

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 239 (Chair, Environment and Transportation Committee)(By
 Request - Departmental - Natural Resources)

Environment and Transportation Education, Energy, and the Environment

Natural Resources - State Boat Act - Alterations

This departmental bill alters definitions, regulatory requirements, and fees associated with the State Boat Act.

Fiscal Summary

State Effect: Special fund revenues for the Department of Natural Resources (DNR) increase by approximately \$4.5 million annually beginning in FY 2025. Federal fund revenues likely increase minimally beginning in FY 2026. Special fund expenditures decrease minimally from reduced advertising costs beginning in FY 2025, but are not otherwise directly affected, as discussed below.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5
FF Revenue	\$0	-	-	-	-
SF Expenditure	(-)	(-)	(-)	(-)	(-)
Net Effect	\$4.5	\$4.5	\$4.5	\$4.5	\$4.5

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

Local Effect: Local government finances and operations are not directly affected, although local governments may benefit from waterway improvement projects, as discussed below.

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/Current Law:

Personal Watercraft

Current Law: “Personal watercraft” means a Class A vessel (defined as a motorboat that is less than 16 feet in length, as specified in federal regulations) that:

- has an inboard motor, which uses an internal combustion engine powering a water jet pump as its primary source of motive propulsion;
- is designed for the operator and passenger to ride on the outside surfaces of the vessel rather than inside the vessel;
- has the probability that the operator and passenger may, in the normal course of use, fall overboard; and
- is designed with no open load-carrying area, which would retain water.

“Vessel” as it applies to the State Boat Act, means any description of watercraft, including an ice boat but not including a seaplane, that is used or capable of being used as a means of transportation on water or ice. It includes the motors, spars, sails, and accessories of a vessel.

The Bill: “Personal watercraft” means a vessel that is:

- propelled by a water-jet pump or other type of machinery as its primary source of motive power; and
- designed to be operated by a person sitting, standing, or kneeling on the vessel.

The defined term “Class A vessel” is repealed and replaced with language related solely to vessel length (and the replacement language does not specify a motorboat). The general definition of vessel is unchanged.

Regulations

Current Law: DNR regulations do not become effective unless advertised publicly in at least two daily newspapers of general circulation and at least one weekly newspaper serving the area or areas involved at least 45 days before the effective date. If 50 citizens of the State file a petition with DNR at least 15 days prior to the effective date, DNR must conduct a public hearing on the proposed regulations.

The Bill: The publication, petition, and hearing requirements for DNR regulations pertaining to the State Boat Act are repealed.

Manufacturer and Dealer License Fees

Current Law: A manufacturer or dealer may not conduct business in the State unless licensed to do so in accordance with regulations adopted by DNR. The license fee set by DNR may not exceed \$25 (and is currently \$25).

The Bill: The license fee set by DNR may not exceed \$50.

Vessel Fees and Applicability

Current Law: Any owner of a vessel principally used on the waters of the State and to be numbered must apply to DNR for a certificate of title for the vessel. DNR must charge a fee of \$2 to issue a certificate of title, transfer of title, or a duplicate or corrected certificate of title.

Generally, any vessel equipped with propulsion machinery of any type on the waters of the State must be numbered for identification in accordance with the State Boat Act and any related DNR regulations. There are certain exceptions and exemptions, such as a vessel propelled only by sail.

An owner of a vessel that has a valid document issued by the U.S. Coast Guard and that is used principally in the waters of the State for pleasure must apply to DNR for a Maryland use sticker. The fee for the two-year sticker is \$10.

Statute does not contain provisions related to a nonmotorized vessel decal.

The Bill: The bill increases, from \$2 to \$20, the fee DNR must charge to issue a certificate of title, transfer of title, or a duplicate or corrected certificate of title. New two-year fees for certificates of number and Maryland use stickers vary with the length of the vessel, as shown in **Exhibit 1**.

