

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 720

(Chair, Environment and Transportation Committee)(By
Request - Departmental - Natural Resources)

Environment and Transportation

Education, Energy, and the Environment

**Natural Resources - Repeal of Somers Cove Marina Commission and
Improvement Fund and Alteration of Operations**

This departmental bill repeals provisions that establish and govern the Somers Cove Marina Commission and the Somers Cove Marina Improvement Fund and, in place of those provisions, establishes authority and responsibilities of the Secretary of Natural Resources relating to the marina, transferring management of the marina from the commission to the Department of Natural Resources (DNR). The remaining balance from the Somers Cove Marina Improvement Fund is transferred to the Natural Resources Property Maintenance Fund in DNR, which also receives ongoing revenue from the marina and may be used by DNR for managing, operating, maintaining, and developing the marina. The bill also establishes a Somers Cove Marina Advisory Commission in DNR.

Fiscal Summary

State Effect: Special fund revenues are expected to increase, and special fund expenditures may increase, beginning in FY 2026, potentially significantly, as discussed below. General fund revenues increase relatively minimally through FY 2028 due to interest earnings.

Local Effect: The bill is not expected to materially affect Somerset County or Town of Crisfield finances.

Small Business Effect: DNR has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary:

Transfer of Management of the Marina from the Commission to the Department

The bill repeals provisions that establish and govern the Somers Cove Marina Commission and the Somers Cove Marina Improvement Fund (described under Current Law) and authorizes the Secretary of Natural Resources to:

- execute leases of land, buildings, or facilities at Somers Cove Marina;
- procure and execute contracts for operations, maintenance, management, improvements, events, or concessions at the marina in accordance with State procurement law;
- employ a marina manager who is responsible for the day-to-day operations of the marina;
- employ additional staff to operate and maintain the marina; and
- assess slip and other fees and charges as necessary to operate, maintain, manage, and improve Somers Cove Marina.

The bill also requires the Secretary to:

- if applicable, set the compensation for a manager and staff;
- by October 1, 2027, develop a master plan for the operations, maintenance, development, and improvement of the marina that improves services to the general boating public; and
- by October 1, 2032, and October 1 every five years thereafter, update the master plan.

All revenue received by DNR from managing, operating, maintaining, improving, and developing Somers Cove Marina must be deposited into the Natural Resources Property Maintenance Fund (discussed below).

The bill requires DNR and the Somers Cove Marina Commission to work cooperatively to ensure the continuity of operations at the marina as management responsibilities are transferred from the commission to the department, including any necessary assignments of contracts and negotiation or renegotiation of agreements related to the facility, property, management, maintenance, service, and staffing.

Natural Resources Property Maintenance Fund

The bill modifies provisions governing the Natural Resources Property Maintenance Fund, primarily to:

- establish that the fund consists of revenues received by DNR from Somers Cove Marina, along with money appropriated in the State budget to the fund, interest earnings (an existing requirement that any investment earnings be credited to the general fund is repealed), and any other money from any other source accepted for the benefit of the fund; and
- establish that the fund may be used for managing, operating, maintaining, and developing Somers Cove Marina, in addition to its existing uses of maintaining, repairing, and managing department-owned property, and specified administrative costs/expenses.

By October 1, 2025, the Somers Cove Marina Commission must transfer the remaining balance from the Somers Cove Marina Improvement Fund to the Natural Resources Property Maintenance Fund, including any unencumbered funds, accounts receivable, and cancelled encumbrances.

Establishment of Advisory Commission

The bill establishes a Somers Cove Marina Advisory Commission in DNR to advise the Secretary on matters related to the management, operation, maintenance, and development of the marina. The advisory commission must meet at least biannually. DNR must strive to ensure that current members of the Somers Cove Marina Commission are appointed to the advisory commission.

Current Law:

Commission and Fund Established

There is a Somers Cove Marina Commission established, under the Natural Resources Article, as a body politic and corporate and an instrumentality of the State. There is also a Somers Cove Marina Improvement Fund, to be used for the operation, maintenance, development, and improvement of the Somers Cove Marina facilities in Crisfield, Maryland.

