Delaware Waterways Management and Financing Advisory Committee Preliminary Report

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EXECUTIVE SUMMARY

The Delaware Waterways Management and Financing Advisory Committee (Committee) formed as a result of Senate Concurrent Resolution No. 64 (SCR 64), which was passed by the 147th General Assembly of the State of Delaware on July 1, 2014. The purpose of the Committee is to develop and submit recommendations for sustainable and dedicated funding for Waterway Management activities statewide. The Committee represents a broad range of interests including legislators, recreational boaters, commercial watermen, fishing interests, dock and marina owners, and business owners, with staff and support by the Delaware Department of Natural Resources and Environmental Control (DNREC).

As specified in SCR 64, the Committee is comprised of 17 members representing the following groups:

- Delaware Senate (2)
- Delaware House of Representatives (2)
- Captain/Owner of a commercial charter boating business (1)
- Retail bait and tackle/sport shop business (1)
- Delaware Center for the Inland Bays (1)
- Owner of a marine dredging and construction business (1)
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- Lewes-Rehoboth Canal Improvement Association (1)
- Recreational boating transportation business (1)
- U. S. Coast Guard Auxiliary (1)
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- Water Use Planning and Implementation Committee (WUPIC) of the Delaware Center for the Inland Bays (1)
- Recreational fisherman (1)
- Office of Management and Budget (1)
- Delaware Department of Natural Resources and Environmental Control (1)

In addition and as specified in SCR 64:

- The Committee shall be jointly chaired by a Senate Committee member and a designee from the Department of Natural Resources and Environmental Control.
- DNREC shall provide support for the Committee.

The Committee met four times from August 25, 2014, to October 6, 2014. Topics brought before and by the Committee for presentation and discussion, included:

- History of waterway management operations in Delaware
- Beneficial use of dredged material and regional sediment management

- Funding of waterway management operations in other states along the east coast along with a corresponding funding options matrix
  a) Maine's rental car tax
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- DNREC's 5-year projection for waterway management funding needs (estimated $3M - $5M annually)
- Ethanol-free gas blends for boat use and current revenues for motor fuel sales in Delaware
- 2013 marine fuel sales in Sussex County
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- Economic value of the Inland Bays
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  a) North Carolina
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- Feasibility and need for conducting a survey of boaters and property owners to gauge public opinion concerning generating revenue for waterway management operations in the State
- Use of the State Revolving Loan Fund to initiate projects
- Potential for increasing and utilizing the State's Accommodations Tax for both shoreline and waterway management operations.

Several ideas and possible recommendations for sustainable and dedicated funding for waterway management activities statewide were discussed by the Committee during the four meetings. The potential revenue sources and actions the Committee felt warrant further consideration by the General Assembly, include the following:

- Utilize DelDOT's Transportation Trust Fund marine fuel tax revenue for waterway management activities
- Utilize a portion ($10,000) of legislator's individual Community Transportation Fund accounts (Rule 12)
- Increase boat registration fees
- Initiate boat titling in Delaware
- Utilize a portion of Sussex County Transfer Tax revenue
- Utilize the State's Revolving Loan Fund to initiate projects
- Increase and utilize the State's Accommodations (Lodging) Tax for both shoreline and waterway management operations statewide

Other actions discussed and supported by the Committee, included:

- Work with the University of Delaware to conduct a survey of boaters and property owners concerning their willingness to pay for waterway management operations
- Work with the University of Delaware to conduct an economic analysis of the benefits and values of Delaware's waterways with emphasis on the Inland Bays
- Any sustainable and dedicated funding developed for waterway management operations statewide must be used for that purpose only.

INTRODUCTION

Background Information

DNREC has been conducting waterway management operations in Delaware for over 40 years. Dredging was the initial and primary focus of waterway management from 1970 through 1996. Since that time, operations have expanded to include three additional functional areas, macro-algae harvesting (1997), navigational channel marking (2001), and abandoned vessel/derelict structure and debris removal (2007). Work planned in the future, includes island and wetlands rehabilitation/construction through the beneficial use of dredged material.

