

KA05
Department of Natural Resources – Capital

Capital Budget Summary

Grant and Loan Programs
(\$ in Millions)

	<i>FY 2012 Approp.</i>	<i>FY 2013 Approp.</i>	<i>FY 2014 Allowance</i>	<i>FY 2014 Adjusted</i>	<i>% Change FY 2013-2014 Adjusted</i>	<i>DLS Recommd.</i>
Program Open Space						
Land Acquisition and Local Program	\$32.959	\$66.149	\$105.946	\$60.274	-8.9%	\$76.384
Natural Resources Development Fund	3.450	10.874	14.785	4.562	-58.0%	11.920
Critical Maintenance	3.380	10.119	9.087	4.620	-54.3%	7.835
Dam Rehabilitation	1.045	0.000	0.000	0.000	0.0%	0.000
Rural Legacy Program	4.515	5.622	30.549	19.820	252.5%	21.292
Ocean City Beach Maintenance	2.000	0.250	2.000	2.000	700.0%	2.000
Waterway Improvement Program	8.257	8.299	3.840	3.840	-53.7%	3.840
Community Parks and Playgrounds	2.500	2.500	2.500	2.500	0.0%	2.500
Oyster Restoration Program	1.000	8.060	10.000	10.000	24.1%	10.000
Chesapeake Bay 2010 Trust Fund	0.000	38.013	36.558	36.558	-3.8%	36.558
Total	\$59.106	\$149.886	\$215.265	\$144.174	-3.8%	\$172.329

Note: All columns reflect prior year and current year replacement general obligation bond funding. The fiscal 2014 adjusted column is reduced for the fund transfers included in the Budget Reconciliation and Financing Act of 2013 and \$1.2 million of Program Open Space – State funding to be used for operating expenses.

Summary of Issues

Transfer Tax Modification Proposal: The Governor has proposed a change in the transfer tax allocation in order to close the State’s structural deficit. The plan would divert \$410.7 million in transfer tax special funds to the general fund over five years and replace the funding with \$405.1 million in general obligation (GO) bond authorizations over seven years. An alternative would be to use the transfer tax to defray Natural Resources Police general fund costs and assist the Waterway Improvement Program. **The Department of Legislative Services (DLS) recommends that the transfer tax formula be modified through a Budget Reconciliation and Financing Act provision to redirect permanently \$25.0 million in special funds to the Natural Resources Police and to redirect for five years \$25.0 million in special funds annually to the State general fund. In addition, DLS recommends that the pre-authorizations of bonds attributable to the funding transferred in fiscal 2014 and onward be deleted.**

Scope of 2010 Trust Fund Projects Expands Substantially: The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals and is used for nonpoint source pollution control projects. The fiscal 2014 funding plan reflects a substantial increase in the scope of projects funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. In fiscal 2013, the funding is programmed entirely for stormwater projects in local jurisdictions while in fiscal 2014, funding is programmed for such disparate projects as manure to energy, sludge storage facility design, and even urban tree canopies. **DLS recommends that DNR comment on the reason for the substantial expansion in the scope of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund projects. In addition, DLS recommends that DNR comment on what types of innovative technologies are being considered as part of the manure to energy funding, why sludge storage facility design funding is a responsibility of the State, and how urban tree canopy projects qualify for capital funding. Finally, DLS recommends that DNR comment on whether this is the most effective use of limited funding given the substantial stormwater retrofit funding need.**

Oyster Restoration Costs Increase: The budget committees were concerned about the progress of oyster restoration and, therefore, asked for a report to be submitted on DNR’s monitoring plan for all oyster restoration work, including oyster restoration at each restoration location. The new U.S. Army Corps of Engineers report, *Chesapeake Bay Oyster Recovery: Native Oyster Restoration Master Plan – Maryland and Virginia*, provides some context for Maryland’s slow-going and increasingly expensive oyster restoration work. Overall, oyster restoration costs are shown to be in the \$1 billion range for Maryland. DNR now indicates that Harris Creek is estimated to cost \$26,190,000 for 326 acres and that Little Choptank River is estimated to cost \$29,632,000 to restore 396 acres. **DLS recommends that DNR comment on the feasibility of its oyster restoration plan given the limited funding being made available and the substantial costs identified. In addition, DLS recommends that DNR comment on the status of its Man-O-War shoal reclaimed shell permit and the cost savings of pursuing this oyster reef substrate relative to other potentially more expensive sources.**

Waterway Improvement Fund Shortfall and Vessel Excise Tax Revenue Limitations: The Waterway Improvement Program continues to experience a substantial decline in vessel excise tax revenues. Currently, most of the vessel excise tax revenue is used to support operating costs leaving little funding to support capital infrastructure projects. In addition, legislation proposed in the 2012 legislative session to increase revenues failed. The way forward is unclear, although a funding study being conducted by the University of Maryland Environmental Finance Center may provide guidance. **DLS recommends that DNR comment on the status of the funding study being conducted by the University of Maryland Environmental Finance Center and, in general, how it intends to address the funding shortfall in the Waterway Improvement Program.**

Summary of Recommended PAYGO Actions

1. Outdoor Recreation Land Loan

Modify the contingent reduction for capital programs funded by the transfer tax.

2. Waterway Improvement Capital Projects

Concur with Governor's allowance of \$240,000 in special funds and \$600,000 in federal funds.

3. Ocean City Maintenance Program

Concur with Governor's allowance of \$2,000,000 in special funds.

Summary of Recommended Bond Actions

Funds

1. Community Parks and Playgrounds

Approve the \$2,500,000 general obligation bond authorization for Community Parks and Playgrounds.

2. Natural Resources Development Fund

Approve the \$4,562,000 general obligation bond authorization for the Natural Resources Development Fund.

3. Program Open Space – Stateside

Approve the \$15,093,000 general obligation bond authorization for Program Open Space – Stateside prior funds replacement.

4. Program Open Space – Local

Approve the \$17,846,000 general obligation bond authorization for Program Open Space – Local prior funds replacement.

5. Critical Maintenance Program

Approve the \$4,467,000 general obligation bond authorization for the Critical Maintenance Program.

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Funds

6. Waterway Improvement Fund

Approve the \$3,000,000 general obligation bond authorization for the Waterway Improvement Program.

7. Rural Legacy Program

\$5,000,000 GO

Reduce the general obligation bond authorization for the Rural Legacy Program by \$5,000,000.

8. Chesapeake Bay 2010 Trust Fund

Approve the \$36,558,000 general obligation bond authorization for the Chesapeake Bay 2010 Trust Fund.

9. Oyster Restoration Program

Approve the \$10,000,000 general obligation bond authorization for the Oyster Restoration Program.

10. Modify authorizations and pre-authorizations of general obligation bond funding for the Department of Natural Resources capital programs.

Total Reductions

\$5,000,000

Program Description

The mission of the Department of Natural Resources' (DNR) capital program may be summarized as the protection of the best of Maryland's open space lands, shorelines, waterways, and natural resources while providing outdoor recreation opportunities in cooperation with federal and local governments. The capital program is comprised of Program Open Space (POS), the Rural Legacy Program, Ocean City Beach Maintenance, the Waterway Improvement Program, Community Parks and Playgrounds, and the Oyster Restoration Program. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund received first-time general obligation (GO) bond authorization in fiscal 2013. Descriptions of the programs follow.

- **POS – Land Acquisition and Local Program** – Title 5, Subtitle 9 of the Natural Resources Article established POS for the purpose of expediting the acquisition of outdoor recreation and open space areas and provision of recreation facilities before land is devoted to other purposes. The POS appropriation has historically been split between the State and local government. While both State acquisitions and local grants fund projects that protect open space and provide recreation facilities, State acquisitions tend to place a greater emphasis on natural resource management. State POS funds are allocated for State land acquisition and operation. In addition, POS funds are allocated to capital improvements, critical maintenance, and dam rehabilitation, which are described as separate programs below. Local recreation and parks departments use local POS funds for acquisition, development, and planning projects. Primary funding for POS has historically been provided by the State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another. POS administers the Heritage Conservation Fund, which is used to acquire land that provides habitat for rare, threatened, and endangered species through an easement or fee simple purchase and supported by 1.8% of the annual transfer tax revenue.
- **POS – Natural Resources Development Fund** – State law allows up to 25% of the POS funds allocated to the State to be used for capital development projects and for operating expenses at State forests and parks. The Natural Resources Development Fund provides support to design and construct development projects on DNR property. Capital development projects include shower buildings, building renovations, road parking and trail improvements, and general park improvements.
- **POS – Critical Maintenance Program** – DNR maintains over 1,500 buildings, hundreds of miles of roadway, parking lots, and a variety of water associated facilities that serve millions of visitors annually. Critical maintenance projects include structural repairs to buildings, bridge repairs, well and septic system replacement, and road and utility repairs. According to information provided by DNR in February 2013, there is a \$35.8 million (614 projects) backlog in necessary critical maintenance projects at State forests and parks, which is an increase in the overall cost but a decrease in the number of projects since February 2012 (\$29.5 million and 676 projects). DNR defines the backlog as those projects not funded in the five-year *Capital Improvement Program* (CIP). DNR and the Department of General Services (DGS) both manage critical maintenance projects. DNR handles procurement for

projects that cost \$50,000 or less (the majority of projects), and DGS handles procurement for projects that cost more than \$50,000.

- **POS – Dam Rehabilitation Program** – The Dam Rehabilitation Program was initiated in fiscal 1999 to address the major repair needs at 13 of DNR’s 29 dams. The dams scheduled for repair through the program were identified by the Maryland Department of the Environment’s (MDE) Dam Safety Division as needing immediate repairs. The work included conducting assessments; developing emergency warning plans; and repairing spillways, sluice gates, and access roads. Final funding for the program was provided in fiscal 2012. Future funding will be funded through the Critical Maintenance Program.
- **Rural Legacy Program** – The purpose of the Rural Legacy Program is to protect agricultural and natural resources land from sprawl development and thus to promote resource-based economies and to develop greenbelts. Program funds are used to purchase conservation easements on land based on Rural Legacy areas approved by the Rural Legacy Board (composed of the Secretaries of DNR, the Maryland Department of Planning, and the Maryland Department of Agriculture). Under § 5-9A-09 of the Natural Resources Article, the Governor is required to include at least \$5 million in the annual capital budget for the Rural Legacy Program separate and apart from what the program is allocated through the transfer tax formula.
- **Ocean City Beach Maintenance** – The Ocean City Beach Maintenance Fund was established to fund annual maintenance for the Ocean City beach replenishment project. When the fund was established, the State entered into a funding agreement with Worcester County and Ocean City. The funding agreement stipulates that the following amounts be provided annually: not less than \$1 million from the State and not less than \$500,000 each from the county and the city. Periodic nourishment is deemed the most cost-effective method of maintaining the beach over a 50-year period. Transfer tax revenue within POS is used to fund the State’s contribution to this effort. Upon reaching a \$15 million cap in the fund, no funding is required to be provided by the State or local governments. Replenishment of the Ocean City beach is usually done on a four-year cycle. The last major replenishment was completed in December 2010 – approximately 1,000,000 cubic yards of sand was placed on the beach. The next periodic nourishment project would be in 2015. The U.S. Army Corps of Engineers is responsible for developing estimates, plans, and managing construction contracts for the periodic nourishment efforts. Annual maintenance items, such as grass planting and fence repairs are also the responsibility of the State (50%), Ocean City (25%), and Worcester County (25%). These costs have averaged approximately \$500,000 annually.
- **Waterway Improvement Program** – The Waterway Improvement Fund finances projects to expand and improve public boating access throughout the State. The 5% excise tax paid on the sale of motorized vessels within the State supports the fund. Funding is provided in the form of grants and/or long-term, interest-free loans to local governments, DNR, and some federal government agencies, as follows: (1) grants (100%) not to exceed \$5,000; (2) grants (100%) less than \$100,000; (3) public navigation improvement grants (100%) of unlimited

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amounts; (4) matching grants (50%) that are equal to or exceed \$100,000; and (5) interest-free loans (100%) with a 25-year maximum.

