

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 719 (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, Waterway Improvement Fund (WIF) funding limits, and fees, under the State Boat Act.

Fiscal Summary

State Effect: Special fund revenues for the Department of Natural Resources (DNR) increase by approximately \$4.9 million annually beginning in FY 2026. Federal fund revenues likely increase minimally beginning in FY 2027. Special fund expenditures are expected to increase overall, potentially by \$100,000 or more annually, beginning in FY 2026, as discussed below.

Table with 6 columns: (\$ in millions), FY 2026, FY 2027, FY 2028, FY 2029, FY 2030. Rows include SF Revenue, FF Revenue, SF Expenditure, and Net Effect.

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

Local Effect: Local governments may benefit from greater access to WIF funding for local marina and other construction projects and small emergency projects.

Small Business Effect: DNR has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) disagrees with this assessment due to the amendments, as discussed below. (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 machinery as its primary source of motive power; and
- designed to be operated by a person sitting, standing, or kneeling on the vessel.

The bill removes the term “Class A vessel” both from the personal watercraft definition as well as from provisions governing “livery vessel owners” (requiring that their vessels are seaworthy and that they possess a boating safety certificate). Under the bill, livery vessel owners are persons who rent, lease, or charter vessels (not limited to motorboats) less than 16 feet in length for less than 24 hours (under current law, they are defined as persons who rent, lease, or charter Class A (motorboat) vessels for less than 24 hours). 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.

The fee for a two-year certificate of number for vessels (including for manufacturers and dealers) is \$24, and the fee to replace a lost, destroyed, or corrected certificate is \$2. Vessels 16 feet in length or less and equipped with a 7.5 horsepower motor or less are exempt from the fee.

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.

The fee for a two-year certificate of number (including for manufacturers and dealers) is increased, from \$24 to \$70, and the fee for a replacement or corrected certificate is

increased from \$2 to \$20. Under the bill, there is no exemption from the fee for vessels 16 feet in length or less and equipped with a 7.5 horsepower motor or less.

The fee for a Maryland use sticker is increased, from \$10 to \$70.

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. Coast Guard 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 provision 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 (1) a construction project on or adjacent to State waters; (2) a marine event; or (3) an accident or other emergent situation; or
- an area where vessel movement is controlled, limited, or restricted as designated by the U.S. Coast Guard or another federal agency.

DNR is also authorized to adopt regulations to implement this authority.

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

Current Law: The provisions establishing and pertaining to 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.

In any fiscal year, the department may spend from WIF, without legislative approval, up to \$225,000. Up to \$125,000 of that amount may be spent on specified small projects of up to \$5,000 in cost to WIF, and up to \$100,000 may be spent for boating safety and education.

The Bill: The bill (1) allows for WIF to finance completely any construction project beneficial to the boating public that costs \$500,000 (instead of \$250,000) or less, regardless of its location; (2) establishes that WIF may also finance completely any marina construction project beneficial to the general boating public that costs \$1.0 million or less, regardless of its location; and (3) establishes that WIF may finance up to 50% of the costs exceeding (1) \$500,000 for construction projects beneficial to the boating public and (2) \$1.0 million for marina construction projects beneficial to the general boating public.

The bill also modifies the existing authorization for certain WIF funding to be spent without legislative approval. Instead of up to \$225,000 being authorized to be spent (including up to \$125,000 for small projects and up to \$100,000 for boating safety and education), up to \$350,000 is authorized to be spent in operating funds for small projects of up to \$25,000 in cost to WIF per project, and separately, consistent with current law, up to \$100,000 is authorized to be spent for boating safety and education.