Executive Director

The Secretary of Natural Resources must appoint an employee of the State to be Executive Director of the commission who (1) administers the Somers Cove Marina

Improvement Fund; (2) prepares operating and capital budgets; (3) supervises the marina manager (a State employee, responsible for the day-to-day operations of the marina); (4) may execute leases and contracts; (5) must develop, subject to the approval of the Secretary and in cooperation with the commission, an annual master plan for the operations, maintenance, development, and improvement of the marina; (6) administers specified grants; and (7) employs a staff to operate and maintain the marina.

Commission Responsibilities and Authority

The commission must:

- adopt an operating and capital budget to implement the master plan;
- apply for grants from DNR's Waterway Improvement Fund (which finances projects and activities that promote, develop, and maintain Maryland's waterways for the benefit of the boating public);
- assess slip and other fees and charges at the marina to implement the master plan;
- set policy and provide general oversight of the marina operations; and
- adopt rules and regulations.

The commission may:

- accept gifts, contributions, or loans of money, supplies, goods, and services;
- accept appropriations, allotments, or loans from federal, State, and local governments;
- exercise a power usually possessed by a private corporation in performing similar functions unless to do so would conflict with State law; and
- do all things necessary to carry out its powers and responsibilities.

Somers Cove Marina Improvement Fund

Any money obtained by the commission is credited to the Somers Cove Marina Improvement Fund and is not money of the State (maintained in a bank account separate from State funds), though subject to audit by the State. By October 1 of each year, the commission must provide DNR an accounting of revenues and expenses from the marina for the previous fiscal year.

Natural Resources Property Maintenance Fund

Statute establishes that the Natural Resources Property Maintenance Fund is created within DNR to be used for the maintenance, repair, and management of property owned by DNR. Any investment earnings of the fund are credited to the general fund. Money in the fund may be used for specified administrative costs relating to the purposes of the fund.

Background: Somers Cove Marina is a 515-slip facility, in Crisfield, Maryland, on property owned by DNR but operated by the Somers Cove Marina Commission. DNR indicates that having both the commission and the Somers Cove Marina Improvement Fund outside of the department leaves DNR without necessary oversight of the operations and finances of the marina, which is in need of critical maintenance and other investment of more than \$100.0 million. DNR indicates the bill allows the department to change the operational structure of the marina to allow it to (1) retain ownership; (2) lease the operations to an entity qualified to effectively manage the marina; and (3) gain oversight over the marina's finances.

State Fiscal Effect: Transfer of management of the marina from the commission to DNR is expected to result in an increase in special fund revenues and a potential increase in special fund expenditures, beginning in fiscal 2026, due to (1) revenues and potential expenditures associated with the department's management of the marina and (2) the transfer of the remaining balance from the Somers Cove Marina Improvement Fund to the Natural Resources Property Maintenance Fund. The extent of the increase in revenues and any increase in expenditures cannot be reliably estimated at this time, as discussed below, but may be significant. General fund revenues are also expected to increase relatively minimally, through fiscal 2028, due to interest earnings.

Revenues and Expenditures Associated with Management of the Marina

The extent of the increase in special fund revenues and any increase in special fund expenditures associated with management of the marina depends largely on whether the department manages the marina's operations (1) directly or (2) by executing a lease and/or contract with a third party to manage the marina. If the department manages the marina's operations directly, special fund revenues and expenditures (and special-funded staff positions) correspondingly increase significantly, likely by more than \$1.0 million annually (based on current marina revenues and expenditures, discussed below), reflecting revenues to, and expenditures from, the Natural Resources Property Maintenance Fund. To the extent DNR instead is able to execute a lease and/or contract to have a third party manage the marina (under which the tenant/contractor receives the majority of income from the marina and passes on a small percentage of the income to the department as lease payments), special fund (Natural Resources Property Maintenance Fund) revenues increase, reflecting those lease revenues (equal to some, relatively small, fraction of the overall marina income).