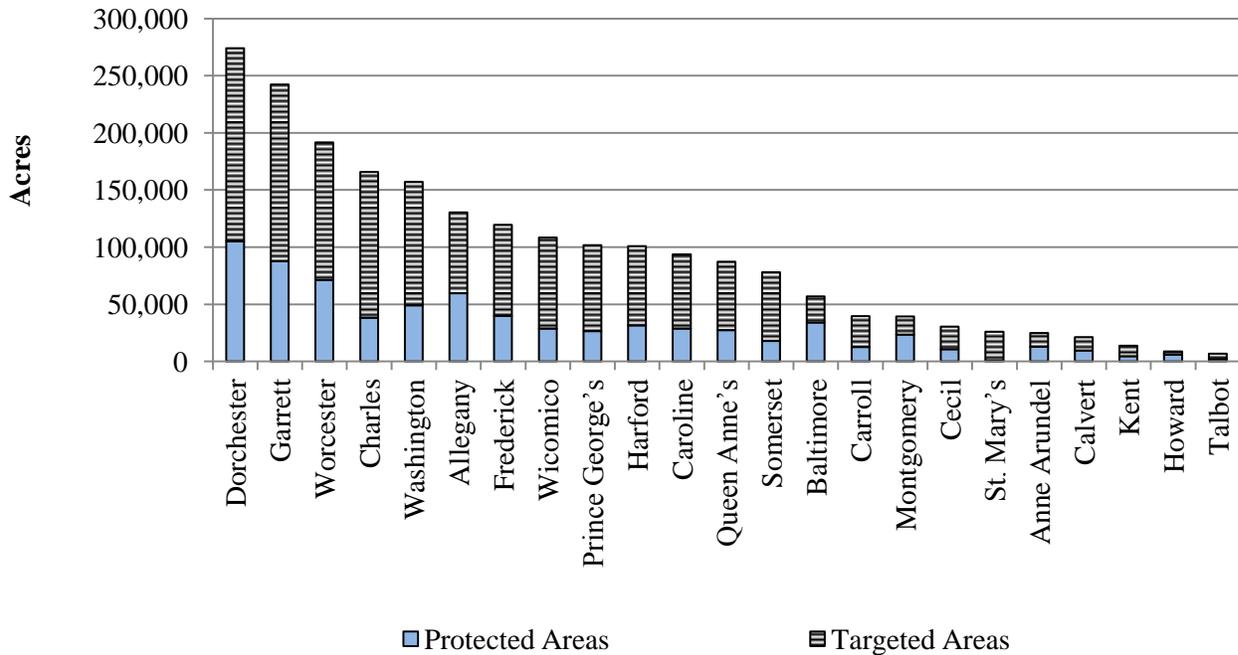
- **Community Parks and Playgrounds** – Chapters 247 and 248 of 2008 codified and amended the existing Community Parks and Playgrounds Program within DNR. The program had been administered as an uncodified grant program for counties and municipalities by POS since fiscal 2002. The program provides flexible grants to municipalities and Baltimore City – counties are no longer eligible – to do the following: (1) rehabilitate, expand, improve, or maintain existing parks; (2) purchase land to create new parks; (3) develop new parks; (4) purchase and install playground equipment in urban neighborhoods and rural areas throughout the State; or (5) be used for environmentally oriented parks and recreation projects. While land acquisition costs are considered, highest priority is given to capital costs associated with park and playground development and improvement.
- **Oyster Restoration Program** – The Oyster Restoration Program provides funding to construct and rehabilitate oyster bar habitat and provide for aquaculture infrastructure improvements. Funding is guided by Maryland’s oyster plan, which includes goals to rehabilitate oyster bar habitat identified in a best oyster bar survey conducted in fall 2009 and to shift commercial oyster production to aquaculture. Based on a U.S. National Oceanic and Atmospheric Administration oyster workgroup, the program has adopted the following restoration goals: (1) restoring 50 to 100% of currently restorable oyster habitat at the tributary level; and (2) achieving a mean density of 50 oysters per square meter and 50 grams dry weight per square meter, containing at least two year classes, and covering at least 30% of the reef area at the reef level.
- **Chesapeake and Atlantic Coastal Bays 2010 Trust Fund** – The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund was established by Chapter 6 of the 2007 special session to be used to implement the State’s tributary strategy. The fund is financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. Subsequently, Chapters 120 and 121 of 2008 established a framework for how the trust fund money must be spent by specifying that it be used for nonpoint source pollution control projects and by expanding it to apply to the Atlantic Coastal Bays. Structural stormwater practices have been funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund previously, but the program first received GO bond funding in fiscal 2013. The funding is administered by DNR’s Watershed Services staff while MDE will do the permitting. Tracking of project implementation occurs through BayStat and the annual report provided for the program.

Program Performance Measures and Outputs

Maryland distinguishes between targeted ecological areas and high priority conservation areas. Targeted ecological areas have the highest ranking for green infrastructure, species diversity, and water quality. High priority conservation areas are areas where targeted ecological areas meet other protected lands. All of this information is summarized in GreenPrint, the online geographic information system tracking program for preserved land and targeted ecological areas.

Maryland’s targeted ecological areas total 2,117,005 acres. To date, 727,642 acres have been protected, leaving 1,389,363 acres still to be protected. As shown in **Exhibit 1**, Dorchester, Garrett, and Worcester counties are the top three counties in terms of targeted ecological areas. However, these three counties are also three of the less populated and largest in the State and, thus, would be expected to have a greater targeted ecological area than smaller counties.

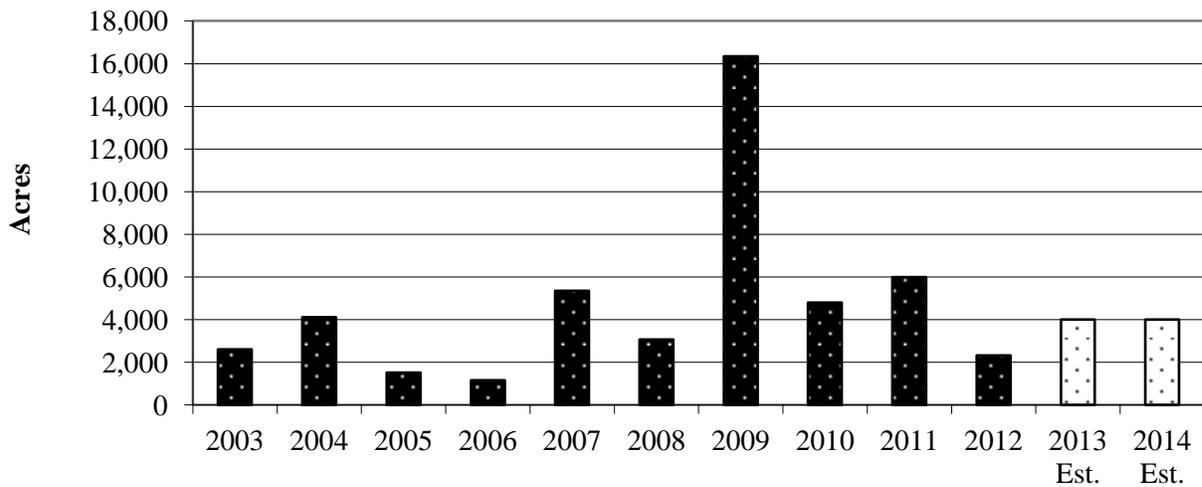
Exhibit 1
Protected and Targeted Ecological Areas
 February 2013



Source: Department of Natural Resources

As illustrated in **Exhibit 2**, there was a decrease in the POS acquisition acres approved by the Board of Public Works (BPW) between fiscal 2011 (5,989 acres) and 2012 (2,323 acres). In addition, there was a big decrease from the fiscal 2012 estimate of 10,184 acres. DNR indicates that the Land Acquisition and Planning program experienced a transition year as a result of the consolidation of land acquisition and planning functions through Chapter 410 of 2011 (State Government – Land Acquisitions and Transfers of Property), which consolidated acquisition review, appraisals, and negotiation all within DNR. In addition, DNR indicates it experienced some leadership turnover. The fiscal 2009 acreage approved reflects two large property purchases: the Maryland Province properties (4,474 acres) and the Smith Foster Furnace property (4,769 acres).

Exhibit 2
POS Acquisition Acres Approved by the Board of Public Works
Fiscal 2003-2014

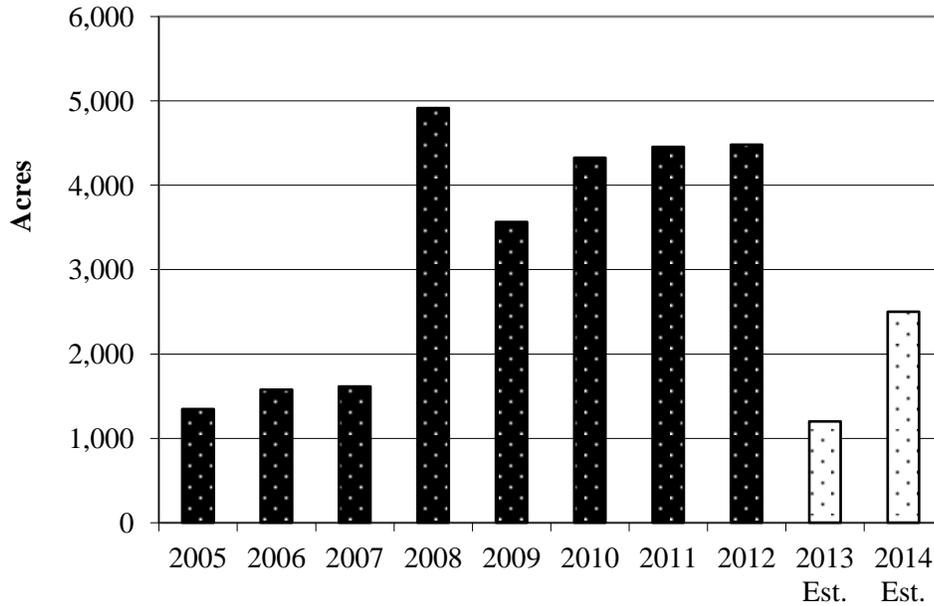


POS: Program Open Space

Source: Governor’s Budget Books, Fiscal 2006-2014

Exhibit 3 shows that the number of approved Rural Legacy Program easement and fee simple acres is projected to decrease in fiscal 2013 and 2014, relative to the average annual acres protected between fiscal 2008 through 2012. This reduction correlates with a decline in funding and available fund balance.

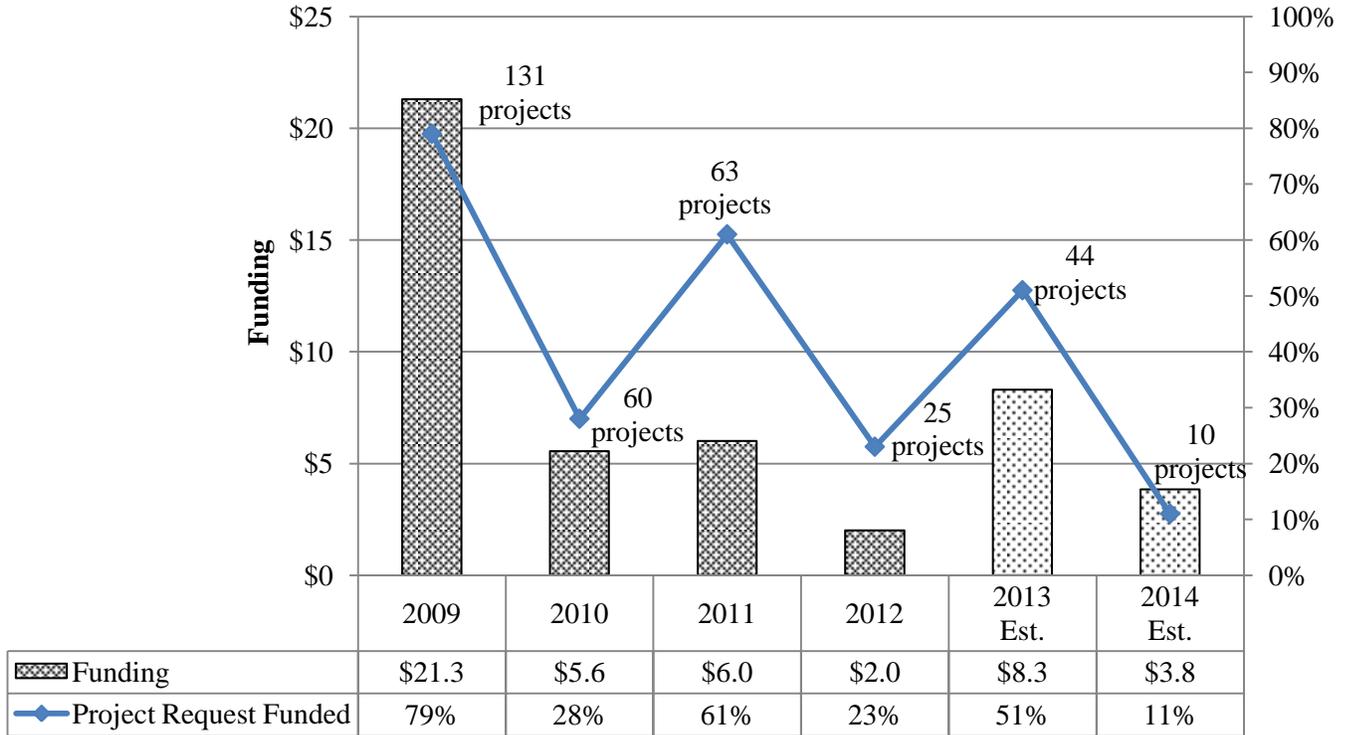
Exhibit 3
Rural Legacy Easement and Fee Simple Acres
Approved by the Board of Public Works
Fiscal 2005-2014



Source: Governor’s Budget Books, Fiscal 2008-2014

As illustrated in **Exhibit 4**, the fiscal 2014 allowance will allow the Waterway Improvement Program to fund an estimated 11% of the number of waterway project requests submitted. This reflects a substantial decrease from the 51% of project requests funded in fiscal 2013. The increased funding provided in fiscal 2013, explains the changes between the two years. DNR has noted in the past that it has informed local jurisdictions to limit grant requests to those of the highest priority, which helps to explain the high percentage of project requests funded in fiscal 2011. DNR’s goal is to fund 80% of project requests; therefore, the fiscal 2014 allowance is 69 percentage points lower than the goal.

