

**HOUSE COMMITTEE ON FINANCE
BUDGET REQUEST FOR SUPPLEMENTAL BUDGET 2008-2009
January , 2008**

PROGRAM Structure Level: 08 02 04
PROGRAM ID and Title: LNR 801 Ocean-Based Recreation

I. Introduction

A. Program Objective

To enrich the lives of people of all ages by providing opportunities and facilities for developing skills and participating in non-organized ocean-based outdoor activities such as boating, saltwater fishing, surfing, ocean swimming, etc.

B. Description of Program Objectives

The major objectives of the program consist of bringing facilities up to a minimal standards by adapting, improving and expanding the capacity of existing mooring and launching facilities; operating and administrating, maintaining and policing boat harbors and launching ramps; constructing new facilities; registering boats and maintaining a centralized vessel registration file; regulating the commercial use of boating facilities; administering a marine causality and investigation program; constructing and maintaining navigation aids for boating facilities; and conducting public education in boating safety.

C. Explain how your Program intends to meet its objectives within the upcoming fiscal year.

The division implemented a rate fee increase in fiscal year 2007 and is planning another fee increase in the third or fourth quarter of fiscal year 2008. The division increased fees an average of 33% in spring of fiscal year 2007 and will increase them 8% in the spring of fiscal year 2008. The revenue from the fee increase funded positions that will enable the division to address ocean recreation usage and resolve the conflicts that arise from the increased use of the limited resource. The fee increase will also provide capital to service debt necessary to fund needed capital improvement projects (CIP). General Obligation (G.O.) bonds are used to finance all CIP boat harbor improvements. In the past, G.O. bond funds have been authorized for the required matching fund for Federal-State projects and for boat launching facilities; however, boating projects to be funded by solely by G.O. bonds have been afforded low priority over the past several years. DOBOR is requesting \$10 million this year as a part of a multi-year program to improve the harbors and ramps statewide. As a part of the public hearing process to increase fees, the boating community was contacted to discuss how increases in boating fees would pay

reimbursable bond payments for these improvements. Reimbursable G.O. Bonds are used to finance most boat harbor improvements and debt service expenditures must be kept at reasonable levels commensurate with anticipated revenues. The scope of responsibilities for the division has expanded to include oversight of ocean recreation activities that are not associated with harbors usage and do not contribute funds to the Boating Special Fund. These activities include surf schools, regulation of activities at popular snorkeling and diving areas, and regulation activities at beach parks. These types of activities benefit the non-harbor, ocean using public and support the premise that General Fund support is necessary.

The primary source of revenues to the Boating Special Fund (approx. 63%) is mooring and other harbor use fees, including 3% of gross revenues of commercial vessels using boating facilities, commercial thrill craft and parasail operations, and cruise ship operations. Other primary sources include the State marine fuel tax, rental income from leases and revocable permits of boating facility's properties, vessel registration fees and the interest from short-term investment of available cash. Future rate increases and supplemental revenue sources (2001 Legislative Auditors Report) are required to do the necessary capital improvements, as well as to offset the 20% OHA contribution, and cover other cost increases. The division has conducted public hearings to increase fees for parking at its facilities and is proposing that parking fees be no higher than current city and county employee rates for permittees. The parking fees have not been increased in over 10 years and the increase will be used to fund much needed repairs, maintenance, and improvements to harbor parking areas. The division recognizes that substantial repairs and improvements are needed and is proposing a multi-year program to address these needs on a statewide basis. These improvements, as well as CIP improvements, will be funded with fee increases.

The first demand to transfer 20% of revenues received from boating facilities on ceded lands to OHA occurred at the end of 1992. The division continues to make contributions as required by statute. An increase in the amount of receipts received by the division has resulted in an increase in the amount remitted to OHA. This has reduced the amount of resources that the division has to address its operating issues and maintenance funding.

Federal Recreational Boating Safety Act (RBSA) funds, which are subject to renewal by Congress, are essential to maintaining a comprehensive boating program. These funds are to be used for supporting a statewide vessel registration program, boating safety education program, and effective enforcement of boating laws. RBSA funds reimburse the Boating Special fund for qualified expenses up to the grant amount. Some additional federal funds are available under the Wallop-Breaux Act for boating access facilities, amounting to 15% of the State's allocation from this source. The Department of the Interior approves projects for funding from this source, on a case by case basis.

