

## DELAWARE WATERWAYS MANAGEMENT AND FINANCING ADVISORY COMMITTEE MEETING

**DNREC, DIVISION OF WATERSHED STEWARDSHIP  
SHORELINE AND WATERWAY SERVICES FACILITY  
901 Pilottown Road, Lewes, DE 19958  
September 22, 2014 Meeting Notes**

### AGENDA

- Welcome and Announcements – 8:30 a.m.
- Review and Acceptance of September 8 Meeting Notes
- Recap of Last Meeting's Discussion – Funding Options Matrix, DNREC's 5-year Projection of Waterway Management Funding Needs, Non-Ethanol Gas Blends for Boat Use, Motor Fuel Tax Rebate
- Presentation of Information on 2013 Marine Fuel Sales in Sussex County, Maine's Rental Car Tax, North Carolina's Increase in Boat Registration and Titling Fees
- Presentation of Delaware's Current Boat Registration Fees – What is the money used for at present and Business Models for Increased Revenues
- Round Robin Committee Discussion – Waterway Management Maintenance Fee, Boating Survey
- Public Comments
- Concluding Remarks and Next Meeting

#### Members Present:

- **Robert Venables, Co-Chair – State Senate 21<sup>st</sup> District**
- **David Small, Co-Chair – DNREC Cabinet Secretary**
- **Chris Bason – Center for the Inland Bays**
- **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 20<sup>th</sup> District**
- **Ron Gray - House of Representatives 38<sup>th</sup> District**
- **Rob Whitford – Precision Marine**
- **Dave Ritondo – United States Coast Guard Auxiliary**
- **Ed Lewandowski – University of Delaware**
- **Clark Evans – Old Inlet Bait & Tackle**

#### Not present:

- **Dave Russell – commercial charter boat captain**
- **Bill Carson – House of Representatives 28<sup>th</sup> District**
- **Frank Piorko – DNREC Division Director of Watershed Stewardship**
- **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**
- **Tom Fowler – Ocean View Marina**

**David Small** opened the meeting at 8:34 am with a call to approve last month's meeting minutes. One correction was made: **Ron Whitford** made the fuel additive comment and not **Clark Evans**. With the correction, the minutes were passed unanimously.

**Mr. Small** stated that there was a lot of information covered during the last meeting, including the funding matrix of other states and projected five-year capital needs of the Waterway Management Program presented by **Chuck Williams** and **Ariane Nichols**. Discussions from the last meeting also included non-ethanol gas blends for boat use and the motor fuel tax rebate.

**Chuck Williams** explained there was a change in the state matrix for North Carolina. They use a percentage of fuel tax to fund waterway/marine operations. It is based on all types of fuel sold. **Mr. Williams** stated that using DelDOT's Transportation Trust Fund for Waterway Management was discussed at the last meeting, but it may cut into transportation needs. He also referred to the comment previously made by **Senator Venables** that each legislator could possibly offer \$10K from their respective Community Transportation Fund (CTF), which would total \$620K annually for waterway management. **Mr. Williams** presented a handout with Rule 12 and the CTF account.

**Mr. Williams** said this meeting's focus is to review the 2013 marine fuel sales in Sussex County, review the rental car tax in Maine, North Carolina's increase in boat registration and titling fees, including a handout of the legislation that was passed on October 1, 2013, in North Carolina, and to review Delaware's current boating registration fees with some different business models for increased revenue.

**Ariane Nichols** reported the amount of ethanol-free fuel that was sold on the Eastern Shore of MD was 506K gallons in 2013. The year to date (YTD) sales for 2014 are 415K. The sales for 2014 are expected to exceed 2013 sales. The 15 marinas in Sussex County, Delaware sold approximately 450K gallons of gas in 2013 with 205K sold just at the Indian River Marina. Diesel sales were 244,360 gallons so far with a projected total of 275K – 300K. Most marinas in Delaware do not sell diesel fuel.

**Neil Sands** asked what the average retail price per gallon was for non-ethanol gas. **Senator Hocker** stated it was about \$.40 cents more per gallon. **Jay Little** reported results from a survey he did where ethanol gas was \$4.00/gallon at Indian River. Non-ethanol prices in Maryland were \$4.70/gallon in Ocean City, \$4.45/gallon in Ocean Pines and \$4.80/gallon at Sunset Marina.

**Senator Venables** stated it cost approximately \$3,000 to charter a fishing boat and that the boating industry as a whole is in a recession. Many vessels stay at the dock because of gas prices. He questioned if they could afford a fuel tax and if the problem was as bad as reported.

**Tom Fowler**, representing the public, gave the following information on fuel sales at his marina in Ocean View, Delaware:

- 2012 - 14,665 gallons
- 2013 - 11,611 gallons
- 2014 YTD - 9,600 gallons

He said there is a definite decline in boating due to overhead.