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 Revenues: Special fund revenues for the State Boat Act Fund in DNR increase by approximately \$4.9 million annually beginning in fiscal 2026. Special fund revenues in fiscal 2026 are expected to be only marginally less than in future years, despite the bill's October 1, 2025, 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 2026 and later are shown in **Exhibit 1**. 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 1
Annual Special Fund Revenues, by Component
Under Current Law and the Bill
Fiscal 2026+

	<u>Current Law</u>	<u>The Bill</u>	<u>Difference</u>
Certificate of Title	\$50,940	\$509,420	\$458,480
Certificate of Number	1,786,420	5,981,080	4,194,660
Certificate of Number – Replacement	1,030	20,580	19,550
Maryland Use Sticker	36,660	256,620	219,960
Maryland Use Sticker – Replacement	50	900	860
Manufacturer and Dealer Licenses	10,680	21,350	10,680
Total	\$1,885,780	\$6,789,950	\$4,904,190

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. The estimates account for the fact that, while current statute establishes the replacement fee for a certificate of number at \$2, but no Maryland use sticker replacement fee, the fee in regulations and in practice, for both, is currently \$1.

Source: Department of Natural Resources; Department of Legislative Services

DNR 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 2027.

State Expenditures: Special fund expenditures are expected to increase overall, potentially by \$100,000 or more annually, beginning in fiscal 2026, due to the net effect of (1) an indeterminate increase in spending of WIF operating funds for small projects (discussed below) and (2) a decrease in spending (State Boat Act Fund expenditures) for newspaper advertising of likely less than \$5,000.

The bill's changes to the provisions governing use of WIF funding for small projects increase the overall amount that may be spent for small projects from \$125,000 to \$350,000 and increase the per project amount from \$5,000 to \$25,000. DNR indicates the current \$5,000 per project limit on the amount that may be spent on small projects (generally emergency maintenance/safety projects), without legislative approval, limits the extent to which the department is able to spend funding included in the operating budget each fiscal year for those projects. DNR indicates that \$275,000 is included in the fiscal 2025 budget, and the fiscal 2026 budget as introduced, for WIF-funded small projects (DLS notes this is above the amount currently authorized in the statutory provisions amended by the bill), but it has not been able to spend close to that amount on small projects in past years, primarily due to the \$5,000 per project limit. In fiscal 2024, for example, DNR indicates it was only able to spend \$96,000. Based on this information, and the magnitude of the increase in the per project limit from \$5,000 to \$25,000, it appears that net special fund expenditures could increase by \$100,000 or more annually due to additional WIF expenditures for small projects under the bill, even when accounting for the savings from reduced spending for newspaper advertising.

The bill's provisions that increase the extent to which WIF can finance 100% of construction projects and marina construction projects (by establishing new cost limits per project of \$500,000 and \$1.0 million, respectively), and allow for WIF to finance up to 50% of the costs of a project that exceed those amounts, are not expected to change the overall level of funding appropriated from WIF. (The Governor's fiscal 2026 through 2030 *Capital Improvement Program* includes \$24.0 million in WIF funding in each of fiscal 2026 and 2027 and \$16.0 million from fiscal 2028 through 2030.) DNR indicates that the increased limits, and the ability to provide up to 50% of funding for costs above the limits, increases flexibility in how projects are funded and allow for individual projects to be fully funded in one fiscal year instead of spreading the work for a project out over several fiscal years.

DNR can handle the bill's administrative requirements with existing budgeted resources.

Local Fiscal Effect: Local governments may benefit from (1) increased access to 100% WIF funding for local marina or other construction projects that otherwise require matching funding, or are funded over multiple fiscal years, in the absence of the bill, and (2) access to 50% WIF funding for those same projects, for costs above the limits on 100% WIF funding. The bill, however, does not directly affect the overall amount of funding provided for those projects. Local governments also benefit from increased availability of funding for small emergency maintenance/safety projects under the increased per project limit of \$25,000.

Small Business Effect: Any small businesses that provide goods or services for local governments' small emergency maintenance/safety projects may meaningfully benefit from increased funding for those projects.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 239 and SB 304 of 2024.

Designated Cross File: None.

Information Source(s): Baltimore City; Anne Arundel, Baltimore, Calvert, Kent, Queen Anne's, St. Mary's, and Worcester counties; City of Annapolis; Maryland Municipal League; Department of Natural Resources; Department of Legislative Services

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

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

BILL NUMBER: HB 719

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 does provide for a targeted increase on fees but none are expected to have a meaningful impact on Maryland Small Businesses.