Exhibit 4
Waterway Project Requests Funded
Fiscal 2009-2014
(\$ in Millions)



Source: Department of Budget and Management; Department of Natural Resources

Capital Improvement Program

Grant and Loan Capital Improvement Program (\$ in Millions)

<i>Program</i>	<i>2012 Approp.</i>	<i>2013 Approp.</i>	<i>2014 Allowance</i>	<i>2014 Adjusted</i>	<i>2015 Estimate</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>	<i>2018 Estimate</i>
Program Open Space								
Land Acquisition and Local Program	\$32.959	\$66.149	\$105.946	\$60.274	\$86.400	\$90.070	\$92.064	\$96.434
Natural Resources Development Fund	3.450	10.874	14.785	4.562	3.763	8.462	13.623	14.491
Critical Maintenance	3.380	10.119	9.087	4.620	4.000	4.000	4.000	4.000
Dam Rehabilitation	1.045	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Rural Legacy Program	4.515	5.622	30.549	19.820	23.939	23.583	22.955	23.384
Ocean City Beach Maintenance	2.000	0.250	2.000	2.000	2.000	2.000	2.000	2.000
Waterway Improvement Program	8.257	8.299	3.840	3.840	0.850	0.850	0.850	0.850
Community Parks and Playgrounds	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500
Oyster Restoration Program	1.000	8.060	10.000	10.000	2.500	2.500	2.500	2.500
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	0.000	38.013	36.558	36.558	25.000	0.000	0.000	0.000
Total	\$59.106	\$149.886	\$215.265	\$144.174	\$150.952	\$133.965	\$140.492	\$146.159

Note: The fiscal 2014 allowance adjusted column reflects the contingent reduction of \$71.1 million in transfer tax special funds for the Program Open Space – Land Acquisition and Local Program (\$45.7 million), Natural Resources Development Fund (\$10.2 million), Critical Maintenance Program (\$4.5 million), and Rural Legacy Program (\$10.7 million).

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<i>Fund Source</i>	<i>2012 Approp.</i>	<i>2013 Approp.</i>	<i>2014 Allowance</i>	<i>2014 Adjusted</i>	<i>2015 Estimate</i>	<i>2016 Estimate</i>	<i>2017 Estimate</i>	<i>2018 Estimate</i>
PAYGO SF	\$2.910	\$3.018	\$101.683	\$30.592	\$60.486	\$62.548	\$66.627	\$69.223
PAYGO FF	3.500	3.600	5.100	5.100	3.600	3.600	3.600	3.600
GO Bonds	52.696	143.268	108.482	108.482	86.866	67.817	70.265	73.336
Total	\$59.106	\$149.886	\$215.265	\$144.174	\$150.952	\$133.965	\$140.492	\$146.159

Note: The fiscal 2012 appropriation reflects \$31.6 million in prior year funding replaced with general obligation (GO) bonds. The fiscal 2013 appropriation reflects \$76.1 million in prior year funding replaced with GO bonds. The fiscal 2014 appropriation includes the \$71.1 million in transfer tax special funds that are reduced contingent upon the Budget Reconciliation and Financing Act of 2013 and the \$42.4 million in prior year funding replaced with GO bonds. The fiscal 2014 request adjusted reflects the contingent reduction of \$71.1 million in special funds. The fiscal 2015 through 2018 columns reflect a total of \$233.3 million in GO bond pre-authorizations for Program Open Space (POS) – State, POS – Local, and the Rural Legacy Program.

Budget Overview

In the Governor’s budget, DNR’s fiscal 2014 capital program, as introduced, includes \$101.7 million in special funds, \$5.1 million in federal funds, and \$108.5 million in GO bonds. The overall change between fiscal 2013 and 2014 is an increase of \$90.8 million.

However, there are several distortions in the change between fiscal 2013 and 2014: replacement of prior year funds transferred to the general fund, special fund reductions contingent on the transfer of the funds to the general fund, and a phased-in GO bond replacement of the transferred funds. In addition, the Governor’s plan includes out-year transfers with GO bond replacement as well.

Contingent Reductions and Multi-year GO Bond Replacement

As shown in **Exhibit 5**, the fiscal 2014 allowance reflects three interrelated calculations and actions as follows.

- **Fiscal 2014 – 2018 Transfer Tax Revenue Diverted to General Fund** – The Budget Reconciliation and Financing Act (BRFA) of 2013 diverts \$410.7 million in estimated transfer tax revenue to the general fund over five years beginning with fiscal 2014. The \$89.2 million proposed to be transferred from fiscal 2014 revenues are attributable to the following:
 - \$71,091,338 in DNR including POS – State share (\$21,944,526), POS – Local share (\$23,727,620), POS Capital Improvements (\$14,690,351), and Rural Legacy Program (\$10,728,841); and
 - \$18,107,000 in Maryland Agricultural Land Preservation Foundation (MALPF) funding.
- **Seven-year GO Bond Replacement Plan** – The Governor has proposed a multi-year replacement plan utilizing GO bond funds to replace all but \$5.6 million of proposed transfers. The 2013 session capital budget bill includes pre-authorizations that span seven years, as shown in Exhibit 5.
- **Prior Year Transfers Replaced with GO Bonds** – The fiscal 2014 allowance includes \$55.0 million in GO bonds for replacement of prior year transfer taxes transferred to the general fund. This includes funding for POS – State (\$15,093,000), POS – Local (\$17,846,000), Rural Legacy Program (\$9,456,000), and MALPF (\$12,653,000).

Exhibit 5
Transfer Tax Diversions and Multi-year General Obligation Bond
Replacement Plan
Fiscal 2014-2020

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total</u>
Special Funds Transferred to the General Fund	\$89.2	\$75.1	\$77.7	\$82.8	\$86.0	\$0.0	\$0.0	\$410.7
Special Funds to Programs	\$37.4	\$75.1	\$77.7	\$82.8	\$86.0			
GO Bond Replacement to Programs	9.0	37.3	74.8	76.4	80.2	84.4	43.0	405.1
Prior GO Bond Replacement to Programs	55.0	29.8						
Total Funding to Programs	\$101.5	\$142.1	\$152.4	\$159.1	\$166.2			

GO: general obligation

Fiscal 2014: Transfer 67% of the capital-eligible transfer tax allocations for land preservation programs and 100% of the capital-eligible transfer tax allocation for capital development programs to the general fund. Bond replacement for land preservation programs is scheduled in fiscal 2015 and 2016.

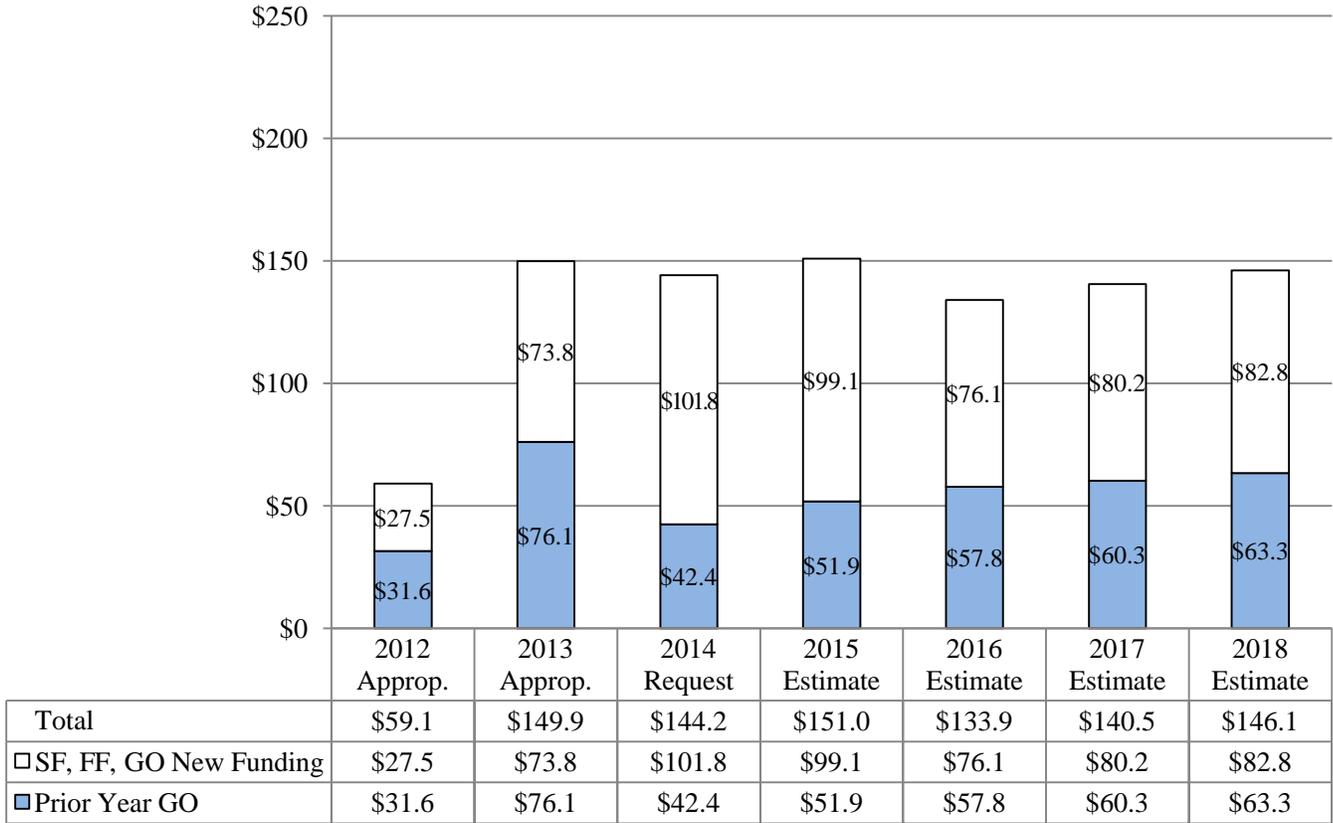
Fiscal 2015-2018: Transfer amounts estimated to be 50% of the capital-eligible transfer tax allocation to the general fund and replace with GO bonds in the following two fiscal years.

Note: Transfer tax revenue estimates for fiscal 2019 and 2020 are unavailable to reflect estimates of program funding.

Source: Department of Budget and Management

Exhibit 6 reflects the new funding proposed in the fiscal 2014 budget – comprised of special funds, federal funds, GO bonds – relative to the prior year GO bond replacement funding.

**Exhibit 6
DNR Capital Programs Funding by Budget Action
Fiscal 2012-2018
(\$ in Millions)**



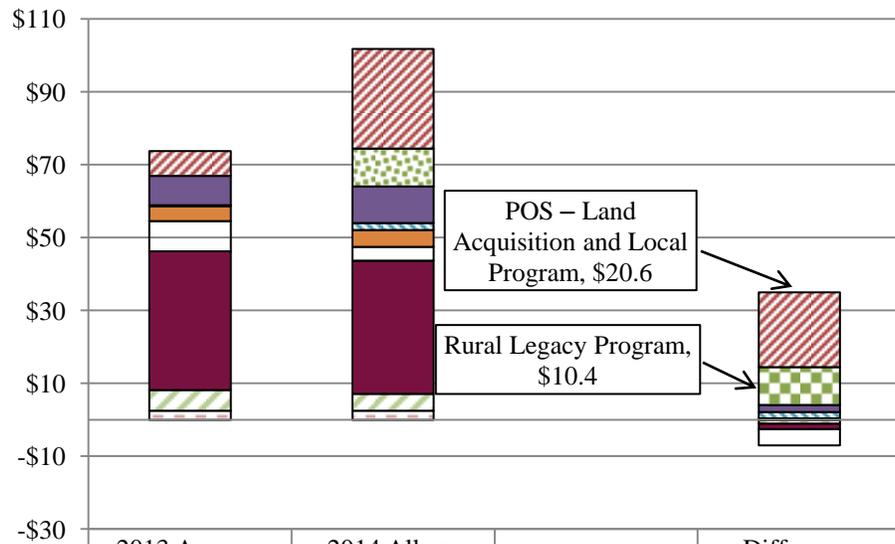
DNR: Department of Natural Resources
 FF: federal funds
 GO: general obligation
 SF: special funds

Source: Department of Legislative Services

Program Highlights

The changes in new funding for the fiscal 2014 budget exclusive of prior year replacement bond funding are reflected in **Exhibit 7**.