II. Program Performance Results

A. Discuss the performance results achieved by the program in FY 2007.

Performance results have been reported in the “Measures of Effectiveness” report submitted each year. Categories include: total number of launching ramp lanes per thousand dry moored boats; total number of berths as a percentage of total requirements; number of reported boating accidents per ten thousand boats; number of fishing boats moored in water; number of other boats moored in water; number of boats stored on land; total State de facto population; provision of berths (numbers); other moorings (numbers); and launch ramps (number of lanes). These measures of effectiveness were part of the Harbors Division program when the Boating Division was a branch of that division. The numbers recorded each year since 1992 have not changed significantly except for the reduction in the number of berths due to deterioration. In order to provide more pertinent information, the division has begun tracking the number of capital improvement projects started and completed as part of the measures of effectiveness.

The Measures of Effectiveness provides basic information to assess and understand the Division’s performance. This information, combined with a knowledge of the Division’s finances will provide an understanding of what effects and drives the performance of the Division.

The Division is considering areas that are results oriented/outcome based to assist the department in providing safer, more secure and economical access to the boating public’s natural resources. The areas under review are: shortfalls in funding and deferred maintenance. Additional areas for consideration may be addressed in the future.

B. Explain how these results relate to the Program’s Objectives and Department’s mission.

The results will reflect the division’s efforts in sustaining our natural resources, which directly relates to departmental objectives.

C. Explain how the effectiveness of the Program is measured (i.e.: outcome, measures of effectiveness, benchmarks, etc.) and discuss the performance results achieved during the past two years.

The Measures of Effectiveness provides basic information to assess and understand the division’s performance. This information, combined with a knowledge of the Division’s finances will provide an understanding of what effects and drives the performance of the Division.

Effectively, the division’s cash flow is sufficient for the daily operation of the division and minimal CIP. However, there are increased demands for enforcement

services as well as for administrative and cultural entitlements. This has served to limit the amount financial resources available to address future CIP needs. As a result, facilities have been taken out of service until the division is able to obtain viable funding.

D. Discuss actions taken by each Program to improve its performance results.

Deferred maintenance: It is vitally important that the facilities are maintained to provide a safe, healthy atmosphere for the boating public. It is calculated that total replacement costs for our facilities statewide total over \$350 million. Based on conservative engineering projections of the annual investment needed just to prevent existing facilities from deteriorating further, preventive maintenance and repair equivalent to 6-8% of the replacement costs would be required. DOBOR will request \$10 million this year as a part of a multi-year program to improve and repair the harbors and ramps statewide. The list of deferred maintenance grows and facilities have to be shut down to the boaters when they are no longer deemed safe. The desired outcome is to arrest the growth in the list of deferred items and bring all facilities up to minimum standards. The age of the boating facilities (the newest facility is over 20 years old) may limit the amount of deferred maintenance that may be effectively be performed. This will require additional CIP funds to address the re-building of existing facilities.

III. Problems and Issues:

A. Discussion of Problems and Issues Encountered if any

1. Organization.

The Division of Boating and Ocean Recreation (DOBOR) transferred to the department on July 1, 1992. It was previously a branch in the Harbors Division of DOT. Although all the functions and properties were transferred, many of the personnel providing support functions remained with DOT and DOT has steadily decreased the amount of support functions that it provides. These functions were gradually assumed by the new division and supported by DLNR personnel. An organization change was approved in 1993, which provided the framework for the new division. There was also the provision that positions would be upgraded to reflect current responsibilities and salary increases. That effort continues to this date. The division has increased staffing to address increased fiscal responsibilities and requirements; however, there remain several areas that need to be addressed.

2. Funding.

The Administration is proposing to develop lands adjoining harbor facilities to provide for supplemental revenue stream and has implemented a rate fee increase that will provide funding for necessary repairs and maintenance and

support \$10 million CIP. The division will seek approval of an additional \$10 million for CIP projects through G.O. Bonds. Revenue Bonds have also been considered, but DOBOR has been advised that its revenue base will not adequately support issuance of those bonds.

3. Repairs and Maintenance.

The Division continues to repair deteriorating facilities with limited resources. The Division estimates that it needs \$350 million to address CIP at all its facilities. It also needs to comply with current codes such as the American with Disabilities Act (ADA). DOBOR has implemented a fee increase package that will provide increased funding for repairs and maintenance of harbors and ramps. The initial fee increase averaged 28 percent statewide and calls for two additional 8 percent increases should the Legislature authorize at least \$10 million in CIP per year. The 2007 Legislature approved another \$10 million in CIP and the first 8 percent increase is scheduled to take place the beginning of 2008. We are hopeful that the Legislature will authorize an additional \$10 million in CIP for 2008 which will allow the division to continue to make much needed improvements to the facilities and generate additional revenue needed to make the bond payments.