Exhibit 1
Certificate of Number and Maryland Use Sticker Fees
Under Current Law and the Bill

	Current Law		The Bill
	<u>Certificate of Number</u> ¹	<u>Maryland Use Sticker</u> ²	<u>Certificate or Use Sticker</u>
Vessel less than 16 feet in length and equipped with a 7.5 horsepower motor or less	\$0	n/a	\$20
Vessel less than 16 feet in length and equipped with a motor more than 7.5 horsepower	24	n/a	50
Vessel 16 feet to less than 32 feet in length	24	\$10	75
Vessel 32 feet to less than 45 feet in length	24	10	100
Vessel 45 feet to 65 feet in length	24	10	125
Vessel longer than 65 feet	24	10	150
Replacement or corrected certificate/sticker	2	2	20

¹ Certificates of number and Maryland use stickers are valid for a period of up to two years and expire on December 31 of the calendar year following the year the certificate or sticker is issued.

² Vessels eligible for a Maryland use sticker must have a valid document issued by the U.S. Coast Guard; most vessels must have a minimum length of 25 feet to qualify under federal requirements.

Source: Department of Legislative Services

An owner of a vessel may apply to DNR for a nonmotorized vessel decal as specified if the vessel is (1) not equipped with propulsion machinery; (2) used principally on the waters of the State; and (3) not required to have a certificate of number or Maryland use sticker. The decal is valid for a period of up to two years and expires on December 31 of the calendar year following the year the decal is issued. The fee is \$12.

The nonmotorized vessel decal must be displayed on the exterior of the vessel. Within 30 days after the sale or other transfer of a vessel displaying such a decal, the transferor must give notice of the transfer to DNR. If the transferee intends to continue to use the vessel principally on the waters of the State, the transferee may submit an application for a (new) nonmotorized vessel decal and pay the associated \$12 fee.

Personal Flotation Devices

Current Law: A person may not operate or permit the operation of a vessel under 21 feet in length while there is present in the vessel a child not wearing a personal flotation device, which is securely and properly attached to the child. For purposes of this requirement, “personal flotation device” means a Type I, II, III, or V U.S. Coastguard approved personal flotation device that is the proper size for the child and in good and serviceable condition.

A person who is in or over the waters of the State and is being towed behind a vessel must wear a personal flotation device. For purposes of this requirement, “personal flotation device” includes a life jacket, a life vest, a life preserver, a barefoot wetsuit, or a trick skiing wetsuit.

The Bill: References to specific types of personal flotation devices are repealed. Personal flotation devices for children must instead be approved by the U.S. Coast Guard. Personal flotation devices for children must still be properly sized, in good and serviceable condition, and securely and properly attached to the child.

Speed Limits

The Bill: Notwithstanding any other provisions of the State Boat Act, DNR may establish or alter by public notice:

- if DNR determines public safety is at risk and it is contrary to the public interest to delay action, a speed zone near a construction project on or adjacent to State waters or a marine event; and
- a vessel prohibition zone for an area established by the U.S. Coast Guard as a danger zone or restricted area.

DNR is also authorized to adopt related regulations.

State Boat Act Fund

Under current law, the State Boat Act Fund in DNR is a special, nonlapsing fund consisting of any fee or other revenue DNR receives under the authority of the State Boat Act, money appropriated in the State budget, or money received from any other source. The fund must be used for administration of the State Boat Act, to cover the cost of DNR fulfilling its duties and responsibilities under the Act, and for other specified administrative costs.

Within the limits of funds available, DNR may enter into any agreement with the federal government, any municipality or other political subdivision of the State, or any private

agency to share the cost of any development, construction, or improvement of waterways or of facilities determined to have beneficial value to the boating public.

Waterway Improvement Fund

The provisions establishing and pertaining to the Waterway Improvement Fund (WIF) are contained within the State Boat Act. WIF finances projects and activities that promote, develop, and maintain Maryland's waterways for the benefit of the boating public. With certain exceptions, a local government and WIF must jointly finance projects to construct marine facilities beneficial to the boating public. The contribution of WIF must be limited to no more than 50% of the cost of each project. WIF may, however, finance completely any construction project beneficial to the boating public, which costs \$250,000 or less, regardless of its location.

Other types of projects that may be financed solely by WIF include projects for dredging and marking channels and harbors, construction of jetties and breakwaters, and clearing debris, aquatic vegetation, and obstructions in navigable waters, as well as construction of marine facilities located within lands owned by DNR and construction of pump-out stations for use by the general boating public at public and private marinas.

