

DELAWARE WATERWAYS MANAGEMENT AND FINANCING ADVISORY COMMITTEE MEETING

**DNREC, DIVISION OF WATERSHED STEWARDSHIP
SHORELINE AND WATERWAY SERVICES FACILITY
901 Pilottown Road, Lewes, DE 19958
October 6, 2014 Meeting Notes**

AGENDA

- Welcome and Announcements – 8:30 a.m.
- Review and Acceptance of September 22 Meeting Notes
- Recap of Last Meeting's Discussion – 2013 Marine Fuel Sales in Sussex County, Maine's Rental Car Tax, North Carolina's Increase in Boat Registration and Titling Fees, Delaware's Current Boat Registration Fees and Business Models for Increased Revenues
- Presentation of Information on Economic Value of the Inland Bays, Sussex County Transfer Tax, Project Cost Share Models Used in Other States
- Round Robin Committee Discussion – Potential for Local/County Cost Sharing Options, Need for a Boating Survey
- Public Comments
- Concluding Remarks and Next Meeting

Members Present:

- **Frank Piorko – DNREC Division Director of Watershed Stewardship**
- **Vicki Ford – Director of Office of Management and Budget**
- **David Cropper – Vines Creek Marina**
- **Jay Little – Tidal Finfish Advisory Council/Saltfish.net**
- **Neil Sands – Rehoboth Bay Sailing Association**
- **Pierce Quinlan – Lewes-Rehoboth Canal Improvement Association**
- **Gerald Hocker – State Senate 20th District**
- **Bill Carson – House of Representatives 28th District**
- **Dave Ritondo – United States Coast Guard Auxiliary**
- **Ed Lewandowski – University of Delaware**
- **Clark Evans – Old Inlet Bait & Tackle**

Not present:

- **Robert Venables, Co-Chair – State Senate 21st District**
- **David Small, Co-Chair – DNREC Cabinet Secretary**
- **Dave Russell – commercial charter boat captain**
- **Ron Gray - House of Representatives 38th District**
- **Chris Bason – Center for the Inland Bays**
- **Rob Whitford – Precision Marine**
- **David Green – Cape Water Taxi**

Other parties in attendance:

- **David Saveikis – DNREC Division Director of Fish & Wildlife**
- **Douglas Messeck – DNREC Division of Fish & Wildlife Enforcement Officer**
- **Tony Pratt – DNREC Division of Watershed Stewardship Administrator**
- **Chuck Williams – DNREC Division of Watershed Stewardship Environmental Program Manager**
- **Ariane Nichols - DNREC Division of Watershed Stewardship Environmental Scientist**

At the request of **David Small**, Committee Co-Chair, who was unable to attend, **Frank Piorko** opened the meeting at 8:37 am with a call to approve minutes from the last meeting. They were approved as prepared. He stated that the last meeting's focus was on the cost/revenue models presented by **Chuck Williams** and **Ariane Nichols**. The charge of the committee for this meeting would be to see if there were any other areas to consider and focus work on preparing a report for the General Assembly which is due in early November.

Mr. Williams gave a recap of the last meeting's discussion on 2013 Marine Fuel Sales in Sussex County, Maine's Rental Car Tax, North Carolina's Increase in Boat Registration and Titling Fees, Delaware's Current Boat Registration Fees and Business Models for Increased Revenues. He also said the committee discussed looking into a public survey to gauge a willingness to pay for waterway management.

Ms. Nichols discussed the trends in marine fuel sales at the Indian River Marina and said they are the largest seller of boat fuel with a market share of approximately 35 – 40%.

Mr. Williams said the four possible funding sources discussed to date were:

- Utilize TTF Marine Motor Fuel Tax revenue for waterway management needs (would cut into DelDOT transportation needs)
- Utilize some portion (\$10K) of legislators individual CTF accounts (Rule 12)
- Increase Boater Registration Fees (double current fees, add flat rate, graduated scale based on size of boat)
- Initiate Boat Titling in Delaware

Mr. Williams stated that the meeting discussions would focus on the Economic Value of the Inland Bays, the Sussex County Transfer Tax (where does it come from and what is it used for), Project Cost Share Models Used in Other States, the Potential for Cost Sharing in Delaware, and the Need for a Boating Survey.

Mr. Williams began the discussion by stating that the data concerning the Economic Value of the Inland Bays was obtained from a 2012 publication done by the University of Delaware through their SeaGrant Program in addition to information provided by **Chris Bason** of the Center for the Inland Bays.