4. Rules

It is recognized that the Division's current administrative rules are too lengthy, hard to understand, and redundant. DLNR continues to work with the Office of the Attorney General to rewrite all of the DLNR rules, including DOBOR, and plans to simplify all of DLNR's rules. DOBOR has implemented a new mooring fee structure in 2007 and will be holding public hearings to update the parking rates at the small boat harbors. It is compiling revisions to update all of the harbor fees statewide.

B. Program Change Recommendations to remedy Problems

The Division is re-evaluating staffing and agency shareholders to focus its efforts more effectively and efficiently.

The Administration submitted a lump sum CIP package for \$10 million each year for statewide harbor improvements within the Executive Budget. The Division is also crafting rules and providing the public with information on the internet.

IV. Projected Expenditures for Fiscal Year 2007-2008:

	Appropriation Act 213/2007 FY 2007-08	Collective Bargaining	Transfer In (out)	Governor's Restrictions	Estimated Total Expenditures
(Pos. Count)	(97.00)				(97.00)
Personnel Services	4,012,827	119,183	0	0	4,132,010
Current Expenses	12,342,901	0	0	0	12,342,901
Equipment	104,000	0	0	0	104,000
Motor Vehicles	<u>155,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>155,000</u>
Total Requirements	(97.00) 16,614,728	119,183	0	0	(97.00) 16,773,911
Less:					
(Pos. Count)	(97.00)	0.00	0.00	0.00	(97.00)
Special Funds	15,913,929	119,183	0	0	16,033,112
(Pos. Count)	0.00	0.00	0.00	0.00	0.00
Federal Funds	700,799	0	0	0	700,799
(Pos. Count)	0.00	0.00	0.00	0.00	0.00
Other Funds	0.00	0	0	0	0
(Pos. Count)	0.00	0.00	0.00	0.00	0.00
General Funds	0	0	0	0	0

A. Explain all transfers within the program i.d. and the impact on the program

None

B. Explain all transfers between program i.d. and the impact on the program

None

C. Explain all restrictions and the impacts on the program

None

V. Supplemental Budget Request for FY 2008 - 2009:

	Appropriation Act 213/2007 <u>FY 2008-09</u>	Budget Adjustment <u>FY 2008-2009</u>	Supplemental Request <u>FY 2008-2009</u>
(Pos. Count)	(100.00)	(5.00)	(105.00)
Personnel Services	4,128,345	264,323	4,392,668
Current Expenses	12,342,901	64,321	12,407,222
Equipment	104,000	-	104,000
Motor Vehicles	155,000	-	155,000
(Pos. Count)	(100.00)	(5.00)	(105.00)
Total Requirements	16,730,246	328,644	17,058,890
Less:			
(Pos. Count)	(100.00)	(5.00)	(105.00)
Special Funds	16,029,447	328,644	16,358,091
(Pos. Count)	0.00	0.00	0.00
Federal Funds	700,799	0	700,799
(Pos. Count)	0.00	0.00	0.00
Other Funds	0	0	0
(Pos. Count)	0.00	0.00	0.00
General Funds	0	0	0

Listing/Description of Positions Requested, Funding Requirements and Source of Funding

<u>Position/Category</u>	<u>FY 08</u>	<u>FY 09</u>	<u>Source of Funding</u>
2 CREO IV (SR 22)	-	128,643	Special
3 Account Clerk IV (SR 13)	-	135,680	Special
Ceiling increase for prop management		64,321	Special

A. Workload or program request

1. Reasons for Request

The Division is requesting five additional positions that would be responsible for developing, implementing and overseeing facility security plans at the Lahaina small boat harbor and at the Kailua-Kona pier. These security plans are required by federal law and must be approved by the United States Coast Guard. An approved security plan is required for the receipt of cruise ships. Also, the division is seeking to use funds to procure property management consultant services. The services would concentrate on ensuring that leases and revocable permits for the Ala Wai Small Boat Harbor are generating rents that are consistent with market rates.

2. A listing/description of the positions requested, and funding requirements by cost category and source of funding.

The Division is requesting to transfer two CREO IV and three account clerks from LNR 405 to develop, implement, and oversee the facility security plans for Lahaina small boat harbor and Kailua-Kona pier. The positions would be responsible for ensuring, as well as documenting, that the facility security plan is properly implemented for all cruise ship port calls. The Division of Conservation of Conservation and Resource Enforcement (DOCARE) is currently performing this duty.

B. For all position count reductions, please specify whether the positions were new, filled or vacant.

None

VI. Identify restrictions carried over from FY 2007-2009 as well as additional reductions due to the Department of Budget and Finance budget ceilings for FY 2008-2009.

None

VII. Capital Improvement Requests for Fiscal Year 2008-2009

SEE APPENDIX A

VIII. Proposed Lapses of Capital Improvements Program Requests: See Department Testimony – CIP Lapsing List

None