Over the years, waterway management activities have been conducted solely with General Fund and Bond Bill appropriations provided by the State Legislature. In recent years, these appropriations have proven to be insufficient for keeping navigational channels open and safe for the boating public. In addition, staff assigned to handle waterway management activities for DNREC has been reduced from 16 to 7 personnel over the past 20 years due to budget reductions.

Significant decreases in federal funding available to maintain the federally authorized waterways throughout the State presents a challenge to maintain adequate, safe channel navigation. Currently, there are 20 federal channels in Delaware which the U. S. Army Corps of Engineers is responsible for maintaining through dredging. Of those 20 channels, the Corps only maintains sufficient navigable depths in 3 of them (Port of Wilmington/Christina River, Chesapeake and Delaware Canal, Nanticoke River) because they meet the federal maintenance funding criteria relative to annual commercial tonnage activity. The responsibility for maintaining the other 17 channels has fallen to the Department.

The U. S. Coast Guard is responsible for placing aids to navigation (channel markers) in the federally authorized waterways in Delaware. In 2001, DNREC entered into a cooperative agreement with the Coast Guard to place channel markers in areas the Coast Guard does not mark. As a result of this agreement, DNREC is currently responsible for maintaining 187 channel markers in the State's Inland Bays. In an effort to reduce costs, the Coast Guard made a decision earlier this year to discontinue markers in two heavily used channels in the Inland Bays – Pepper Creek and White Creek. Only a major write-in campaign organized by local boaters and property owners prevented this from occurring. However, it is envisioned the Coast Guard will look to DNREC to assume the responsibility for maintaining these and other federal aids to navigation in the coming years, particularly in light of the fact that the Corps no longer surveys and maintains the other 17 federal channels. The Coast Guard cannot verify channel depths and locations making it difficult to accurately indicate navigable waters.

As mentioned above, DNREC is also responsible for conducting macro-algae harvesting operations in response to nuisance build-ups of detached and decomposing algae throughout

the Inland Bays. While harvesting activities have declined steadily over the last few years, maintaining a small fleet of harvesters is still necessary in the event this trend reverses.

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There were 17,500 registered boaters in Delaware in 1971 compared to 59,186 at the end of 2013. The increasing use of the State's recreational waters places a higher demand on maintaining their navigability through waterway management operations.

In 2007, DNREC received a Bond Bill appropriation for waterway management and contracted Moffatt & Nichol to develop a sediment management plan for Rehoboth Bay. The goal of the study was to improve planning for future dredging needs as well as to reduce the dependency on dredging in the inland waterways that the State maintains in this Bay. The study included recommendations for the beneficial use of dredged material (e.g. wetlands restoration, island creation) and alternative management strategies that could be used to reduce shoaling in waterways (e.g. construction of flow-training walls). Funding is needed for the design and construction of these alternative management strategies (e.g. structures to reduce shoaling) and to expand this sediment management approach into other areas such as Indian River and the Little Assawoman Bay in future years.

Evolution of Senate Concurrent Resolution No. 64/Tasks Outlined within Senate Concurrent Resolution No. 64

Based on current demand, DNREC estimates its waterway management operations funding needs to be $3M - $5M annually, but lacks a dependable source of funding to meet those needs year in and year out. In response to the growing concern by the public about waterway maintenance, the 147th General Assembly of the State of Delaware passed Senate Concurrent Resolution No. 64 (SCR 64) on July 1, 2014, to establish the Delaware Waterways Management and Financing Advisory Committee. With the assistance of DNREC, the 0Committee will develop and submit recommendations to the General Assembly for sustainable and dedicated funding for Waterway Management operations statewide. DNREC shall compile the results of the Committee recommendations, develop a draft report, and solicit feedback from the Committee before finalizing the report of recommendations. The final report will then be presented to the General Assembly. Per SCR 64, the final report shall be delivered to the General Assembly by November 3, 2014.

Committee Membership

Committee membership is described in SCR 64 and is designated by the General Assembly to represent a broad range of interests including legislators, recreational boaters, commercial watermen, fishing interests, dock and marina owners, and business owners, with staff and support by the Delaware Department of Natural Resources and Environmental Control (DNREC). The Committee was Co-Chaired by Senator Robert Venables and DNREC Cabinet Secretary David Small.