Exhibit 7
DNR Capital New Funding Changes
Fiscal 2013-2014
(\$ in Millions)



	2013 Approp.	2014 Allow.		Difference
Total	\$73.8	\$101.8		\$28.0
■ POS – Land Acquisition and Local Program	\$6.8	\$27.3		\$20.6
■ Rural Legacy Program	\$0.0	\$10.4		\$10.4
■ Oyster Restoration Program	\$8.1	\$10.0		\$1.9
■ Ocean City Beach Maintenance	\$0.3	\$2.0		\$1.8
■ POS – Natural Resources Development Fund	\$4.2	\$4.6		\$0.4
□ Waterway Improvement Program	\$8.3	\$3.8		-\$4.5
■ Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	\$38.0	\$36.6		-\$1.5
□ POS – Critical Maintenance	\$5.7	\$4.6		-\$1.1
□ Community Parks and Playgrounds	\$2.5	\$2.5		\$0.0

Note: The exhibit does not include either prior year replacement bond funding or the special funds that are contingently reduced.

DNR: Department of Natural Resources

POS: Program Open Space

Source: Department of Legislative Services

The highlighted changes in new funding are as follows.

- **Program Open Space – Land Acquisition and Local Program** – The increase of \$20.6 million in new funding primarily reflects \$11,863,000 in special funds for POS – Local, \$7,501,000 in special funds for POS – State, \$1,500,000 in federal funds for POS and \$971,000 in special funds for the Heritage Conservation Fund. The fiscal 2014 allowance also includes \$2,500,000 for the Baltimore City Direct Grant, which is roughly equal with the fiscal 2013 funding level. The fiscal 2014 cost per acre is estimated to be \$2,200.
- **Rural Legacy Program** – The Rural Legacy Program’s fiscal 2014 allowance provides \$10.4 million in new funding, which is comprised of the \$5.0 million mandated amount and \$5.4 million in special funds. Since no new funding was provided in fiscal 2013, there is a \$10.4 million increase in new funding for the program to make conservation easement purchases in Rural Legacy areas. The fiscal 2014 cost per acre is estimated to be \$3,200.
- **Oyster Restoration Program** – The fiscal 2014 allowance increases by \$1.9 million in GO bond authorization for the Oyster Restoration Program. This funding would be used to supplement the \$8.1 million in fiscal 2013 in order to rehabilitate oyster bar habitat in the Harris Creek and Little Choptank River tributaries to the Chesapeake Bay and to provide grants for aquaculture development projects. The fiscal 2014 allowance of \$10.0 million reflects an increase of \$7.5 million relative to the 2012 CIP amount of \$2.5 million. The 2013 CIP reflects a decrease to \$2.5 million for fiscal 2015 through fiscal 2018. The Oyster Restoration Program is discussed further as an issue in this analysis.
- **Ocean City Beach Maintenance** – The Ocean City Beach Maintenance appropriation increases by \$1.8 million to reflect the local government’s (Worcester County and Ocean City) shares of the next regularly scheduled beach nourishment project. The next project is in calendar 2014 through 2015. The \$0.3 million budgeted in fiscal 2013 reflects the local government’s shares for general maintenance. No additional appropriation to the Ocean City Beach Maintenance Fund is scheduled in fiscal 2014 due to the reaching of the \$15 million cap. DNR indicates that Super Storm Sandy damaged the Ocean City beach in October 2012. In particular, the dunes and pedestrian crossovers were damaged, and there was loss of sand. The State has applied to the U.S. Army Corps of Engineers for the full amount of the estimated \$8.1 million needed to make repairs. This funding was then authorized under the PL 84-99 authority. Repairs include the need to pump approximately 350,000 cubic yards of sand onto the beach, fix fencing and crossovers, and plant vegetation.
- **POS – Natural Resources Development Fund** – The POS – Natural Resources Development Fund appropriation includes a \$0.4 million increase in new funding for development projects on DNR property. The fiscal 2014 funding is comprised of \$4.6 million of fiscal 2014 bond replacement funding, which means that \$5.7 million of the \$10.2 million funding diverted to the general fund is not replaced. The fiscal 2014 appropriation would provide funding for projects such as State Parks – New Natural Playgrounds (\$1.3 million), the Western Maryland Recreational Access and Trail Restoration Project (\$886,000), Janes Island State Park – Cabin Renovations and Replacement (\$800,000), North Point State Park – Battlefield Improvements (\$500,000), and Harriet Tubman Underground Railroad State Park (\$250,000). DNR

indicates that the proclamation to declare the Harriet Tubman Underground Railroad State Park a national monument has not yet been made but is expected soon.

- **Waterway Improvement Program** – The Waterway Improvement Program’s fiscal 2014 allowance includes a \$4.5 million reduction in new funding for projects to expand and improve recreational boating throughout Maryland. This reduction is due to a \$4.4 million decrease in GO bond funding and a \$28,000 decrease in special funds. Both reductions were programmed in the 2012 CIP. The only deviation from the 2012 CIP is the inclusion of \$0.2 million in special funds. The Waterway Improvement Program is discussed further as an issue in this analysis.
- **Chesapeake and Atlantic Coastal Bays 2010 Trust Fund** – The fiscal 2014 allowance reflects a \$1.5 million reduction in GO bond authorization for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. However, the \$36.6 million authorization for fiscal 2014 still reflects a \$21.6 million increase relative to the amount programmed in the 2012 CIP. The fiscal 2014 funding would be used to fund 38 urban and suburban stormwater management practices and stream and wetland restoration projects in six jurisdictions consistent with the State’s Watershed Implementation Plan (WIP). In the five-year planning period, the fund is programmed to receive \$25.0 million in fiscal 2015. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is discussed further as an issue in this analysis.
- **POS – Critical Maintenance Program** – There is a \$1.1 million decrease in new funding for the POS – Critical Maintenance Program in the fiscal 2014 allowance. This reflects a fiscal 2014 appropriation of \$4.6 million, comprised of \$4.5 million in fiscal 2014 replacement GO bond funding and \$0.2 million in new special funds. The fiscal 2014 appropriation would provide for the following projects: Assateague State Park – Dune Maintenance (\$950,000), Pocomoke River State Park – Renovate Shower Building (\$400,000), Western Maryland Forestry Trail Repairs (\$300,000), Point Lookout State Park – New Well (\$250,000), Janes Island State Park – Renovate Shower Buildings (\$200,000), Greenwell State Park – New Well (\$150,000), Statewide – House Assessment Program (\$133,000), Billmeyer Wildlife Management Area – Waterline Replacement and Parking Lot Resurfacing (\$125,000), and Smallwood State Park – Replacement Culvert (\$100,000).
- **Community Parks and Playgrounds** – The fiscal 2014 allowance includes \$2.5 million in GO bonds for the Community Parks and Playgrounds program, which is level with fiscal 2013, and so no change in new funding is reflected. This funding level is consistent with the 2012 CIP.

Summary of Funding Modifications and Pre-authorizations

The fiscal 2014 capital budget bill includes two funding modifications and a number of pre-authorizations related to the replacement of transfer tax funding diverted to the general fund, as shown in **Exhibit 8**.

**Exhibit 8
Funding Modifications and Pre-authorizations
Primarily Fiscal 2009-2020**

<u>Fiscal Year</u>	<u>Program</u>	<u>Description</u>	<u>Amount</u>	<u>DLS Recommendation</u>
2009	Natural Resources Development Fund	Reduce \$5.0 million authorization to \$4.0 million to reflect projects coming in under budget.	\$1,000,000	Approve
2010	Natural Resources Development Fund	Reduce \$4.6 million authorization to \$3.9 million to reflect the Black Walnut Point Shoreline Erosion Control and Point Lookout Administration Office Renovations projects coming in under budget.	653,000	Approve
2015	POS and Rural Legacy	Pre-authorize \$18.9 million for POS – State, \$22.8 million for POS – Local, and \$10.2 million for Rural Legacy Program special fund replacement	51,866,000	Reduce by \$28,200,000 for POS – State (\$11.0 million); POS – Local (\$11.9 million); and Rural Legacy Program (\$5.4 million)
2016	POS and Rural Legacy	Pre-authorize \$21.5 million for POS – State, \$22.3 million for POS – Local, and \$9.7 million for Rural Legacy Program special fund replacement	53,466,000	Delete
2017	POS and Rural Legacy	Pre-authorize \$21.4 million for POS – State, \$21.1 million for POS – Local, and \$8.8 million for Rural Legacy Program special fund replacement	51,343,000	Delete
2018	POS and Rural Legacy	Pre-authorize \$22.8 million for POS – State, \$22.2 million for POS – Local, and \$9.0 million for Rural Legacy Program special fund replacement	53,945,000	Delete
2019	POS and Rural Legacy	Pre-authorize \$24.2 million for POS – State, \$23.3 million for POS – Local, and \$9.3 million for Rural Legacy Program special fund replacement	56,773,000	Delete
2020	POS and Rural Legacy	Pre-authorize \$12.4 million for POS – State, \$11.9 million for POS – Local, and \$4.7 million for Rural Legacy Program special fund replacement	28,934,000	Delete

DLS: Department of Legislative Services

POS: Program Open Space

MALPP: Maryland Agricultural Land Preservation Program

Source: Department of Legislative Services

POS Repayment Schedule

In response to the transfers of State transfer tax funding between fiscal 2002 and 2006, the Land Preservation and State Asset Protection Act (Chapter 473 of 2005) was passed. Chapter 473 required the first \$50 million repayment installment in fiscal 2012 of the \$90 million transferred in fiscal 2006 if the State's closing fiscal 2010 general fund balance exceeds a certain amount. Pursuant to general mandate relief authority and actions to further defer the repayment, monies to repay the transfer were not provided in the fiscal 2012 and 2013 budgets. The State's closing fiscal 2012 general fund balance exceeded the required amount; therefore, the requirement to repay the first \$50 million is triggered for fiscal 2014. While the Governor has included the \$50 million in the Dedicated Purpose Account appropriation for fiscal 2014, this amount is reduced contingent upon the enactment of the mandate relief provision in the BRFA of 2013 that shifts the mandate to fiscal 2016.

POS BRFA of 2011 and 2013 Provisions

The BRFA of 2011 allowed for the Administration to allocate \$1,217,000 of the fiscal 2012 and 2013 POS State land acquisition funding for POS administration in DNR's operating budget. The BRFA of 2013 proposes to allow the Administration to allocate the same amount for POS administration in fiscal 2014 and 2015. However, a \$1,217,000 general fund reduction is also programmed in DNR's operating budget in Finance and Administrative Services and so this is in effect a cost containment action.

POS Acquisition Opportunity Loan of 2009

DNR indicates that \$6.6 million remains of its \$65.0 million portion of the \$70.0 million in GO bond authorization provided for in the POS Acquisitions Opportunity Loan of 2009. There is \$165.1 million worth of high and medium priority ecological and recreation projects under consideration for use of this funding.

Issues

1. Transfer Tax Modification Proposal

As shown in **Exhibit 9**, the Governor has proposed a five-year change in the transfer tax allocation in order to close the State’s overall structural deficit. The Governor’s proposal is to divert \$410.7 million in transfer special funds to the general fund over five years and then to replace the funding with \$405.1 million in GO bond authorizations over seven years. Two alternative options for addressing the structural deficit for consideration are also shown in the exhibit.

