

Department of Planning and Budget 2004 Fiscal Impact Statement

1. Bill Number: SB606

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Bolling

3. Committee: Agriculture, Conservation, and Natural Resources

4. Title: Royalties for use of state-owned bottomland

5. Summary/Purpose: The bill removes the Virginia Marine Resources Commission's authority to assess royalties for the use of state-owned bottomland. The Commission retains the authority to charge permit fees for the use of bottomland, the recovery of underwater historic property, and the removal of bottom material, easements, and leases. The bill removes the option available to ship construction and repair businesses of paying a one-time permit fee of up to \$5,000, in lieu of any other royalties, but will have to pay a fee of between \$25 and \$100 for use of state-owned bottomland.

6. Fiscal impact: Please see item 8.

7. Budget amendment necessary: No. The revenue from royalties for use of state-owned bottomlands is not included in the Marine Resources Commission's appropriation in House Bill 30, the Budget Bill.

8. Fiscal implications: In 1988, Governor Baliles suspended the collection of royalties for the use of state-owned bottomlands. The suspension did not apply to royalties collected for removing material, or dredging bottomlands, but rather to royalties for the use of bottomland, such as construction of a pier or laying a pipe along a river bed. The Governor suspended the collection of royalties in response to concerns raised by the ship building and repair industry, and he convened a special blue ribbon panel to examine the issue. The Marine Resources Commission has continued to assess royalties for permit applicants since then, but has not made any attempt to collect the funds in keeping with the moratorium.

Following the blue ribbon panel's report, several changes to the royalty program were implemented through legislation enacted by the 2000 General Assembly Session (Chapter 1056, 2000 Acts of Assembly). These changes established the Marine Habitat and Waterways Improvement Fund and capped the royalty for "commercial facilities engaged in the primary business of ship construction and repair" at a one-time permit fee of \$5,000 in lieu of any other royalties. The bill also had a delayed effective date of July 1, 2001 to enable the legislature to revisit the issues in the 2001 session if desired. No further actions were taken during the 2001 General Assembly.

The Marine Resources Commission continues to assess, but not collect the royalties for use of state-owned bottomland. The 2003 Appropriation Act, Chapter 1042, Item 398, states that:

“It is the intent of the General Assembly that beginning July 1, 2004, the Marine Resources Commission shall collect all fees and royalties assessed by the Commission for the use of state-owned bottomlands under the provisions of Chapter 12 of Title 28.2, Code of Virginia. Prior to resuming the collection of any such fees, the Secretary of Natural Resources shall review the report of the Virginia Delegation of the Chesapeake Bay Commission made pursuant to House Joint Resolution 633 (2003) and shall submit a plan for the collection of such fees to the Chairmen of the House Appropriations and Senate Finance Committees.”

The bill does not affect the current budget of the Marine Resources Commission. Because the royalties have been assessed but not collected, the revenue is not included in the agency's appropriation. However, the bill does impact future revenue that would be available for the agency's programs, were the agency to resume collection of the royalties on July 1, 2004, as directed in the Appropriation Act. Based on the average assessments over the past 15 years, the Marine Resources Commission estimates that the potential revenue from royalties for the use of state-owned bottomlands would be \$80,000 to \$100,000 annually. These funds are to be used solely for the purpose of improving marine habitat and waterways, including the removal of obstructions or hazardous property from state waters.

9. Specific agency or political subdivisions affected: Marine Resources Commission.

10. Technical amendment necessary: No.

11. Other comments: This is a companion bill to House Bill 182.

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cc: Secretary of Natural Resources