Affiliation	Committee Members
Delaware Department of Natural Resources and Environmental Control	David Small, Secretary, Co-Chair
Delaware Senate	Sen. Robert Venables, District 21, Co-Chair
Delaware Senate	Sen. Gerald Hocker, District 20
Delaware House of Representatives	Rep. William Carson, District 28
Delaware House of Representatives	Rep. Ronald Gray, District 38
Captain/Owner of a commercial charter boating business	David Russell
Retail bait and tackle/sport shop business	Clark Evans
Delaware Center for the Inland Bays	Chris Bason
Owner of a marine dredging and construction business	Robert Whitford
Private Marina Owner	David Cropper
Lewes-Rehoboth Canal Improvement Association	Pierce Quinlen
Recreational boating transportation business	David Green
U. S. Coast Guard Auxiliary	David Ritondo
Rehoboth Bay Sailing Association	Neil Sands
Water Use Planning and Implementation Committee (WUPIC) of the Delaware Center for the Inland Bays	Edward Lewandowski
Recreational fisherman	Jay Little
Office of Management and Budget	Vicki Ford

Committee support included staff from DNREC's Division of Watershed Stewardship and Division of Fish and Wildlife.

Funding Options Discussed

Based on the information presented and the discussions that ensued at the four meetings referenced above, the Committee offers the following options for the General Assembly to consider for sustainable and dedicated funding for Waterway Management activities statewide.

Utilize DelDOT's Transportation Trust Fund Marine Fuel Tax Revenue for Waterway Management Activities

The Delaware Department of Transportation motor fuel tax revenue in 2012 was approximately $113M dollars. The Federal Highway Administration estimates that approximately 13,213,000 gallons of fuel were sold for marine use that year. Delaware's tax on gas is $.23 per gallon. Based on these figures, there was an estimated $3,038,000 collected for marine use. Section 5120 of the Delaware Code authorizes refunds of the motor fuel tax for the purpose of operating stationary gas engines (motorboats). In 2013, only 575 refunds were issued totaling $42,882. The amount of revenue that was not refunded for marine fuel use that year, $2,996,018, might have been available for waterway management.

Utilize Portion of Each State Legislator's Community Transportation Fund (Rule 12)

Rule 12 of the Joint Legislative Committee on the Capital Improvement Program Rules provides for each respective State Legislator (62 total) to utilize their Community Transportation Fund (CTF) on public capital projects. The current annual appropriation to each legislator for this fund is $250,000. The recommendation was made to amend Rule 12 to include the ability to fund waterway management projects and have each legislator designate $10,000 annually for these type of projects (potential total of $620,000).

Increase Boat Registration Fees

Boat registration fees were last increased in Delaware in 1990. Other states along the east coast (e.g. North Carolina) have recently increased boat registration fees and dedicated the increase in revenue directly to navigation channel dredging and other waterway management activities (e.g. channel marking). Three business models were presented during the September 22nd Committee meeting for increasing Delaware's current boat registration fees and the amount of additional revenue that would be generated. The models are included in Appendix D of this document. To summarize, and based on the number of registered boaters in Delaware at the end of 2013, doubling the current boat registration fees could generate $1,158,983 in additional revenue, adding a flat $15 waterway maintenance fee to each registration fee could generate $799,011 of additional revenue, and increasing the current fees on a graduated scale going from $5 for the smallest boats to $25 for the largest boats could generate $551,448 of additional revenue annually.

Note: Some Committee members felt that registered boaters in the State should not bear the entire burden for generating revenue for waterway management operations. Some form of a graduated increase based on boat size classification might be the preferred alternative.

Initiate Boat Titling in Delaware

Currently there is no title required for boats bought and sold in Delaware. There is no system in place to track boat sales or ownership history outside of boat registration information. The idea was previously discussed, but was dismissed due to concerns surrounding the potential loss of revenue if corporations had to pay additional fees. Three-quarters of the State's budget is comprised of taxes paid by corporations. These corporations might consider relocating if they had to pay additional fees. However, during these discussions, there were no estimates made of revenue that could potentially be generated by boat titling or could be lost if this occurred.