Exhibit 9 Transfer Tax Modification Options Fiscal 2014-2020

	<u>Governor’s Plan</u>	<u>NRP, Waterway, and GF Plan</u>	<u>Revised GF Plan</u>
Transfer	\$410.7 million directed to the State general fund over five years	\$25.0 million permanently redirected from capital and operating programs to defray NRP costs (replaces \$22.9 million in general funds and \$2.1 million in Waterway Improvement Program funding) and \$25.0 million directed annually to the general fund for five years from capital-eligible programs only	\$250.0 million directed to the State general fund over five years
GO Bond Replacement*	\$405.1 million over seven years	\$125.0 million over seven years	\$250.0 million over seven years
GO Bond Relief Relative to Governor’s Plan	n/a	\$280.1 million less bond replacement over seven years	\$155.1 million less bond replacement over seven years
SAC Implications	\$75.0 million per year over five years	\$44.3 million per year on average for five years (both NRP and GF transfers minus funding needed to replace MPS) and then \$19.1 million per year permanently (NRP minus funding needed to replace MPS)	\$50.0 million per year for five years

GF: general fund
 GO: general obligation
 MPS: Maryland Park Service
 NRP: Natural Resources Police
 SAC: Spending Affordability Committee

* DLS is recommending that the pre-authorizations corresponding to the bond replacements be struck from the capital bill. These are the amounts that would be required to replace the transferred amounts.

Note: GO bond replacement may be decided each year.

Source: Department of Legislative Services

Governor’s Plan

As shown in **Exhibit 10**, the Governor’s plan allows for \$410.7 million in general fund revenues over five years, which the Administration is considering \$75.0 million annually for five years for spending affordability calculations. The Governor replaces \$405.1 million of the transferred amount over seven years.

Exhibit 10
Governor’s Plan: Transfer Tax Diversions and Multi-year General Obligation
Bond Replacement Plan
Fiscal 2014-2020
(\$ in Millions)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Five-year</u> <u>Total</u>	<u>2019</u>	<u>2020</u>	<u>Seven-year</u> <u>Total</u>
Special Funds Transferred to the General Fund	\$89.2	\$75.1	\$77.7	\$82.8	\$86.0	\$410.7	\$0.0	\$0.0	\$410.7
Special Funds to Capital Programs	\$37.4	\$75.1	\$77.7	\$82.8	\$86.0	\$358.9			
GO Bond Replacement to Programs	9.0	37.3	74.8	76.4	80.2	277.7	84.4	43.0	405.1
Prior GO Bond Replacement to Programs	55.0	29.8	0.0	0.0	0.0	84.8			
Total Funding to Capital Programs	\$101.5	\$142.1	\$152.4	\$159.1	\$166.2	\$721.4			
General Fund Revenue	\$89.2	\$75.1	\$77.7	\$82.8	\$86.0	\$410.7			

GO: general obligation

Fiscal 2014: Transfer 67% of the capital-eligible transfer tax allocations for land preservation programs and 100% of the capital-eligible transfer tax allocation for capital development programs to the general fund. Bond replacement for land preservation programs is scheduled in fiscal 2015 and 2016.

Fiscal 2015-2018: Transfer amounts estimated to be 50% of the capital-eligible transfer tax allocation to the general fund and replace with GO bonds in the following two fiscal years.

Note: Transfer tax revenue estimates for fiscal 2019 and 2020 are unavailable to reflect estimates of program funding.

Source: Department of Budget and Management; Department of Legislative Services

Alternatives

In general, the two alternatives proposed would reduce the amount of transfer tax diverted to the general fund and thus reduce the amount counted toward spending affordability calculations but instead would relieve the capital budget of a similar amount of replacement funding. The two alternatives are as follows.

Natural Resources Police, Waterway Improvement Program, and General Fund

The first alternative to the Governor’s plan is to consider general fund expenditures that could be permanently funded by the transfer tax and thus help to solve the structural deficit, as well as to consider program funding shortfalls that could be addressed. For instance, the fiscal 2014 allowance includes \$26.7 million in general funds for the Natural Resources Police, and there is a demonstrated need in the Waterway Improvement Program.

Therefore, a two-part plan could be implemented. The first part would be to direct \$25.0 million in capital-eligible transfer tax allocation program funding to the general fund. The second part would be to modify the transfer tax formula at the point before funding is allocated to the various operating and capital programs in order to allow for \$25.0 million annually to be used for operating relief in the Natural Resources Police. Of this \$25.0 million, \$22.9 million would defray general fund expenditures and \$2.1 million would defray the need for Waterway Improvement Fund appropriation and thus allow for this \$2.1 million to be retained by the Waterway Improvement Program for capital purposes. The \$25.0 million for the Natural Resources Police could either be inflated annually to account for increasing personnel and program costs or left as a flat number.

Exhibit 11 shows the implications of this provision. The impact to the general fund would be \$221.6 million over five years. This is less than the \$250.0 million transferred because \$17.9 million in general funds would be needed over this time period to replace funding transferred from the Maryland Park Service as part of the transfer tax formula modification, and \$10.5 million of the savings over five years in the Natural Resources Police is returned to the Waterway Improvement Program for capital programs. This alternative would mean that \$280.1 million less GO bond replacement funding would be needed than the Governor’s plan because the addition of the Natural Resources Police to the transfer tax formula effectively rebases the amount of funding allocated to all programs.

Exhibit 11
NRP Transfer Plan: Transfer Tax Diversions and Multi-year General Obligation
Bond Replacement Plan
Fiscal 2014-2020
(\$ in Millions)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Five-year</u> <u>Total</u>	<u>2019</u>	<u>2020</u>	<u>Seven-year</u> <u>Total</u>
Special Funds									
Transferred to the General Fund	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$125.0	\$0.0	\$0.0	\$125.0
Special Funds Diverted to NRP	25.0	25.0	25.0	25.0	25.0	125.0	25.0	25.0	175.0
Total	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$250.0	\$25.0	\$25.0	\$300.0
Special Funds to Capital Programs	\$79.3	\$103.9	\$109.1	\$119.3	\$125.8	\$537.4			
Prior GO Bond Replacement to Programs	55.0	29.8	0.0	0.0	0.0	84.8			
Total Funding to Capital Programs	\$134.4	\$133.7	\$109.1	\$119.3	\$125.8	\$622.3			
GO Bond Replacement to Programs*	\$4.1	\$10.4	\$22.9	\$25.0	\$25.0	\$87.5	\$25.0	\$12.5	\$125.0
Total Funding to Waterway Improvement Program	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$10.5			
General Fund Impact									
Revenues	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$125.0			
Expenditures									
NRP	-\$22.9	-\$22.9	-\$22.9	-\$22.9	-\$22.9	-\$114.5			
MPS	2.7	3.8	3.8	3.8	3.8	17.9			
Total	\$45.2	\$44.1	\$44.1	\$44.1	\$44.1	\$221.6			

GO: general obligation

MPS: Maryland Park Service

NRP: Natural Resources Police

Fiscal 2014-2018: Transfer \$25.0 million in capital-eligible transfer tax allocations to the general fund and \$25.0 million in mixed operating and capital-eligible transfer tax allocations. Bond replacement for land preservation programs is scheduled in the fiscal years following the fiscal year in which funding is transferred.

* The Department of Legislative Services is recommending that pre-authorizations corresponding to the bond replacements be struck from the capital bill. These are the amounts that would be required to replace the transferred amounts.

Note: Transfer tax revenue estimates for fiscal 2019 and 2020 are unavailable to reflect estimates of program funding.

Source: Department of Budget and Management; Department of Legislative Services

Revised General Fund Plan

The second alternative would be to reduce the Governor’s transfer to \$50.0 million annually for five years. This would reduce the total transfer from \$410.7 million to \$250.0 million. **Exhibit 12** shows that the impact to the general fund would be \$250.0 million over five years, which means that \$155.1 million less GO bond replacement funding would be needed than under the Governor’s plan.

Exhibit 12
**\$50 Million Transfer: Transfer Tax Diversions and Multi-year General
Obligation Bond Replacement Plan**
Fiscal 2014-2020
(\$ in Millions)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Five-year Total</u>	<u>2019</u>	<u>2020</u>	<u>Seven-year Total</u>
Special Funds Transferred to the General Fund	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$250.0	\$0.0	\$0.0	\$250.0
Special Funds to Capital Programs	\$76.6	\$100.1	\$105.3	\$115.5	\$122.1	\$519.7			
Prior GO Bond Replacement to Programs	55.0	29.8	0.0	0.0	0.0	84.8			
Total Funding to Capital Programs	\$131.7	\$129.9	\$105.3	\$115.5	\$122.1	\$604.5			
GO Bond Replacement to Programs*	\$8.2	\$20.9	\$45.9	\$50.0	\$50.0	\$175.0	\$50.0	\$25.0	\$250.0
General Fund Revenue	\$50.0	\$50.0	\$50.0	\$50.0	\$50.0	\$250.0			

GO: general obligation

Fiscal 2014-2018: Transfer \$50.0 million in capital-eligible transfer tax allocations for land preservation programs and capital development programs to the general fund. Bond replacement for land preservation programs is scheduled in the fiscal years following the fiscal year in which funding is transferred.

* The Department of Legislative Services is recommending that pre-authorizations corresponding to the bond replacements be struck from the capital bill. These are the amounts that would be required to replace the transferred amounts.

Note: Transfer tax revenue estimates for fiscal 2019 and 2020 are unavailable to reflect estimates of program funding.

Source: Department of Budget and Management; Department of Natural Resources

Replacement

Under both alternatives to the Governor’s plan, the question arises about whether to replace the transfer tax amounts directed to other uses. The BRFA of 2013 does not make the transfers subject to the repayment provisions under Tax Property Article 13-209(F) or (G) because the transfers are almost entirely replaced by pre-authorization of GO bonds. The General Assembly may not wish to follow the replacement schedule but instead handle replacement on a year-to-year basis as conditions merit. Of note, the GO bond replacement of \$405.1 million reflected in the Governor’s plan puts additional strain on the capital budget and means other important infrastructure needs are deferred simply to ensure that the programs funded from the transfer tax remains intact.

Future Transfer Tax Revenues

Looking forward, there is some optimism that the State’s fiscal situation is improving. The Board of Revenue Estimates currently estimates transfer tax revenues of \$164.0 million in fiscal 2014 which increases to \$221.3 million in fiscal 2018, as shown in **Exhibit 13**. Even with the proposed transfers, this will provide substantial funding for State land acquisition and easement programs in future years.

Exhibit 13
Property Transfer Tax Revenue Projections
Fiscal 2007-2012
(\$ in Millions)

Fiscal Year	Dec. 2007 Estimate	Dec. 2008 Estimate	Dec. 2009 Estimate	Dec. 2010 Estimate	Dec. 2011 Estimate	Dec. 2012 Estimate
2009	\$166.3	\$121.5	\$113.7			
2010	181.4	114.7	116.5			
2011	184.0	121.4	149.9	\$113.8		
2012	187.5	130.0	169.2	118.9	118.5	
2013	191.5	135.4	176.2	134.0	131.3	
2014	n/a	138.1	190.8	157.4	153.4	164.0
2015	n/a	n/a	201.3	174.2	179.6	187.1
2016	n/a	n/a	208.5	177.8	196.8	200.6
2017	n/a	n/a	n/a	n/a	206.7	213.2
2018	n/a	n/a	n/a	n/a	n/a	221.3

Source: Comptroller of Maryland; Department of Budget and Management

The Department of Legislative Services recommends that the transfer tax formula be modified through a BRFA provision to redirect permanently \$25 million in special funds to the Natural Resources Police and to redirect for five years \$25 million in special funds annually to the State general fund. In addition, DLS recommends that the pre-authorizations of bonds attributable to the funding transferred in fiscal 2014 and onward be deleted.

2. Scope of 2010 Trust Fund Projects Expands Substantially

Chapter 6 of the 2007 special session (House Bill 5) established a Chesapeake Bay 2010 Trust Fund to be used to implement the State’s tributary strategy. The fund is financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. Subsequently, Chapters 120 and 121 of 2008 established a framework for how the trust fund money must be spent by specifying that it be used for nonpoint source pollution control projects and by expanding it to apply to the Atlantic Coastal Bays. **Exhibit 14** shows the proposed allocation of the GO bond portion of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund for fiscal 2013 and 2014.