- 300 square mile watershed, 32 square mile estuary with 87,000 full time residents
- UD SeaGrant 2012 publication indicates State's coastal economy is a multi-billion dollar sector
 - \$6.9B added to industry production
 - 59,000 additional jobs supported
 - \$711M of additional taxes annually

- Although the exact value is unknown, water-related activities in Inland Bays is included in these figures (fishing, boating)
- “Near Shore Zip Codes”, the four bordering the coast and Bays (19930, 19944, 19958, 19971) contain the most direct coastal activities
- Inland Bays is a fishing mecca
- Massey’s Landing is State’s busiest boat ramp
- \$149M spent on recreational fishing in Delaware in 2011 (ASA – American Sportfishing Association)
- \$343M spent on recreational boating in Delaware in 2010 (USFWS)

Ms. Nichols referred to a handout on the Sussex County Transfer Tax and pointed out that it is the largest revenue source for Sussex County bringing in 31% of their annual budget.

- Transfer tax rate in Sussex is 1.5%
- Paid to the county in connection with the transfer of any interest in real estate
- Transfer tax budgeted to be \$16M in FY2015 (same as FY2014)
- 50% of the RTT generated from unincorporated areas in the 4 “Near Shore Zip Codes”
- Accounts for 31% of the FY2015 Budget
- According to FY2015 Budget, surplus from FY2014 predicted to be \$3M
- FY2013 surplus of \$4.5M

Neil Sands commented that the chart presented is volatile. **Pierce Quinlan** said it appears the surplus is going into some type of fund.

Ms. Nichols then presented Information on cost share models used in other states (NC, MD & FL):

North Carolina Cost Share Model

- Water Resources Development Project Grant Program
- Revenue generated from increase in registration and titling fees, motor fuel tax (1/6th of 1%), and general assembly appropriations
- NC DNR is authorized to provide grants to local governments for water resource development projects (ex. navigation, water management, stream restoration, beach protection, aquatic weed control, engineering studies)
- Units of local gov’t and local political subdivisions are only eligible parties for grants
- Includes projects planned by federal agency with local match and those without federal assistance
- 50/50 Match
- Grant applications are ranked using the following criteria:
 - Economic, social, and environmental benefits to be provided by the project
 - Regional benefits of project to an area greater than the area under the jurisdiction of the local sponsoring entity
 - Financial resources of the local sponsoring entity
 - Environmental impact of the project
 - Any direct benefit to State-owned lands and properties

Maryland Cost Share Model

- Maryland Waterway Improvement Fund created in 1966 to support development, use, and enjoyment of State waters for the general boating public

- Funds are obtained primarily from the one-time 5% excise tax that is paid to the State when a boat is purchased and registered/titled in the State
- Fund provides financial support to local governments, the DNR, and federal agencies in the form of grants and/or loans
 - Channel marking
 - Debris removal
 - Dredging
 - Boating information and education
 - Boating related shoreline erosion projects
- Type of funding for eligible projects depends on:
 - Scope of project
 - Statutory guidelines
 - Technical & environmental considerations
 - Benefits to general boating public
- Funding options include:
 - 100% State grant:
 - Minor construction, repair or navigation at boating facilities (up to \$5K)
 - Development and maintenance of boating facilities (up to \$100K)
 - Dredging, channel marking, jetty construction, debris removal (up to \$100K)
 - Matching grants (max 50% state cost share)
 - Engineering, construction, maintenance of public boating facilities
 - Dredging channels and harbors (primarily serve local communities)
 - Acquisition of marine fire/rescue boats and equipment
 - 100% Interest Free Long Term Loans to local governing bodies (max 25 years)
 - Dredging/navigation, spur channels, boating access facilities
- Downward trend in revenue due to decreased boat sales
- Exploring revenue enhancement opportunities:
 - Graduated registration fee
 - Increased titling fee
 - Raising excise tax to meet current sales tax rate (6%)
 - Decals on non-motorized vessels
 - Supplemented with bond bill or general funds

Florida Cost Share Model

- Two inland navigation tax districts in Florida - Florida Inland Navigation District (FIND) and West Coast Inland Navigation District (WCIND).
- Both created by Florida State Legislature – FIND in 1927 and WCIND in 1947.
- Created when Corps of Engineers needed local sponsors for dredging intracoastal waterways, but now handle local waterway management issues as well (dredging, channel marking, fishing & docking facilities).
- Primary source of funding is property tax revenues from counties along the waterways (all properties in each county are assessed).
- Rationale for tax is all property in the counties benefit from economic activity generated by waterways and their use.
- Current assessment for FIND is \$3.80/\$100K property value and \$3.94/\$100K for WCIND
 - FIND FY2014 revenue – approx. \$21M
 - WCIND FY2014 revenue - approx. \$5M