Note: Information presented from previous discussions about this issue indicates that lending institutions and marine tradesmen in the State support this concept. Lenders like documents for legal structure and from a lien point of view. If this idea is pursued, the idea will be to keep the title fee low enough to maintain a competitive advantage and not risk losing corporate business to other states.

Utilize a Portion of County Transfer Tax Revenue

Sussex County's share of the Real Estate Transfer Tax is currently 1.5-percent tax on the transfer of any interest in real estate within the County. The total annual income to the County from this transfer tax is estimated to be $16 Million in FY2015, which accounts for 31-percent of the County budget. Approximately 50-percent of this revenue is generated from the transfer of properties within the four zip code areas that border the coast – 19930, 19944, 19958, 19971 ("Near Shore Zip Codes" as cited in the University of Delaware 2012 Sea Grant report). According to the FY2015 Sussex County Budget, the County was expecting a $3M dollar surplus from the FY2014 Budget.

Note: Discussion was raised by several Committee members about the use of transfer tax revenue as a potential County cost share for waterway management projects. Several Committee members stated that they believed that waterways play an integral part in people's decision to move into the County. While the discussion was largely limited to Sussex County during Committee meetings, there would be a need to further explore transfer tax revenues in New Castle and Kent Counties if this recommendation is to move forward.

Utilize the State's Revolving Loan Fund to Initiate Projects

The State's Revolving Loan Fund is funded through a U. S. Environmental Protection Agency grant program. Funds may be used to borrow money for any project that benefits water quality and is compatible with a Comprehensive Management Plan for a National Estuary Program. In Delaware, there are two such programs, the Inland Bays Estuary Program and the Delaware Estuary Program. It is conceivable that DNREC could apply for a loan through this program. The

one caveat is there must be a dedicated source of revenue available to repay the loan over time (e.g. revenue from increase in boat registration fees).

Increase and Utilize State's Accommodations (Lodging) Tax for both Shoreline and Waterway Operations Statewide

One subject discussed by the Committee on more than one occasion was the possibility of amending Title 30, Chapter 61 of the Delaware Code to expand the State's Accommodations (Lodging) Tax and utilize the increase in revenue for funding waterway management operations. Currently, the 8-percent tax is only assessed on hotels, motels and tourist homes. Several beach communities have established an additional lodging tax and extended it to include rental properties as well. At the present time, 1-percent of the State Lodging Tax is dedicated to beach preservation work. DNREC has recognized that an expansion of this tax may be an option for beach preservation work as well. The Committee suggested the General Assembly consider extending the Lodging Tax to short term rental properties statewide.

Conduct a Survey of Boaters and Property Owners Concerning Their Willingness to Pay for Waterway Management Operations

The consensus of the Committee was that DNREC, with assistance from the University of Delaware, should conduct a survey of boaters and property owners to gauge public opinion concerning generating revenue for waterway management operations in the State. The survey should be no more than 3-5 questions and will be conducted during the late fall and early winter with results to be presented to the legislative members of the Committee in January 2015.

Conduct an Economic Analysis of the Benefits and Values of Delaware's Waterways

DNREC will work with the University of Delaware to conduct a review of economic data to determine the benefits and values of Delaware's waterways with emphasis on the Inland Bays. The analysis will identify and quantify the total economic contributions of water-related activity (recreational boating, fishing, etc.) to the State, as well as the economic impact of insufficient actions to keep waterways navigable, properly marked and free of debris.

SUMMARY and PATH FORWARD

The Committee meetings and discussion of information presented by DNREC staff were very thorough given the time constraints presented in SCR 64. The maintenance challenges facing Delaware waterways, the costs associated with addressing those challenges and the consequences of not addressing the need and the costs, were presented and well understood by the Committee. Data and information related to how other states fund their waterway obligations as well as Delaware specific facts related to boat registration, motor fuel

consumption and waterway management needs were all compiled and discussed in a relatively short time frame.