Exhibit 14
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund
GO Bond Planned Expenditures
Fiscal 2013-2014
(\$ in Millions)

<u>Agency</u>	<u>Project</u>	<u>Fiscal 2014 Project Description</u>	<u>2013</u>	<u>2014</u>
MDA	Manure to Energy	An advisory committee will begin identifying new innovative technologies for alternative dairy and poultry manure management in spring 2013 by identifying program criteria and drafting a request for proposals to solicit potential projects for grants and loan guarantees.	\$0.00	\$2.50
MDE	Sludge Storage Facility Design (Grants to Small Municipalities)	Funding applications will be solicited for design of winter sludge storage facilities from small disadvantaged communities operating wastewater treatment plants at or below 0.5 million gallons per day. Grant funding will be provided up to 87.5% of the design cost with a 12.5% local match requirement.	0.00	0.50
DNR	Natural Filters on State Lands	Riparian buffers, wetland restoration, stream and floodplain restoration, stormwater retrofits, and other bioremediation projects will be implemented on State lands in order to reduce nutrient and sediment loads.	0.00	6.34
	Targeted Watershed Restoration Projects	Specific funding for stormwater projects will be provided to Anne Arundel County (8 projects for \$3,896,770), Baltimore County (8 projects for \$4,618,552), Frederick County (1 project for \$766,000), Harford County (3 projects for \$491,500), Howard County (7 projects for \$1,725,000), Montgomery County (1 project for \$2,000,000), and Prince George’s County (10 projects for \$5,158,865). The remainder of the funding will be provided as competitive grants for additional stormwater projects in watersheds impacted heavily by prior development based on cost effectiveness and the ability to start construction in fiscal 2014.	38.01	25.16
	Urban Tree Canopy Projects	A competitive grant program will provide for municipalities and unincorporated areas that want to implement urban tree canopy assessments and mapping of tree planting sites.	0.00	2.00
Total			\$38.01	\$36.50

DNR: Department of Natural Resources
GO: general obligation

MDA: Maryland Department of Agriculture
MDE: Maryland Department of the Environment

Source: Department of Natural Resources; Department of Legislative Services

The fiscal 2014 funding plan reflects a substantial increase in the scope of projects funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. In fiscal 2013, the funding is programmed entirely for stormwater projects in local jurisdictions while in fiscal 2014 funding is programmed for such disparate projects as manure to energy, sludge storage facility design, and even urban tree canopies. The manure to energy projects are assumed to be somewhat speculative given the interest in pursuing innovative technologies, and the sludge storage facility design funding appears to be compensatory funding for controversial nutrient management regulations promulgated in fall 2012. Finally, it is not entirely clear how the urban tree canopy projects work is capital-eligible. **DLS recommends that DNR comment on the reason for the substantial expansion in the scope of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund projects. In addition, DLS recommends that DNR comment on what types of innovative technologies are being considered as part of the manure to energy funding, why sludge storage facility design funding is a responsibility of the State, and how urban tree canopy projects qualify for capital funding. Finally, DLS recommends that DNR comment on whether this is the most effective use of limited funding given the substantial stormwater retrofit funding need.**

3. Oyster Restoration Costs Increase

The budget committees were concerned about the progress of oyster restoration and, therefore, asked for a report to be submitted on DNR's monitoring plan for all oyster restoration work including oyster restoration at each restoration location. The report was requested to include measurement of the restoration efforts relative to the following goals: (1) restoring 50 to 100% of currently restorable oyster habitat at the tributary level; and (2) achieving a mean density of 50 oysters per square meter and 50 grams dry weight per square meter, containing at least two-year classes, and covering at least 30% of the reef area at the reef level. The new U.S. Army Corps of Engineers report, *Chesapeake Bay Oyster Recovery: Native Oyster Restoration Master Plan – Maryland and Virginia*, provides some context for Maryland's slow-going and increasingly expensive oyster restoration work.

Background

Federal Executive Order 13508 *Strategy for Protecting and Restoring the Chesapeake Bay Watershed* established the goal of restoring oyster populations in 20 Chesapeake Bay tributaries by 2025 and marks the impetus for renewed effort by Maryland. The U.S. Army Corps of Engineers report, *Chesapeake Bay Oyster Recovery: Native Oyster Restoration Master Plan – Maryland and Virginia*, was published in September 2012 and provides the context for oyster restoration in Maryland and Virginia.

Exhibit 15 shows U.S. Army Corps of Engineers oyster restoration projects in Maryland between 1997 and 2012. The track record for these projects lends a cautionary note to any oyster restoration effort; illegal harvests, sedimentation, and disease appear to be the main project challenges. For some projects, the fate of the project does not even appear to be known, perhaps due to a lack of follow-up.

Exhibit 15
U.S. Army Corps of Engineers Oyster Restoration Projects in Maryland
1997-2012

<u>Location</u>	<u>Year</u>	<u>Acres</u>	<u>Cost</u>	<u>Cost/Acre</u>	<u>Status</u>
Choptank, Patuxent, Kedges Straight (Tangier Sound)	1997	38.0	\$402,000	\$10,700	Illegally harvested or killed by Dermo; one bar mud covered; spatset minimal on seed bars; one site performed well through last monitoring in 2008.
Chester, Kedges Straight	1998	30.0	302,000	10,100	Illegally harvested; spatset minimal on seed bars; patchy high densities of large oysters on sanctuary.
Magothy, Severn, Patuxent, Eastern Bay	1999	30.0	673,000	22,800	Sediment and MSX impacted Patuxent bars; moderate densities on some Magothy sites; others covered by mud.
Choptank	2000	3.0	144,000	57,600	Patchy high densities of large oysters at base of mounds.
Chester	2001	5.0	25,000	5,000	Harvested in 2004.
Choptank, Patuxent	2002	55.0	746,000	13,600	Patchy high densities of large oyster on sanctuaries; reserves harvested in 2004-2005; one bar mud covered.
Chester, Choptank	2003	84.0	794,000	9,400	Patchy high densities of large oysters on sanctuaries; reserves harvested; one bar potentially mud covered.
Chester, Choptank	2004	63.0	678,000	10,800	Patchy high densities of large oyster on sanctuary; reserve harvested.
Chester	2005	72.0	696,000	9,700	Patchy high densities of large oyster on sanctuary; reserves harvested.
Chester	2006	59.0	585,000	9,900	One site dense oysters. Others unknown.
Severn	2009	13.0	1,681,000	126,000	Seeded in August 2010, monitored 2011.
Choptank River – Cook Point	2011	8.5	1,387,000	163,000	Seeded in August 2011, monitoring is being planned.
Harris Creek	2012	22.0	1,477,000	67,000	Seeded in August 2012, monitoring is being planned.
Total		482.5	\$9,590,000	\$19,876	

Note: The U.S. Army Corps of Engineers notes that costs are federal, including planning, design, and construction; projects are cost-shared 75% federal and 25% nonfederal.

Source: U.S. Army Corps of Engineers, *Chesapeake Bay Oyster Recovery: Native Oyster Restoration Master Plan – Maryland and Virginia*; Department of Legislative Services

The U.S. Army Corps of Engineers has calculated the overall oyster restoration costs for a couple of different scenarios in the Chesapeake Bay. **Exhibit 16** reflects the costs for restoring the highest quality oyster bars in Maryland, Virginia, both states combined, a salinity-based scenario, and the 20 tributary goal under the President’s executive order. Both the low- and high-cost ranges are shown. For Maryland, the costs range from \$0.87 billion to \$2.85 billion, while the overall executive order is estimated to cost between \$1.6 billion and \$5.4 billion. For comparison purposes, the fiscal 2013 Oyster Restoration Program authorization is \$8.1 million.

Exhibit 16
Oyster Restoration Costs
(\$ in Billions)

	<u>Tier 1</u> <u>Tributaries</u>	<u>Oyster Reef</u> <u>Restoration</u> <u>Target (Acres)</u>	<u>Total</u> <u>Estimated</u> <u>Low Range Cost</u>	<u>Total</u> <u>Estimated</u> <u>High Range Cost</u>
Maryland Tier 1	14	7,300-14,600	\$0.87	\$2.85
Virginia Tier 1	10	10,100-20,400	0.97	3.63
Scenario 1 – All Tier Tributaries	24	17,400-35,000	1.85	6.50
Scenario 2 – Salinity-based Restoration	24	18,200	1.99	3.42
Scenario 3 – Executive Order Implementation	20	14,400-28,400	1.56	5.38

Source: U.S. Army Corps of Engineers, *Chesapeake Bay Oyster Recovery: Native Oyster Restoration Master Plan – Maryland and Virginia*

Exhibit 17 shows the cost factors involved in oyster restoration. Depending on the material used, the substrate can be the most expensive component of a project. Seeding of oyster spat is also expensive, although the State has a large oyster hatchery – the University of Maryland Center for Environmental Science’s Horn Point Oyster Hatchery. The final project funding component is monitoring, which is important for determining how the reefs are progressing since they are usually covered by turbid water and thus difficult to inspect visually.

Exhibit 17
Average Initial Cost Per Acre for Various Substrates in Maryland

<u>Cost Factor</u>	<u>Average Cost Per Acre</u>
Substrate	
Limestone	\$137,400
Granite	133,400
Concrete	86,700
Fossil Shell	58,300
Seeding	61,500
Monitoring	358

Note: Only a sample of an entire restoration area is monitored, and so the per acre monitoring cost reflects an estimate of the cost for the number of acres to be sampled at each project. The low and high monitoring area sizes reflected by the U.S. Army Corps of Engineers for Maryland are as follows (in acres): Severn River (112 to 141), South River (68 to 116), Lower Chester River (176 to 218), Lower Eastern Bay (196 to 228), Upper Eastern Bay (203 to 233), Lower Choptank River (228 to 248), Upper Choptank River (162 to 203), Harris Creek (143 to 187), Little Choptank River (162 to 196), Broad Creek (116 to 162), St. Mary’s River (116 to 162), Lower Tangier Sound (203 to 235), Upper Tangier Sound (209 to 237), and Manokin River (162 to 203).

Source: U.S. Army Corps of Engineers, *Chesapeake Bay Oyster Recovery: Native Oyster Restoration Master Plan – Maryland and Virginia*; Department of Legislative Services

The Maryland tier 1 tributaries and restoration targets are shown in **Exhibit 18**. Costs are dependent on the number of acres targeted for restoration and range from a low of \$15.5 million to restore 90 acres in the South River to \$475.0 million to restore 2,800 acres in the Lower Choptank River. Maryland’s first two oyster restoration targets – Harris Creek and Little Choptank – are highlighted in the exhibit.

Exhibit 18
Maryland Tier 1 Tributaries and Restoration Targets
(\$ in Millions)

<u>Tier 1 Tributaries/Acres</u>	<u>Restoration Target (Acres)</u>	<u>Low Cost</u>	<u>High Cost</u>
Severn River	190-290	\$32.7	\$69.6
South River	90-200	15.5	48.0
Lower Chester River	500-1,100	86.0	264.0
Lower Eastern Bay	700-1,400	122.3	341.5
Upper Eastern Bay	800-1,600	139.9	390.2
Lower Choptank River	1,400-2,800	140.8	475.0
Upper Choptank River	400-800	40.3	135.8
Harris Creek	300-600	30.2	101.9
Little Choptank	400-700	40.3	118.9
Broad Creek	200-400	20.1	68.0
St. Mary’s River	200-400	17.1	70.0
Lower Tangier Sound	800-1,700	68.3	297.5
Upper Tangier Sound	900-1,800	76.8	315.0
Manokin River	400-800	43.1	158.0
Total	7,280-14,590	\$873.3	\$2,853.4

Source: U.S. Army Corps of Engineers, *Chesapeake Bay Oyster Recovery: Native Oyster Restoration Master Plan – Maryland and Virginia*

State Program Status

The fiscal 2013 capital bill included \$8.1 million for the Oyster Restoration Program. This funding was intended to provide for oyster restoration at two sanctuaries – Harris Creek and Little Choptank River – and for aquaculture business funding to be disbursed by the Maryland Agricultural and Resource-based Industry Development Corporation. However, the oyster restoration cost estimates have increased substantially.

DNR now indicates that Harris Creek is estimated to cost \$26,190,000 for 326 acres and that Little Choptank River is estimated to cost \$29,632,000 to restore 396 acres. These numbers have increased since last year’s estimate due to the need to find an alternative to shell for the substrate source. DNR indicates that the costs may decrease somewhat if the height of constructed reefs is lowered and if reclaimed shell is used instead of more expensive alternative substrates. In addition, DNR indicates that for the Harris Creek project the U.S. Army Corps of Engineers will contribute to

reef construction, and the National Oceanic and Atmospheric Administration will contribute to the cost of oyster seed.

The project status for the two fiscal 2013 projects is as follows:

- **Harris Creek** – DNR has seeded 97 acres and applied for a wetlands permit for construction in shallow areas. DNR expects to issue a bid to allow for the spending of fiscal 2013 funding by the end of calendar 2013. The project is expected to be completed by calendar 2014. The U.S. Army Corps of Engineers, a project partner, has constructed 22 acres of reef from shell and granite.
- **Little Choptank River** – Work on the restoration plan has begun in order to determine where seed and substrate are needed. DNR will apply for a construction permit this summer to allow for work to begin in fiscal 2014 and continue into fiscal 2015 with completion in calendar 2016 or 2017 if current funding levels are maintained.