**Ms. Nichols** said that many marinas have not provided gas sales information, but she has called repeatedly. There are only two marinas outside Sussex County and they are in New Castle County.

**Mr. Williams** provided information on Maine's rental car tax. Dredging projects in Maine are primarily funded through bond bill appropriations and average about \$500K every two years. The rental car tax generates approximately \$6M annually and is 10% on vehicles weighing less than 26,000 lbs. Proceeds go into Maine's Department of Transportation's "multi-modal fund". The fund can be used for a variety of transportation related projects (transit, aeronautic, marine, railway), but there is no breakdown available for how much of the \$6M goes toward marine projects. They also periodically receive funds from the Maine Port Authority for projects (\$100K to relocate lobsters from a federal channel for a Corps project).

**Senator Venables** stated the State's Bond Bill doesn't look good as a funding source. It is the lowest it has been in six years and the operating budget is skyrocketing. Capital projects used to be anywhere from \$800M - \$900M, but are now only \$420M.

**Ms. Nichols** reported that Delaware also has a car rental tax and that proceeds go to General Gross Receipts.

**Mr. Williams** presented findings on North Carolina's increase in boat registration and titling fees and reported the increased revenue goes to their new Shallow Draft Navigation Channel and Lake Dredging Fund. The new fees went into effect October 1, 2013, and have contributed \$3,527,970 to the shallow draft dredging fund. Titling is required on jet skis, all vessels over 14" and any vessel with a lien. FY2013 boat registrations were higher than FY2014 and titling was about even.

**David Saveikis** presented information on Delaware boating registration, including Boat Registration Statutory Authority for the Division of Fish & Wildlife, a graph with boat registration data from 1962 - 2013, and a pie chart showing how the boat registration fund is spent. He stated the Division of Fish & Wildlife has the statutory authority and responsibility to deposit and spend boating registration revenue to ensure compliance with safe boating laws and that an annual appropriation of funds is needed to support the program. The number of boats that are registered in Delaware has gone from approximately 10K in 1962 to almost 60K in 2013. However, there has been a flatter trend the past few years. **Mr. Saveikis** explained the enforcement section of his Division is funded by three primary sources:

- Boat registration fees
- Federal RBS (recreational boating safety) grants
- General Fund appropriations

There is a 1-1 match of state and federal money for the grants where state funds come from the boating registration funds and/or general fund appropriations. As a point of reference, **Mr. Saveikis** stated in recent years a large portion of the general fund appropriation was re-directed to the general state budget and boating registration funds had to make up the difference.

**Mr. Saveikis** broke down how \$1,282,225 in boating registration fees is spent: 77.59% for boating compliance, 11.15% for boat registration, 5.94% for administration, and 5.34% for boating education. He said there is added pressure on boating registration fee income to compensate for losses in general funds. In addition, there currently are insufficient State funds to match the federal RBS grant, therefore, federal money is left on the table.

**Tony Pratt** gave an overview of the federal Water Resources Development Act. He explained that Congress is addressing the concern of diverted funds out of the Harbor Maintenance Trust Fund. The 2014 Act will dictate that by:

- 2015 67% of the fund be used for harbor maintenance projects
- 2019 77%
- 2022 87%
- 2025 100%

In addition, 10% of the appropriations will go to emerging harbors, which are not being addressed by the Harbor Maintenance Trust Fund and Corp of Engineers. The considerations for these projects will be based on tonnage and how much each harbor is paying into the fund vs. services received.

**Senator Venables** said that when he read in the report that \$13B was being put into the program he thought the waterway management funding issue was resolved. **Mr. Pratt** stated that it remains to be seen how long it takes for Delaware to see any benefit based on the criteria and backlog of projects.

**Mr. Small** asked how harbors pay into the Harbor Maintenance Trust Fund. **Mr. Pratt** explained that it is based on commercial usage and that fees are based on tonnage. The Port of Wilmington and the C&D Canal pay into the fund.

**Mr. Williams** presented three business models to see how much revenue could be generated with an increase in boat registration fees. First he provided what the current fees were for vessels as compared to NJ, MD & PA. Delaware (with 59,186 vessels registered in 2013) generated \$1,288,870 in boat registration revenue. The first model represented revenue if the current fees were doubled at \$1,158,983. The second model indicated an increase of \$799,011 if a flat \$15 fee was levied and the third model reflected an additional \$551,448 if a graduated scale of increased fees was implemented. Each model's calculations took into consideration a possible 10% decline in boat registration if the increased fees went into effect.

**Mr. Small** asked **Mr. Saveikis** how much his Division is short on the federal grant match and the reply was \$200K-\$300K average per year.

**Mr. Small** asked if other states charge more for out of state vessels. **Doug Messeck** stated that boats are registered by state of principle use. He explained that Maryland polices marinas and that many commercial vessels are incorporated in Delaware.