Two assignments that were requested by the Committee and are thought to be of value were not able to be completed in time to be summarized by the November 3 report date. The first item is a short survey of boating and fishing enthusiasts that will inform the Committee through the input of a wider range of participants, regarding user fees or willingness to pay for waterway management services. The University of Delaware will prepare this survey and it is anticipated that the results will be discussed as the Committee reconvenes before years end.

The second item discussed is a more comprehensive review of economic data, trends and benefits related to the Inland Bays waterways and other statewide waterway uses and dependencies. The level of effort will be to review existing economic data and relate that information to the benefits of investments made in waterway management. While this analysis will be used to support cost effectiveness of financial decisions moving forward, it may be early 2015 before the results of this analysis are completed.

In summary, the Committee heard and discussed financing options that exist currently within the state, as well as other funding opportunities employed by neighboring states. The options included in this report represent possibilities that in some combination may generate the revenue necessary to fund a sustainable waterway management program in Delaware. It is expected that further Committee deliberation will take place before the 148th General Assembly Legislation Session convenes in 2015.

The final Committee goal will be to recommend, possibly in various combinations, funding method(s) to meet much of the increasing public recreation and commercial needs for services in Delaware's waterways. It is anticipated that these recommendations will form the basis for any legislation for waterway funding forthcoming in 2015. The projected state needs will only become greater in the future considering the reduction of involvement by the federal government within federally authorized waterways in Delaware.

DELAWARE WATERWAYS MANAGEMENT AND
FINANCING ADVISORY COMMITTEE
89 KINGS HIGHWAY
DOVER, DELAWARE 19901

November 3, 2014

State of Delaware
Delaware 147th General Assembly
Legislative Hall
Dover, DE 19901

Dear Members of the 147th General Assembly,

It is with great pleasure that we submit the attached report to the General Assembly on the progress and activity related to the Delaware Waterways Management and Financing Advisory Committee. The Committee, established by SCR 64 of the 147th General Assembly, was directed to develop recommendations for sustainable and dedicated funding for waterway management activities statewide. The Committee was comprised of a broad range of interests including legislators, recreational boaters, commercial watermen, fishing interests, dock and marina owners, and business owners with staff and support provided by the Department of Natural Resources and Environmental Control (DNREC).

SCR 64 also directed that the Advisory Committee be organized and hold its first meeting by September 1, 2014 and report its findings to the General Assembly by November 3, 2014. The Committee has covered many issues in a short time. The functions of dredging and sediment management, navigational channel marking and other waterway responsibilities carried out in Delaware; the limited role of the Federal government in current activities regarding projects and funding; how other states carry out these programs and what financing sources are used to fund these programs were all discussed in detail.

DNREC provided research, data and information gleaned from other neighboring states' activities and programs. The Committee discussed various funding sources for waterway management including boat registration and titling fees, motor fuel tax options, local cost share opportunities and continued general fund support among others. While these discussions are summarized in the report, the Committee felt that additional information is needed before it could consider any final recommendations.

The Committee and DNREC should be commended for getting to this point in identifying options for sustainable funding for Delaware's waterway management which is such an important issue for our coastal environment and tourism economy. We believe that although the Committee has more work to do, the information and options contained in the report can help inform discussions that the General Assembly may undertake in addressing this matter.

We look forward to continuing the progress on this issue critical to the State of Delaware.

Sincerely,

Robert L. Venables, Sr.
State Senator and Co-Chair

David S. Small
DNREC Secretary and Co-Chair

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Captain/Owner of a commercial charter boating business	David Russell
Retail bait and tackle/sport shop business	Clark Evans
Delaware Center for the Inland Bays	Chris Bason
Owner of a marine dredging and construction business	Robert Whitford
Private Marina Owner	David Cropper
Lewes-Rehoboth Canal Improvement Association	Pierce Quinlen
Recreational boating transportation business	David Green
U. S. Coast Guard Auxiliary	David Ritondo
Rehoboth Bay Sailing Association	Neil Sands
Water Use Planning and Implementation Committee (WUPIC) of the Delaware Center for the Inland Bays	Edward Lewandowski
Recreational fisherman	Jay Little
Office of Management and Budget	Vicki Ford

Committee support included staff from DNREC's Division of Watershed Stewardship and Division of Fish and Wildlife.