Procuring Shell

As mentioned above, one of the cost factors in oyster restoration is the oyster reef substrate. DNR indicates that a major reason for the increase in costs between fiscal 2013 and 2014 is due to the lack of locally sourced oyster shells. Instead, DNR is considering oyster shell from a mine in Virginia and from both Florida and Louisiana.

Chapter 325 of 2008 (Department of Natural Resources – Shell Dredging – Permit Application) required DNR to submit a permit for acquiring reclaimed shell from Man-O-War Shoals. Chapters 211 and 212 of 2009 (Department of Natural Resources – Shell Dredging – Permit Application) extended the deadline by which DNR must apply for an oyster shell dredging permit by seven months. Man-O-War Shoals, located at the mouth of the Patapsco River, is an historic oyster reef and popular sport fishing destination estimated to contain between 86 and 103 million bushels of shell, the single largest known shell deposit in the State. The requirement to submit a permit for dredging shell from this area has generated controversy due to the fish habitat provided by the oyster shells and thus, the concern from the sport fishing community that the harvesting of the shells could endanger a prime fishing location. To date, the permit request does not appear to have been submitted despite the cost savings of this oyster reef substrate relative to other more expensive sources. DNR indicates that it is working toward obtaining a permit.

DLS recommends that DNR comment on the feasibility of its oyster restoration plan given the limited funding being made available and the substantial costs identified. In addition, DLS recommends that DNR comment on the status of its Man-O-War shoal reclaimed shell permit and the cost savings of pursuing this oyster reef substrate relative to other potentially more expensive sources.

4. Waterway Improvement Fund Shortfall and Vessel Excise Tax Revenue Limitations

The Waterway Improvement Program continues to experience a substantial decline in vessel excise tax revenues. Currently, most of the vessel excise tax revenue is used to support operating costs, leaving little funding to support capital infrastructure projects. In addition, legislation proposed in the 2012 legislative session to increase revenues failed, and cross-filed bills have been introduced in the 2013 legislative session to cap the maximum amount of vessel excise tax revenue per person at \$10,000. The way forward is unclear, although a funding study being conducted by the University of Maryland Environmental Finance Center may provide guidance.

State Funding

Revenue from the 5% vessel excise tax is deposited into the Waterway Improvement Fund and used by DNR to finance projects and activities that promote, develop, and maintain Maryland's waterways for boating. The excise tax has not been increased in decades, and boat sales have slumped in recent years, providing insufficient revenue to address core program costs. **Exhibit 19** shows that the Waterway Improvement Fund is used in a number of DNR's units. For instance, the Office of the Secretary uses the \$750,000 it is authorized in statute. In addition, the Waterway Improvement Fund provides substantial funding for Boating Services, Engineering and Construction, Natural Resources Police – General Direction, and License and Registration Service. Similar to other DNR special funds, the Waterway Improvement Program is headed to a zero balance at the end of fiscal 2014. All of these claims on the Waterway Improvement Fund leave very little funding for actual Waterway Improvement Program capital projects, although GO bond enhancement funding has been provided in recent years.

Exhibit 19
Programs Receiving Waterway Improvement Fund Appropriations
Fiscal 2011-2014
(\$ in Millions)

	<u>2011</u>	<u>2012</u>	<u>2013</u> <u>Approp.</u>	<u>2014</u> <u>Allowance</u>
Beginning Balance	\$4.1	\$1.3	\$2.3	\$0.1
Income	15.6	15.0	14.0	14.0
Subtotal Revenue	\$19.6	\$16.3	\$16.3	\$14.1
Transfers to GF	\$4.1	\$1.2	\$0.0	\$0.0
Subtotal Available Funding	\$15.5	\$15.1	\$16.3	\$14.1
Expenditures				
Office of the Secretary	\$0.8	\$0.8	\$0.8	\$0.8
Maryland Park Service	0.8	0.7	0.7	0.7
License and Registration Service	2.3	1.9	1.9	2.0
Natural Resources Police – General Direction	0.3	0.2	0.3	0.3
Natural Resources Police – Field Operations	2.1	1.9	2.1	2.1
Engineering and Construction	2.3	2.4	2.4	2.2
Boating Services	4.6	4.7	5.7	5.8
Waterway Improvement Capital Program	1.1	0.4	2.3	0.2
Subtotal Expenditures	\$14.2	\$12.8	\$16.2	\$14.1
Ending Balance	\$1.3	\$2.3	\$0.1	\$0.0

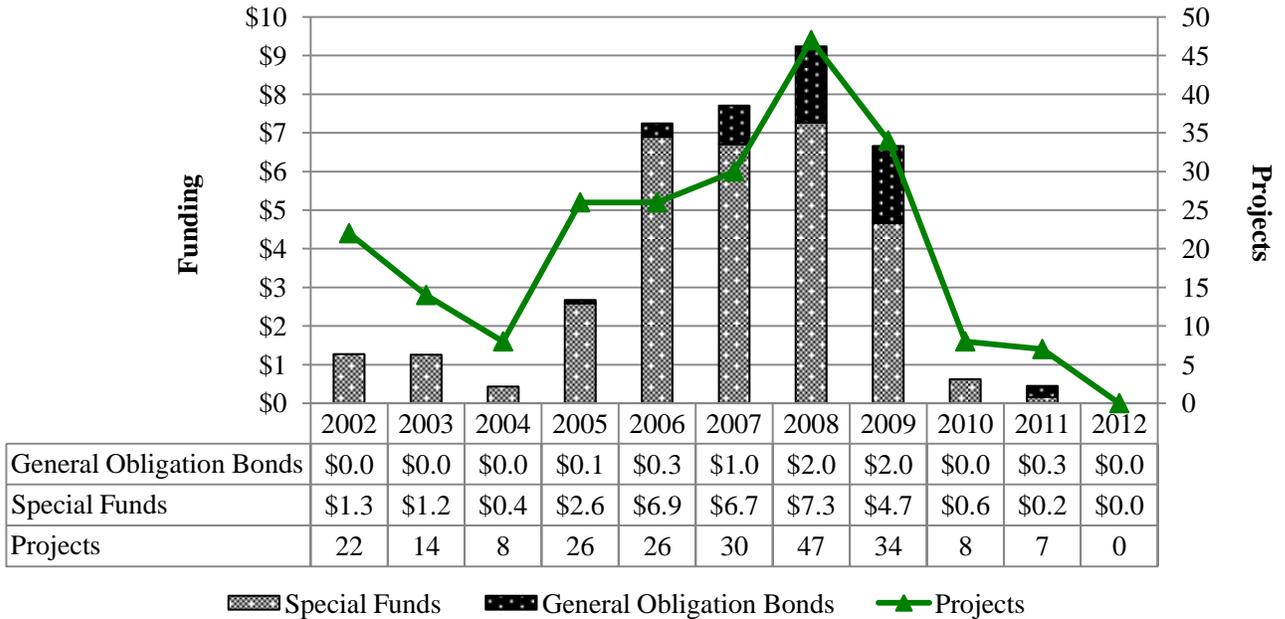
GF: general fund

Note: Natural Resources Article Section 8-709(d)(2) states the Department of Natural Resources may use up to \$750,000 in the Waterway Improvement Fund for administrative expenses directly relating to implementing the purposes of the Waterway Improvement Fund. This funding is reflected in the Office of the Secretary. The transfers to the general fund have been replaced by general obligation bond authorizations.

Source: Department of Budget and Management; Department of Legislative Services

Exhibit 20 illustrates how the precipitous decline in Waterway Improvement Capital Program funding has affected dredging projects. Of note, GO bond funding has provided for some measure of support for these projects.

Exhibit 20
State Waterway Improvement Program Dredging Funds Versus
Number of Channel Projects
Fiscal 2002-2012
(\$ in Millions)

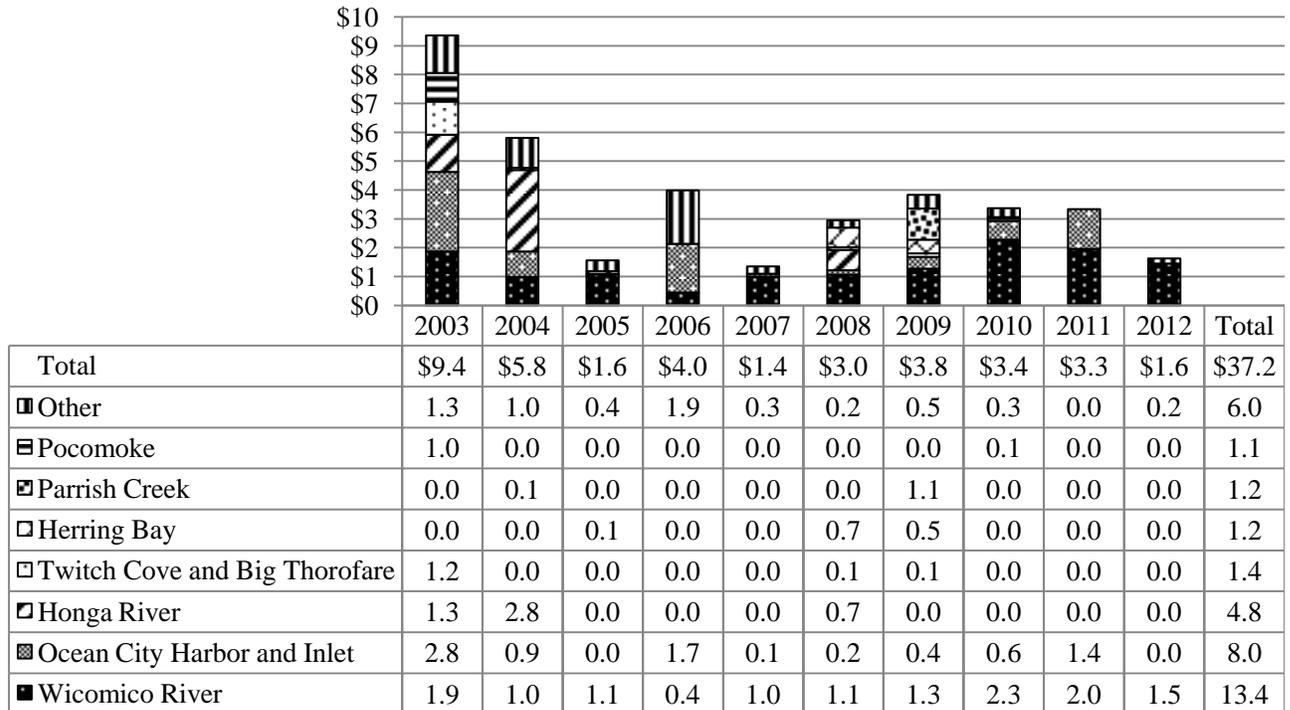


Source: Department of Natural Resources; Department of Legislative Services

Federal Funding

Through fiscal 2008, federal funding for dredging was based on federal earmarks. The U.S. Army Corps of Engineers currently uses the threshold of one million tons of cargo for determining whether to dredge a federal shallow water channel in Maryland. This usually means that high tonnage commercial channels are funded over channels used by shallow draft recreational vessels. While the U.S. Army Corps of Engineers has committed to maintain these federal shallow water channels, some channels are shoaling in making them ineligible for federal funding, and the U.S. Army Corps of Engineers has experienced funding constraints of its own. As shown in **Exhibit 21**, there has been a substantial decline in federal funding for navigation projects since the high of \$9.4 million in fiscal 2003. The exhibit also shows that the top three projects – Wicomico River, Ocean City Harbor and Inlet, and Honga River – over the time period shown, account for 70% of the federal funding.

**Exhibit 21
Federal Navigation Funding
Fiscal 2003-2012
(\$ in Millions)**



Source: Department of Natural Resources

HB 1307 of 2012

HB 1307 of 2012 would have established new and increased existing vessel registration fees to finance boating services, generating approximately \$3.5 million in fiscal 2013 and \$9.4 million in fiscal 2016 and thereafter; however, this departmental bill did not pass. DNR indicates that there were extensive efforts to work with boating community stakeholders, but that agreement could not be reached on a way that would ensure both adequate funding for the Waterway Improvement Fund and at the same time stimulate boat and associated marine industries.

Way Forward?

Decreasing operating expenditures, shifting responsibility to local governments, or increasing revenues appear to be three main ways to handle the funding challenges for Maryland’s boating infrastructure. Raising the vessel excise tax rate from 5 to 6% so that it is line with the State sales tax

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would raise only about \$3 million in additional revenue due to the steep decline in the number and sale price of boat sales in recent years. For illustrative purposes, every \$10 million increase in the value of boat sales would generate an additional \$100,000 in vessel excise tax revenue if the tax rate is increased from 5 to 6%.