**Mr. Sands** asked if it was true that Delaware used to do private dredging of channels to access marinas. **Mr. Williams** explained that DNREC used to do private dredging, but time of year restrictions and other project priorities have put a stop to that practice. The law allows DNREC to do private work at their cost plus 10% for overhead. **Mr. Sands** said there is justification to do waterway management based on the cost of repairs for vessels that bottom out on sand bars.

**Mr. Small** asked when the last adjustment was made to boat registration fees. **Mr. Saveikis** reported that 1990 was the last time boating registration fees were increased.

**Mr. Williams** stated that Delaware does not title boats that are bought and sold in the State. The Department also does not have a system in place to track boat sales. The idea of titling vessels was previously by DNREC and the Department of State. However, it was dismissed due to concerns over the potential loss of revenue. Many corporations register boats in Delaware. If corporations had to pay additional fees, they might consider relocating elsewhere (3/4's of State's budget is comprised of taxes paid by corporations).

**Rob Whitford** asked if titling referred to documented vessels. **Doug Messeck** explained they accept federal documentation at registration, but that Delaware does not receive revenue from documentation.

**Mr. Little** reported that the New Jersey boat title fee is \$60. There is also an additional \$25 fee if there is a name on the boat. Their registration fees range from \$12 - \$80. Virginia has a title fee of \$7 and the registration fee is \$9 - 15 per year depending on boat size. North Carolina has a boat title fee of \$35 and registration fees for recreational boats are \$33 - \$55. His information was derived from responses on Saltfish.net.

A conversation followed on boat sales tax and titling fees and where the revenue goes related to waterway management. **Mr. Small** said there was a boat title discussion a few years ago and there was an interest in Delaware by the lending institutions and marine tradesmen to move forward with it. Lenders like documents for legal structure and from a lien point of view. The issue was to keep the fee low enough to maintain a competitive advantage and not lose business to other states.

**Mr. Little** asked if boats that have titles in other states could be registered in Delaware. **Doug Messeck** replied that boat titles are proof of ownership. Without one, a person needs to have a notarized bill of sale to register a boat in Delaware.

**Mr. Sands** asked how much it would cost to start a title program. **Mr. Small** responded that it would cost approximately \$200K - \$250K for hardware, software and start up expenses.

**Mr. Williams** stated the excise tax on boat sales in Maryland is the primary portion of the waterway management fund. The fund generates about \$8M annually in revenue for waterway management and most of that comes from boat sales.

**Representative Gray** asked if there is a hidden value for boat dealers. **Mr. Small** answered "yes" since there is no title fee or sales tax in Delaware.

**Mr. Whitford** asked if it's possible to draw a line between recreational and commercial vessels less than 100 feet vs. over 100 feet for the purposes of titling. **Mr. Small** said that it would need to be reviewed to determine any benefit.

**Senator Hocker** asked if states competing with Delaware for incorporations have boat titling. **Mr. Williams** said he would look into it.

**Representative Gray** asked who sells boat licenses and made the comment that any increase in boating registration fees would be nice if boaters could see a direct benefit.

**Mr. Small** stated that establishing steady funding will help with working with contractors and consultants during the year to design and engineer projects. He asked for any feedback on the three business models presented at today's meeting by **Mr. Williams**.

**Mr. Whitford** said it was not long ago that Delaware doubled its motor vehicle registration fees.

**Mr. Sands** commented that a nominal increase in boat registration fees would not be a big deal if fees are known to help better waterways and money is focused on projects.

**Mr. Little** stated that his website discussions about piling on fees indicate they will go somewhere else if costs are on forced boaters alone. An incremental increase would be okay, but it would be best to also find other funding sources so that boaters don't shoulder the entire cost, especially since fuel use is currently down and boat registrations are flat.

**Pierce Quinlan** would like to see if fishing license sales are also down.

**Senator Hocker** stated that this committee was formed after his meeting with **Representative Gray** and 150-plus boaters in Millville last May. Overall, they will be willing to pay something toward waterway management, but not more than their fair share.

**Mr. Sands** said other forms of revenue would need to be considered in addition to boating fees. These may include a hotel tax/fee or transfer tax.

**Senator Hocker** said it is unfortunate that people buy homes and cannot get their boats out so it is reasonable to look to the county (transfer tax) for a possible match and not have the program funded all on the backs of boaters.

**Mr. Pratt** commented that he thought Maryland had a boat ramp fee and that perhaps Delaware should consider it.

**Mr. Saveikis** said that public boat ramp management is funded through fishing license fees with a federal match of excise tax funds. Because of the federal funding, they cannot charge a fee or the federal money is lost. The Division of Fish & Wildlife maintains about 60 – 70 boat ramps statewide.