- Tax assessment collected annually and counties can apply for project funding, not to exceed the amount that their county contributed.
- Applications must be submitted by local governments annually for funding of waterway projects in their jurisdiction
- FIND – 75% navigation, 50% all others (ex: channel marking, boat ramps)
- WCIND – 100% marine law enforcement, navigation, environmental education, 50% boating safety and boating recreation

A discussion followed regarding the State Revolving Loan Program. **Mr. Piorko** said it is funded by the EPA through a grant and the cost share is 80% EPA and 20% State of Delaware. In recent years, the use of the fund has expanded through the Clean Water Act. It states that the loan can be used for any use that is compatible with a comprehensive management plan for a national estuary program. **Mr. Piorko** pointed out that there is the Inland Bays Estuary Program and the Delaware Estuary Program in Delaware. It is conceivable DNREC could apply for a loan for certain projects through this program. He said the caveat would be to have a dedicated source of revenue to repay the loan over time.

Mr. Quinlan asked if the loan could be used for a docking system. **Mr. Piorko** said he wasn't sure and that Section 312 of the Clean Water Act would need to be reviewed. **Ed Lewandowski** said he liked the idea of using the loan program to fix problems resulting from natural disasters like Superstorm Sandy and act quickly instead of waiting for the federal response. **Mr. Sands** commented that borrowing money would increase the debt service and that the focus needs to be on finding a sustainable revenue source.

Senator Hocker stated the goal of the committee is to find waterway management funding sources and that loans should be considered secondarily.

Representative Carson said the economic impact was statewide. Each year there are approximately \$600K in violations and that perhaps adding a \$2 fee for motor vehicle and boat infractions would generate some of the income. Recently a \$10 ambulance fee was added for the volunteer ambulance service. **Senator Hocker** stated the fee did not generate the amount of income expected.

Mr. Piorko asked if there was enough of a correlation between a motor vehicle infraction fee and using it for waterway management. **Tony Pratt** said it would as it falls under transportation. **Representative Carson** commented that it should be something to take a look at.

Vicki Ford asked **Mr. Piorko** if Delaware was maximizing funds from the Clean Water Act and he said no. The loans go through a process by the financial assistance branch and that only a few projects are approved each year. By having a smaller revenue generator to repay a loan that funds a large project would get it completed faster. This in turn may create goodwill in exchange for any fees that get passed down. **Senator Hocker** agreed there are many current large projects that need to be completed now and not later.

Mr. Pratt explained there are two lists: waterways that are currently navigable and those that require navigational management.

Mr. Piorko pointed out that in looking at the three other states' waterway plans, most are using multiple revenue sources for a variety of uses. He asked if it's practical for counties or municipalities in Delaware to contract out waterway projects. **Senator Hocker** said he felt the state should handle these

projects, but the counties should be part of the process. **Mr. Sands** agreed the county (Sussex) should step up because these projects are assets that attract people to visit the area. However, it will be difficult to secure funding from them. He said funding should be statewide and generated by people who use the waterway. Discussions followed regarding the state accommodations tax of 8% on hotels and motels. This tax has been extended to rentals (in select municipalities), but on a limited basis and the rates vary.

Ed Lewandowski asked if there was any consideration to adding waterway user fees similar to purchasing a duck stamp for hunting. **Mr. Piorko** said it had not been discussed, but that the state of Maryland was looking into a decal for non-motorized vessels such as kayaks. **Douglas Messeck** explained that the Maryland boat ramps are part of a county system and revenue generated are district funds that cannot be used.

Mr. Pratt said the funds currently received for waterway management are inadequate and projected to be so for the next 4 – 6 years. The beach side of things is stable; however, the beach is defined as the Atlantic coast from Fenwick Island to Cape Henlopen and the bay coast up to Pickering Beach. The shoreline erosion problems are wider than that defined area. The state is restricted where they spend their funds but there are some additional opportunities coming up with beneficial use sites through projects by the Army Corp of Engineers. The current erosion problems have become much more complex since the Beach Preservation Act was established in 1971. One recent success was in Pepper Creek where DNREC was able to build wetlands and raise the marsh with dredged material. The goal is finding a revenue stream to address dredging and shoreline protection through users paying into the fund. **Mr. Pratt** explained the concept of proximity value in real estate and that it's reflected in transfer taxes. There is also an expectation that waterways are navigable from these properties. The main concentration now is to focus on main channels and then address issues in spur channels.