Background: DNR administers the State Boat Act, which establishes a range of regulatory requirements for the boating industry in the State. Boat registration fees accrue to the State Boat Act Fund, a special fund established for the administration of the Act. DNR advises that the fees increased by the bill have not been increased in decades and, as a result, fee revenues have not kept pace with program costs.

DNR advises that the bill's changes to defined terms related to vessels and personal flotation devices better align with related federal definitions and ensure that statute properly includes electronically propelled personal watercraft moving forward. The provision requiring publication of proposed boating regulations in newspapers was created prior to the modern Administrative Procedure Act and creates a timeline that is inconsistent with the timelines in the Act.

State Fiscal Effect: Special fund revenues for the State Boat Act Fund in DNR increase by approximately \$4.5 million annually beginning in fiscal 2025. Special fund revenues in fiscal 2025 are expected to be only marginally less than in future years, despite the bill's October 1, 2024 effective date, because most of the affected fees are paid at the end of each calendar year. The vast majority of estimated revenue is expected from ongoing renewals of vessel certificates of number and Maryland use stickers, which occur at the end of each calendar year.

Estimates for individual revenue components for fiscal 2025 and later are shown in **Exhibit 2**. Actual revenues may vary from this estimate if regulatory activity changes from historical levels. The estimate does not include any revenue associated with the bill’s voluntary nonmotorized vessel decal, although associated revenues are assumed to be modest in the context of the other revenue components. *For illustrative purposes*, DNR assumes 5,000 of such decals may be issued annually, which would generate an additional \$60,000 in special fund revenue not included in the estimate.

Exhibit 2
Annual Special Fund Revenues, by Component
Under Current Law and the Bill
Fiscal 2025+

	<u>Current Law</u>	<u>The Bill</u>	<u>Difference</u>
Title Fees	\$56,640	\$566,400	\$509,760
Replacement Decals and Certificates of Number	2,680	53,500	50,820
Certificates of Number/Maryland Use Stickers	1,830,380	5,750,310	3,919,930
Manufacturer and Dealer Licenses	10,930	21,850	10,920
Total	\$1,900,630	\$6,392,060	\$4,491,430

Note: Revenue estimates are based on recent multiple-year average regulatory activity and have been rounded to the nearest \$10. Does not include revenues associated with the bill’s voluntary nonmotorized vessel decal.

Source: Department of Legislative Services

DNR can handle the bill’s administrative requirements with existing budgeted resources. Special fund expenditures decrease minimally, likely by less than \$5,000 annually, due to decreased newspaper advertising costs.

The bill does not require that DNR expend the additional available special revenue generated by the fee increases; however, DNR advises that it intends to use the money to implement the State Boat Act statute, which includes WIF projects.

DNR further advises that federal funding for its Natural Resources Police is based, in part, on the quantity of numbered vessels in the State; to the extent that the bill leads to additional voluntary nonmotorized vessel decals, federal funding increases. While DNR cannot provide a precise per-vessel revenue estimate, based on prior year funding, each additional numbered vessel increases federal funding by about \$12 per fiscal year. Accordingly,

federal fund revenues for DNR likely increase by an unknown but modest amount beginning in fiscal 2026.

Local Fiscal Effect: Although the bill does not have a direct impact on local finances, local governments may benefit from additional funding available under the State Boat Act for WIF projects. WIF projects include dredging and marking channels and harbors, construction of jetties and breakwaters, and clearing debris, aquatic vegetation, and obstructions in navigable waters.

Additional Information

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

Designated Cross File: SB 304 (Chair, Education, Energy, and the Environment Committee)(By Request - Departmental - Natural Resources) - Education, Energy, and the Environment.

Information Source(s): Department of Natural Resources; U.S. Coast Guard; Department of Legislative Services

Fiscal Note History: First Reader - January 29, 2024
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Natural Resources - State Boat Act - Alterations

BILL NUMBER: HB 239

PREPARED BY: Dylan Behler

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X 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

The legislation increases several fees related to the State Boat Act; however, the fees do not primarily impact small businesses.