**Mr. Pratt** reported that the projected total revenue for the Harbor Maintenance Trust Fund (HMT) for 2014 was \$1.79B. At 67% target, \$1.17M could be used for the nation's emerging harbors.

**Senator Venables** said that he sees lots of money put into bicycle paths and that the Bond Bill committee can possibly add \$500K to waterway management projects instead.

**Mr. Small** said that there's not one thing that will fund the \$3M - \$5M needed. It may require an increase in registration fees for boaters, but it's important to see what is tolerable. Sussex County may be able to contribute something in addition to a portion of the CTF fund. It's important to get a sustainable program up and running. The agency (DNREC) has challenges with clean water quality and beach maintenance.

From the accommodations tax on hotel rooms (8%), 1% goes toward beach maintenance, 1% goes to the state tourism office and 1% is for the local county convention and business bureau. There is a shared benefit from the federal government for ocean beaches (60/40 split). However, the bay beaches are not available for federal funding.

**Senator Venables** asked to clarify that the 8% accommodations tax is for hotels and motels only and not on rentals. A brief conversation followed regarding what some coastal towns (like Dewey & Rehoboth) charge for rentals. Typically it is a 3% tax on rentals and it is collected by real estate firms. **Mr. Small** explained that beach communities can charge a rental accommodations tax under the same law as hotels and motels and that perhaps it's worth having a discussion to see about possible revenue opportunities.

**Mr. Little** remarked that Delaware should learn from its neighboring states about putting the cost on the back of the boaters through one time fees and/or increased boating registration fees per a commentary on Maryland, which lost 50% of their Waterway Improvement Fund revenue from 2005 – 2011.

**Mr. Saveikis** said the federal Sport Fish Restoration funds derived from the federal excise tax on fishing equipment prohibits the use of matched funds for maintenance dredging of navigational channels. Like Augustine Beach in New Castle, the funds can be used for sediment removal near a boat ramp, but there use is limited.

**Mr. Small** asked if it is a good idea for **Ed Lewandowski** from the University of Delaware to conduct a survey to determine what the public opinion may be on some of the ideas discussed by the committee. This might possibly assemble the opinion of the boating community and gauge what boaters are willing to pay.

**Mr. Quinlan** commented that there was quite a spending history on maintenance dredging and that regional sedimentation plans and capital improvement projects should be considered to reduce sedimentation and dredging needs and annual expenses of the program. **Mr. Pratt** stated that DNREC contracted a firm (Moffitt & Nichol) to do a report five years ago to identify what was needed to keep the navigational channels open to reduce dredging needs.

**Chris Bason** said it is his opinion that the long term needs of the program are valid. He also heard from the boating community that something needs to be done.

**David Small** asked the committee if there were any other topics that should be explored moving forward. He said the next meeting would be to refine the concepts already discussed.

**Mr. Bason** asked what product/deliverable the committee had to prepare given there were only two more meetings scheduled. **Mr. Small** replied that options would be presented with a cost associated for each. Funding would need to be identified along with any need for potential legislation. He did say, however, that the Department was recently given authorization to increase fees without moving through the General Assembly and that may extend to boat registration fees.

**Mr. Bason** remarked that the waterway management program should be reviewed for ways to reduce expenses like cutting or cost sharing the Algae Harvesting Program. He also suggested that some of the fuel tax that goes to DelDOT should be reallocated to the waterway management program. A discussion followed suggesting that an increase to the fuel tax with a split going toward the program could be considered.

**Mr. Little** said he liked the way **Mr. Williams** presented the three business models with different revenue potential. He suggested the committee prepare a report structured the same way for a public survey. **Mr. Lewandowski** said it would be a good idea to get feedback on the choices that have been discussed to date by the committee.

**Mr. Williams** said the next meeting will be in two weeks and then the final meeting will be on October 20, 2014, to wrap things up.

During the Public Comment period, **Mr. Fowler** shared a few comments:

- People at his marina are willing to pay an increase in boating registration fees.
- A new fuel tax may be opening a can of worms.
- Smaller boats will go to the pump instead of paying higher fuel rates at marinas.
- A sales tax on boats will cause Delaware registrations to go to other states.
- Bad weather affects fuel sales, but registrations are predictable.
- If revenue is marked as being used only for waterway management, then the pushback from boaters will be minimal.

**Senator Hocker** asked **Mr. Fowler** what boaters thought about boat titles. **Mr. Fowler** stated he didn't really pose that question, however, he felt it would not be a bad thing if it was voluntary and nominal in cost.

**Mr. Sands** asked if someone could reach out to Sussex County to get them in the discussion and **Senator Hocker** said he would work on it.

**Senator Venables** adjourned the meeting at 10:17am.

Next meeting: October 6, 2014 in the DNREC Shoreline & Waterway Services Facility conference room at 8:30am.