Mr. Piorko mentioned that other states maintain their waterways along with the Army Corps of Engineers. In Delaware, there are only three main waterway "highways" that are maintained. He said it's similar to DelDOT plowing snow on main roads vs. side streets. The waterway management plan would address the secondary waterway needs since the Army Corps of Engineers only focuses on the three main channels.

Mr. Piorko asked the Committee about developing a simple survey and what questions should be asked. **Mr. Lewandowski** stated that Coast Day would have been an ideal place to capture an audience. His opinion was that a web based survey would be the best way to expedite the process. Ideally there would be three questions, the URL could be communicated through a press release, and **Jay Little** could share it on his website. **Mr. Little** stated there is a national fishing registry and that perhaps a mass e-mail could be sent to target a specific group. **David Saveikis** said it could be done, but confidentiality may need to be a consideration. **Mr. Sands** asked specifically what the survey would reveal. **Mr. Piorko** replied that it could address the proposed fee structure. **Representative Carson** stated there are different types of boaters (fresh vs. salt water) and **Mr. Piorko** commented the issue also extends beyond just boaters and fishermen. Currently there are 87K full-time Inland Bay households and it may be helpful to query the non-boating residents if they would support a waterway management fee in addition to their annual property tax.

Mr. Sands said to help gauge the approval of increased registration fees, he could send the survey to 150 sailing members. **Mr. Piorko** stated the process should be doable and not expensive. **Mr. Little** said there are tools such as Survey Monkey that make the process easy, but that determining a sample may

be more difficult. He stated the results vary depending on audience surveyed and that it's important to be careful or the data would be skewed on the poll.

Mr. Piorko explained that the committee was charged with creating a report to give to the General Assembly in three weeks, but it did not have to be detailed in all the steps required to fund the waterway program. Legislation would dictate exactly how the program would be funded. Senator **Hocker** agreed that the report is a recommendation and that it should address how much funding is needed along with possible funding options.

Representative Carson asked how long ago the Accommodations Tax was modified. **Mr. Pratt** explained it was increased by 2% back in 1988 or 1989 and that 1% goes to the Convention and Visitors Bureau and the other 1% goes toward beach preservation.

Mr. Sands said there is a clear need for a waterway management program and the three revenue options he sees are: transfer tax based on proximity, fees for users of the waterways, and a possible hotel tax increase. He said other revenue sources may be a stretch to justify a tax.

Mr. Piorko commented that the survey should be done with the help of **Mr. Lewandowski** from the University of Delaware. A short discussion followed stating the need for a survey to back up recommendations made to the General Assembly.

Senator Hocker said that any increase to the Accommodations Tax would have to be for beach replenishment. **Mr. Pratt** agreed that the funds should be used for the beaches, but that it's also important to look at shoreline erosion all over the state. **Representative Carson** asked if it would free up money currently being used elsewhere. **Mr. Pratt** answered it would not as there is a constant deficit vs. needs. There would, however, be an added value to the boating public through jobs and services. The survey could help show an economic value and social value. A waterway system that is functional has a huge value that benefits more than just the boating public. **Representative Carson** added that there is an economic impact on all of Delaware and not just the beaches. It would be important to capture that point in a survey. **Mr. Pratt** stated the last survey done by the University of Delaware was hugely valuable because it educated people and can be used as an information piece. **Mr. Sands** agreed the survey should consider the general public.

Senator Hocker stated the next step is to conduct a survey and then work on the committee report. **Mr. Piorko** confirmed the goal of the report is to capture the conversations that have taken place, convey recommendations, and to identify steps moving forward. He asked if the committee wanted to meet again or if sending a draft report via email would be appropriate. It was agreed that electronic distribution would work unless the survey feedback dictated a follow-up meeting. Discussions followed regarding the survey, data collection, and that decision making should be based on findings.

Mr. Piorko summarized the meeting by stating the survey instrument needed to be created with the help of **Mr. Lewandowski** and the University of Delaware. A report for the General Assembly needed to be crafted in the next three weeks on the progress of the meetings and funding considerations should be defined in the document. **Mr. Pratt** suggested there be a review of the economic benefits and values of Delaware's waterways. He stated he would be contacting the University of Delaware to see if they could assist. **Representative Carson** thanked DNREC for their assistance with the entire process.

Mr. Piorko adjourned the meeting at 10:12 am.

