Alterations

This bill repeals the June 30, 2022 termination date of Chapter 698 of 2018, which first established an annual mandated appropriation to the State Lakes Protection and Restoration Fund and made specified changes to provisions governing the fund (described below). For fiscal 2024 and each fiscal year thereafter, the Governor must include in the annual budget bill an appropriation of \$3.0 million to the fund. **The bill takes effect June 1, 2022.**

Fiscal Summary

State Effect: No effect in FY 2023. General fund expenditures increase by \$3.3 million annually beginning in FY 2024. Special fund revenues and expenditures increase by \$3.0 million annually beginning in FY 2024. **This bill establishes a mandated appropriation beginning in FY 2024.**

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$0	\$3.0	\$3.0	\$3.0	\$3.0
GF Expenditure	\$0	\$3.3	\$3.3	\$3.3	\$3.3
SF Expenditure	\$0	\$3.0	\$3.0	\$3.0	\$3.0
Net Effect	\$0.0	(\$3.3)	(\$3.3)	(\$3.3)	(\$3.3)

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

Current Law: Chapters 404 and 405 of 2017 first established the State Lakes Protection and Restoration Fund, administered by the Secretary of Natural Resources, to protect and restore State-owned lakes. Under Chapters 404 and 405, the fund consisted 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. Chapter 698 of 2018, however, requires the Governor to include in the annual budget bill an appropriation of \$1.0 million to the fund for fiscal 2020 and each fiscal year thereafter (subject to a June 30, 2022 termination date mentioned below). Chapter 150 of 2021, the Budget Reconciliation and Financing Act of 2021, also required the Governor to include in the annual budget bill an additional appropriation of \$1.2 million to the fund for fiscal 2022 only, to be used only to fund a pilot dredging project at Deep Creek Lake.

Chapter 698 also allows for the fund to be used to protect and restore State-managed lakes as well as State-owned lakes and 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 the Department of Natural Resources (DNR) determines necessary. Chapter 698 terminates June 30, 2022. (However, pursuant to Chapters 404 and 405, the fund continues.)

Pursuant to provisions established under Chapters 404 and 405, 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 (or State-managed) 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.

State Fiscal Effect: General fund expenditures increase by \$3.3 million in fiscal 2024, which reflects the full \$3.0 million mandated appropriation for the fund plus costs of personnel needed to administer a protection and restoration program at that level of funding. (In the absence of the bill, there would be no mandated appropriation in fiscal 2024 due to the termination of Chapter 618.) General fund costs for personnel were also included in the fiscal and policy note for Senate Bill 501 of 2018 (Chapter 698) as an impact of that bill beginning in fiscal 2020, independent of the \$1.0 million mandated appropriation. Personnel costs are reflected again in this fiscal and policy note as a general fund impact (independent of the annual mandated appropriation) because (1) the need for personnel still exists and is even greater beginning in fiscal 2024 because of the increase in funding for the program required by the bill and (2) the bill does not explicitly allow for the mandated funding to be used for costs of personnel needed to administer the fund.

The necessary personnel include one project manager (to coordinate work group meetings, gather and consolidate relevant information, coordinate with local governments, and conduct public outreach), one environmental project reviewer (to conduct and coordinate necessary internal reviews), and one administrative specialist (to process and track multiple complex long-term and large-scale projects and contracts). These responsibilities cannot be adequately managed by existing staff. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	\$272,737
Mandated Appropriation	3,000,000
Operating Expenses	<u>26,402</u>
Total FY 2024 General Fund Expenditures	\$3,299,139

Future year expenditures reflect the annual mandated appropriation, full salaries with annual increases and employee turnover, as well as annual increases in ongoing operating expenses.

Special fund revenues to the fund and expenditures from the fund increase by \$3.0 million annually beginning in fiscal 2024, which reflects the receipt of the mandated appropriation and corresponding spending. It is assumed that the entire mandated appropriation is spent in each year.

This estimate assumes that the repeal of the Chapter 698 termination date does not affect State finances in fiscal 2023. In the absence of the bill, the \$1.0 million appropriation is assumed to continue through fiscal 2023, since Chapter 698 was in effect when the Governor introduced the annual budget bill for fiscal 2023 during the 2022 session, and the Governor’s proposed fiscal 2023 budget includes the \$1.0 million mandated appropriation for fiscal 2023.

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

Additional Information

Prior Introductions: SB 618 of 2021, a similar bill, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 833, received a hearing in the House Environment and Transportation Committee, but no further action was taken. SB 582 of 2020, a similar bill, received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken. Its cross

file, HB 877, received a hearing in the House Environment and Transportation Committee, but no further action was taken. Similar legislation was also introduced in the 2019 session.

Designated Cross File: SB 674 (Senators Edwards and Corderman) - Budget and Taxation.

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

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