Funding Options Discussed

Based on the information presented and the discussions that ensued at the four meetings referenced above, the Committee offers the following options for the General Assembly to consider for sustainable and dedicated funding for Waterway Management activities statewide.

Utilize DelDOT's Transportation Trust Fund Marine Fuel Tax Revenue for Waterway Management Activities

The Delaware Department of Transportation motor fuel tax revenue in 2012 was approximately $113M dollars. The Federal Highway Administration estimates that approximately 13,213,000 gallons of fuel were sold for marine use that year. Delaware's tax on gas is $.23 per gallon. Based on these figures, there was an estimated $3,038,000 collected for marine use. Section 5120 of the Delaware Code authorizes refunds of the motor fuel tax for the purpose of operating stationary gas engines (motorboats). In 2013, only 575 refunds were issued totaling $42,882. The amount of revenue that was not refunded for marine fuel use that year, $2,996,018, might have been available for waterway management.

Utilize Portion of Each State Legislator's Community Transportation Fund (Rule 12)

Rule 12 of the Joint Legislative Committee on the Capital Improvement Program Rules provides for each respective State Legislator (62 total) to utilize their Community Transportation Fund (CTF) on public capital projects. The current annual appropriation to each legislator for this fund is $250,000. The recommendation was made to amend Rule 12 to include the ability to fund waterway management projects and have each legislator designate $10,000 annually for these type of projects (potential total of $620,000).

Increase Boat Registration Fees

Boat registration fees were last increased in Delaware in 1990. Other states along the east coast (e.g. North Carolina) have recently increased boat registration fees and dedicated the increase in revenue directly to navigation channel dredging and other waterway management activities (e.g. channel marking). Three business models were presented during the September 22nd Committee meeting for increasing Delaware's current boat registration fees and the amount of additional revenue that would be generated. The models are included in Appendix D of this document. To summarize, and based on the number of registered boaters in Delaware at the end of 2013, doubling the current boat registration fees could generate $1,158,983 in additional revenue, adding a flat $15 waterway maintenance fee to each registration fee could generate $799,011 of additional revenue, and increasing the current fees on a graduated scale going from $5 for the smallest boats to $25 for the largest boats could generate $551,448 of additional revenue annually.

Note: Some Committee members felt that registered boaters in the State should not bear the entire burden for generating revenue for waterway management operations. Some form of a graduated increase based on boat size classification might be the preferred alternative.

Initiate Boat Titling in Delaware

Currently there is no title required for boats bought and sold in Delaware. There is no system in place to track boat sales or ownership history outside of boat registration information. The idea was previously discussed, but was dismissed due to concerns surrounding the potential loss of revenue if corporations had to pay additional fees. Three-quarters of the State's budget is comprised of taxes paid by corporations. These corporations might consider relocating if they had to pay additional fees. However, during these discussions, there were no estimates made of revenue that could potentially be generated by boat titling or could be lost if this occurred.

Note: Information presented from previous discussions about this issue indicates that lending institutions and marine tradesmen in the State support this concept. Lenders like documents for legal structure and from a lien point of view. If this idea is pursued, the idea will be to keep the title fee low enough to maintain a competitive advantage and not risk losing corporate business to other states.

Utilize a Portion of County Transfer Tax Revenue

Sussex County's share of the Real Estate Transfer Tax is currently 1.5-percent tax on the transfer of any interest in real estate within the County. The total annual income to the County from this transfer tax is estimated to be $16 Million in FY2015, which accounts for 31-percent of the County budget. Approximately 50-percent of this revenue is generated from the transfer of properties within the four zip code areas that border the coast – 19930, 19944, 19958, 19971 ("Near Shore Zip Codes" as cited in the University of Delaware 2012 Sea Grant report). According to the FY2015 Sussex County Budget, the County was expecting a $3M dollar surplus from the FY2014 Budget.

Note: Discussion was raised by several Committee members about the use of transfer tax revenue as a potential County cost share for waterway management projects. Several Committee members stated that they believed that waterways play an integral part in people's decision to move into the County. While the discussion was largely limited to Sussex County during Committee meetings, there would be a need to further explore transfer tax revenues in New Castle and Kent Counties if this recommendation is to move forward.