As shown in **Exhibit 1**, the commission's revenues and expenditures were roughly equivalent in fiscal 2024, and information provided by DNR indicates that revenues and expenditures for the marina were also roughly, or relatively close to, equivalent in fiscal 2022 and 2023 (and similarly more than \$1.0 million annually).

Transfer of Fund Balance

While the commission has negative net assets, as shown in Exhibit 1, that is due to the commission's liabilities to the State (which it appears are for unpaid reimbursement of the State for its staffing of the marina). The State therefore will not be assuming net liabilities to others, and special fund revenues are expected to increase in fiscal 2026 from the receipt of the commission's cash and cash equivalents and any other financial assets (net of remaining liabilities due to others) that are transferred to the Natural Resources Property Maintenance Fund as part of the remaining balance of the Somers Cove Marina Improvement Fund (which holds the commission's financial assets). The extent of the remaining balance of the Somers Cove Marina Improvement Fund transferred to the Natural Resources Property Maintenance Fund on October 1, 2025, cannot be reliably estimated; however, *for illustrative purposes*, if the commission's revenues and expenditures between July 1, 2024, (the end of fiscal 2024) and October 1, 2025, are assumed to be equivalent, the estimated fund balance transferred on October 1, 2025, is \$336,671 (based on analysis of the commission's net financial assets at the end of fiscal 2024 shown in the commission's fiscal 2024 financial statements, excluding liabilities to the State).

Interest Earnings Through Fiscal 2028

General fund revenues increase relatively minimally through fiscal 2028 due to interest earnings – from the additional money transferred to, and deposited into, the Natural Resources Property Maintenance Fund – accruing to the general fund.

Section 8 of Chapter 717 of 2024 (the Budget Reconciliation and Financing Act of 2024) and § 6-226(a)(2) of the State Finance and Procurement Article require, notwithstanding any other provision of law, that interest earnings from special funds (with certain exceptions) accrue to the general fund. Section 8 of Chapter 717 applies from fiscal 2024 through 2028 and § 6-226(a)(2) applies from fiscal 2029 forward. The Natural Resources Property Maintenance Fund is not exempted from the requirement under Section 8 of Chapter 717 but is exempted from the requirement under § 6-226(a)(2). General fund revenues therefore increase relatively minimally through fiscal 2028.

State Finances Are Assumed to not Otherwise be Directly Affected

DNR indicates that it incurred costs of \$312,760 in fiscal 2024 for the three staff it provides for the marina (the executive director, marina manager, and a maintenance worker). Presumably those costs are not directly affected by the bill, unless a lease and/or contract results in a change in the extent to which DNR staff contribute to managing the marina.

This analysis assumes that the bill does not directly affect the State's responsibility for future capital investment in the marina (which is property currently owned by the State and operated by an instrumentality of the State).

Exhibit 1
Somers Cove Marina Commission FY 2024 Finances

	<u>FY 2024</u>
Total Revenues	\$1,085,465
Total Expenditures	1,052,649
Operating Revenues (diesel and gasoline sales, slip rentals, transient income, other revenues)	1,082,755
Cost of Goods Sold	449,489
Gross Profit	633,266
Operating Expenses (employees, communications, travel/vehicle expenses, utilities, contractual services, supplies/materials, equipment, miscellaneous)	603,160
Operating Profit	30,106
Other Revenue	2,710
Change in Net Assets	32,816
Net Assets, Beginning of Year	(514,602)
Net Assets, End of Year	(\$481,786)
Assets (including cash and cash equivalents of \$298,414)	449,592
Liabilities (including \$852,483 due to the State)	931,378

Source: Department of Natural Resources; Somers Cove Marina Commission, Financial Statements, FY 2024

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

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

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Natural Resources - Repeal of Somers Cove Marina Commission and Improvement Fund and Alteration of Operations

BILL NUMBER: HB 720

PREPARED BY: Dylan Behler

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This legislation is focused on ensuring a more streamlined approach to how the Department of Natural Resources manages Somers Cove Marina. There is not a direct small business impact unless the Department leases out operations of the marina to a small business in the State.