Utilize the State's Revolving Loan Fund to Initiate Projects

The State's Revolving Loan Fund is funded through a U. S. Environmental Protection Agency grant program. Funds may be used to borrow money for any project that benefits water quality and is compatible with a Comprehensive Management Plan for a National Estuary Program. In Delaware, there are two such programs, the Inland Bays Estuary Program and the Delaware Estuary Program. It is conceivable that DNREC could apply for a loan through this program. The

one caveat is there must be a dedicated source of revenue available to repay the loan over time (e.g. revenue from increase in boat registration fees).

Increase and Utilize State's Accommodations (Lodging) Tax for both Shoreline and Waterway Operations Statewide

One subject discussed by the Committee on more than one occasion was the possibility of amending Title 30, Chapter 61 of the Delaware Code to expand the State's Accommodations (Lodging) Tax and utilize the increase in revenue for funding waterway management operations. Currently, the 8-percent tax is only assessed on hotels, motels and tourist homes. Several beach communities have established an additional lodging tax and extended it to include rental properties as well. At the present time, 1-percent of the State Lodging Tax is dedicated to beach preservation work. DNREC has recognized that an expansion of this tax may be an option for beach preservation work as well. The Committee suggested the General Assembly consider extending the Lodging Tax to short term rental properties statewide.

Conduct a Survey of Boaters and Property Owners Concerning Their Willingness to Pay for Waterway Management Operations

The consensus of the Committee was that DNREC, with assistance from the University of Delaware, should conduct a survey of boaters and property owners to gauge public opinion concerning generating revenue for waterway management operations in the State. The survey should be no more than 3-5 questions and will be conducted during the late fall and early winter with results to be presented to the legislative members of the Committee in January 2015.

Conduct an Economic Analysis of the Benefits and Values of Delaware's Waterways

DNREC will work with the University of Delaware to conduct a review of economic data to determine the benefits and values of Delaware's waterways with emphasis on the Inland Bays. The analysis will identify and quantify the total economic contributions of water-related activity (recreational boating, fishing, etc.) to the State, as well as the economic impact of insufficient actions to keep waterways navigable, properly marked and free of debris.

SUMMARY and PATH FORWARD

The Committee meetings and discussion of information presented by DNREC staff were very thorough given the time constraints presented in SCR 64. The maintenance challenges facing Delaware waterways, the costs associated with addressing those challenges and the consequences of not addressing the need and the costs, were presented and well understood by the Committee. Data and information related to how other states fund their waterway obligations as well as Delaware specific facts related to boat registration, motor fuel

consumption and waterway management needs were all compiled and discussed in a relatively short time frame.

Two assignments that were requested by the Committee and are thought to be of value were not able to be completed in time to be summarized by the November 3 report date. The first item is a short survey of boating and fishing enthusiasts that will inform the Committee through the input of a wider range of participants, regarding user fees or willingness to pay for waterway management services. The University of Delaware will prepare this survey and it is anticipated that the results will be discussed as the Committee reconvenes before years end.

The second item discussed is a more comprehensive review of economic data, trends and benefits related to the Inland Bays waterways and other statewide waterway uses and dependencies. The level of effort will be to review existing economic data and relate that information to the benefits of investments made in waterway management. While this analysis will be used to support cost effectiveness of financial decisions moving forward, it may be early 2015 before the results of this analysis are completed.

In summary, the Committee heard and discussed financing options that exist currently within the state, as well as other funding opportunities employed by neighboring states. The options included in this report represent possibilities that in some combination may generate the revenue necessary to fund a sustainable waterway management program in Delaware. It is expected that further Committee deliberation will take place before the 148th General Assembly Legislation Session convenes in 2015.

The final Committee goal will be to recommend, possibly in various combinations, funding method(s) to meet much of the increasing public recreation and commercial needs for services in Delaware's waterways. It is anticipated that these recommendations will form the basis for any legislation for waterway funding forthcoming in 2015. The projected state needs will only become greater in the future considering the reduction of involvement by the federal government within federally authorized waterways in Delaware.