DNR indicates that it is funding a revenue study by the University of Maryland Environmental Finance Center. **DLS recommends that DNR comment on the status of the funding study being conducted by the University of Maryland Environmental Finance Center and, in general, how it intends to address the funding shortfall in the Waterway Improvement Program.**

PAYGO Recommended Actions

1. Modify the following language on the special fund appropriation:

Notwithstanding the appropriations above, the Special Fund Appropriation for the Outdoor Recreation Land Loan shall be reduced by ~~\$71,091,338~~ \$37,936,000 contingent on the enactment of legislation crediting ~~\$71,091,338~~ \$37,936,000 of the transfer tax revenues to the General Fund. The reduction shall be distributed in the following manner:

Program Open Space – State Acquisition.....	\$21,944,526	\$16,245,000
Program Open Space – Local Share.....	\$23,727,620	\$13,317,000
Program Open Space – Capital Improvements.....	\$14,690,351	\$4,117,000
Rural Legacy.....	\$10,728,841	\$4,257,000
Total.....	\$71,091,338	\$37,936,000

Explanation: This action modifies the contingent reduction of the transfer tax allocation for capital programs to reflect the recommendation that the transfer tax formula be modified through a Budget Reconciliation and Financing Act of 2013 provision to redirect permanently \$25 million in special funds to the Natural Resources Police and to redirect for five years \$25 million in special funds annually to the State general fund.

2. Concur with Governor’s allowance of \$240,000 in special funds and \$600,000 in federal funds for the Waterway Improvement Capital Program.
3. Concur with Governor’s allowance of \$2,000,000 in special funds for the Ocean City Maintenance Program.

GO Bond Recommended Actions

1. Approve the \$2,500,000 general obligation bond authorization for Community Parks and Playgrounds.
2. Approve the \$4,562,000 general obligation bond authorization for the Natural Resources Development Fund.
3. Approve the \$15,093,000 general obligation bond authorization for Program Open Space – Stateside prior funds replacement.
4. Approve the \$17,846,000 general obligation bond authorization for Program Open Space – Local prior funds replacement.
5. Approve the \$4,467,000 general obligation bond authorization for the Critical Maintenance Program.
6. Approve the \$3,000,000 general obligation bond authorization for the Waterway Improvement Program.
7. Reduce the general obligation bond authorization for the Rural Legacy Program by \$5,000,000.

KA05F	Rural Legacy Program	\$ 9,456,000
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<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
14,456,000	-5,000,000	9,456,000

Explanation: Reduce the general obligation bond authorization for the Rural Legacy Program by \$5,000,000. This action deletes the \$5,000,000 mandated in statute. The \$9,456,000 remaining reflects replacement of prior year funds transferred to the general fund.

8. Approve the \$36,558,000 general obligation bond authorization for the Chesapeake Bay 2010 Trust Fund.
9. Approve the \$10,000,000 general obligation bond authorization for the Oyster Restoration Program.

Total General Obligation Bonds Reduction	\$5,000,000
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10. Modify authorizations and pre-authorizations of general obligation bond funding for the Department of Natural Resources capital programs as follows:

<u>Fiscal Year</u>	<u>Program</u>	<u>Description</u>	<u>Amount</u>	<u>DLS Recommendation</u>
2009	Natural Resources Development Fund	Reduce \$5.0 million authorization to \$4.0 million to reflect projects coming in under budget.	\$1,000,000	Approve
2010	Natural Resources Development Fund	Reduce \$4.6 million authorization to \$3.9 million to reflect the Black Walnut Point Shoreline Erosion Control and Point Lookout Administration Office Renovations projects coming in under budget.	653,000	Approve
2015	POS and Rural Legacy	Pre-authorize \$18.9 million for POS – State, \$22.8 million for POS – Local, and \$10.2 million for Rural Legacy Program special fund replacement	51,866,000	Reduce by \$28,200,000 for POS – State (\$11.0 million); POS – Local (\$11.9 million); and Rural Legacy Program (\$5.4 million)
2016	POS and Rural Legacy	Pre-authorize \$21.5 million for POS – State, \$22.3 million for POS – Local, and \$9.7 million for Rural Legacy Program special fund replacement	53,466,000	Delete
2017	POS and Rural Legacy	Pre-authorize \$21.4 million for POS – State, \$21.1 million for POS – Local, and \$8.8 million for Rural Legacy Program special fund replacement	51,343,000	Delete
2018	POS and Rural Legacy	Pre-authorize \$22.8 million for POS – State, \$22.2 million for POS – Local, and \$9.0 million for Rural Legacy Program special fund replacement	53,945,000	Delete
2019	POS and Rural Legacy	Pre-authorize \$24.2 million for POS – State, \$23.3 million for POS – Local, and \$9.3 million for Rural Legacy Program special fund replacement	56,773,000	Delete
2020	POS and Rural Legacy	Pre-authorize \$12.4 million for POS – State, \$11.9 million for POS – Local, and \$4.7 million for Rural Legacy Program special fund replacement	28,934,000	Delete

***Program Open Space – Land Acquisition and Local Program
Fiscal 2014 Proposed Projects***

<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>FY 2014 Amount</u>	<u>Total State Share (%)</u>
Baltimore City	Baltimore City Direct Grant – Ripken Foundation	\$400,000	\$400,000	100.0%
Baltimore City	Baltimore City Direct Grant – Special Funds	1,500,000	1,500,000	100.0%
Baltimore City	Baltimore City Direct Grant – Stony Run Trail Improvements	600,000	600,000	100.0%
Statewide	POS Federally Funded Land Acquisitions	4,500,000	4,500,000	100.0%
Statewide	POS Local – Fiscal 2014 Allocation – Special Funds	11,863,000	11,863,000	100.0%
Statewide	POS Local – Prior Cash Balances – GO Bonds	17,846,000	17,846,000	100.0%
Statewide	POS Statewide – Fiscal 2014 Allocation – Special Funds	8,472,000	8,472,000	100.0%
Statewide	POS Statewide – Prior Cash Balances – GO Bonds	15,093,000	15,093,000	100.0%
Total		\$60,274,000	\$60,274,000	

GO: general obligation

POS: Program Open Space

***Program Open Space
Fiscal 2014 Local Allocation***

<u>County</u>	<u>Amount</u>
Allegany	\$132,000
Anne Arundel	1,430,000
Baltimore City	946,000
Baltimore County	1,613,000
Calvert	143,000
Caroline	62,000
Carroll	320,000
Cecil	165,000
Charles	291,000
Dorchester	53,000
Frederick	336,000
Garrett	67,000
Harford	476,000
Howard	853,000
Kent	40,000
Montgomery	2,155,000
Prince George's	1,822,000
Queen Anne's	87,000
St. Mary's	162,000
Somerset	38,000
Talbot	91,000
Washington	251,000
Wicomico	168,000
Worcester	162,000
Total	\$11,863,000

Note: For Baltimore City, the fiscal 2014 allowance also includes \$1,500,000 for the required State direct grant and an additional \$1,000,000 in special funds for two additional projects: \$400,000 for the Ripken Foundation to construct athletic fields and \$600,000 for Stoney Run Trail improvements.

***Natural Resources Development Fund
Fiscal 2014 Proposed Projects***

<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>Prior Auth.</u>	<u>FY 2014 Amount</u>	<u>Future Request</u>	<u>Total State Share (%)</u>
Baltimore	North Point State Park – Battlefield Improvements	\$630,000		\$500,000		79.4%
Dorchester	Harriet Tubman Underground State Park	21,071,069	\$20,821,069	250,000		100.0%
Frederick	Cunningham Falls State Park – Day Use and Beach Improvements	2,692,000		316,000	\$2,376,000	100.0%
Garrett	New Germany State Park – Day Use and Beach Improvements	3,912,000		326,000	3,586,000	100.0%
Garrett	Western Maryland Recreational Access and Trail Restoration Project	1,036,000	150,000	886,000		100.0%
Harford	Rocks State Park – New Rocks Ridge Comfort Station	899,000		136,000	763,000	100.0%
Somerset	Janes Island State Park – Cabin Renovations and Replacement	800,000		800,000		100.0%
St. Mary’s	Point Lookout State Park – Charge Collection System Improvements	830,000		98,000	732,000	100.0%
Statewide	State Parks – New Natural Playgrounds	1,250,000		1,250,000		
Total		\$33,120,069	\$20,971,069	\$4,562,000	\$7,457,000	

***Critical Maintenance Program
Fiscal 2014 Proposed Projects***

<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>FY 2014 Amount</u>	<u>Total State Share (%)</u>
Allegany	Billmeyer Wildlife Management Area – Waterline Replacement and Parking Lot Resurfacing	\$125,000	\$125,000	100.0%
Allegany	Rocky Gap State Park – Replace Sidewalks – Park Headquarters	22,000	22,000	100.0%
Anne Arundel	Sandy Point State Park – Install Water Shutoff Valve at Building C	5,000	5,000	100.0%
Anne Arundel	Sandy Point State Park – Water Treatment Plant Improvements	80,000	80,000	100.0%
Baltimore City	Kenneth Weaver Building – Exterior Renovations	14,000	14,000	100.0%
Baltimore City	Kenneth Weaver Building – Server Room Air Conditioning	6,000	6,000	100.0%
Baltimore	Gunpowder Falls State Park – Streambank Erosion Control	50,000	50,000	100.0%
Baltimore	Patapsco Valley State Park – Re-roof Pavilions	10,000	10,000	100.0%
Baltimore	Patapsco Valley State Park – Re-roof Shelter 66	10,000	10,000	100.0%
Baltimore	Patapsco Valley State Park – Re-roof Shelter 701	10,000	10,000	100.0%
Baltimore	Patapsco Valley State Park – Renovate Shelter 201	20,000	20,000	100.0%
Baltimore	Patapsco Valley State Park – Repave Auto Shop Yard	50,000	50,000	100.0%
Baltimore	Patapsco Valley State Park – Replace Water Fountains	45,000	45,000	100.0%
Baltimore	Patapsco Valley State Park – Upgrade Main Breaker Panel – Hilton Shop	4,000	4,000	100.0%
Baltimore	Soldier’s Delight Natural Environment Area – Renovate Red Dog Lodge	50,000	50,000	100.0%
Calvert	Merkle Wildlife Sanctuary – Exterior Renovations – Visitors’ Center	90,000	90,000	100.0%
Caroline	Ayton Tree Nursery – New Irrigation Well	30,000	30,000	100.0%
Caroline	Martinak State Park – Replace Nature Center Roof	18,000	18,000	100.0%
Carroll	Hugg-Thomas Wildlife Management Area – Renovate Barn	50,000	50,000	100.0%
Carroll	Patapsco Valley State Park – Renovate Morgan Run Barn	80,000	80,000	100.0%

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<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>FY 2014 Amount</u>	<u>Total State Share (%)</u>
Cecil	Elk Neck State Forest – Replace Septic System	12,000	12,000	100.0%
Cecil	Elk Neck State Forest – Renovate Nature Center	20,000	20,000	100.0%
Cecil	Elk Neck State Forest – Rifle Range Improvements	20,000	20,000	100.0%
Cecil	Fair Hill Natural Resources Management Area – Replace Racetrack Drain Tile	20,000	20,000	100.0%
Cecil	Fair Hill Natural Resources Management Area – Stone Repointing – Dupont Store Barn	70,000	70,000	100.0%
Cecil	Fair Hill Natural Resources Management Area – Stormwater Management – Race Barns	80,000	80,000	100.0%
Charles	Patuxent River Natural Resources Management Area – Replace Culvert Pipe	75,000	75,000	100.0%
Charles	Smallwood State Park – Re-roof Pavilion	16,000	16,000	100.0%
Charles	Smallwood State Park – Renovate Employee Bathrooms – Retreat House	16,000	16,000	100.0%
Charles	Smallwood State Park – Replace Culvert	100,000	100,000	100.0%
Charles	Smallwood State Park – Replace HVAC System at General Smallwood’s Retreat	10,000	10,000	100.0%
Dorchester	Church Creek Forestry Work Center – Roof and Gutter Replacement	30,000	30,000	100.0%
Garrett	Bear Creek Fish Hatchery Wildlife Management Area – Replace Waterline	25,000	25,000	100.0%
Garrett	Deep Creek Lake State Park – Repair Discovery Center Roof	10,000	10,000	100.0%
Garrett	Deep Creek Lake State Park – Replace Storm Drain Pipe	48,000	48,000	100.0%
Garrett	Herrington Manor State Park – Remove Auto Lift – Maintenance Shop	10,000	10,000	100.0%
Garrett	Herrington Manor State Park – Replace Shop Roof	40,000	40,000	100.0%
Garrett	Swallow Falls State Park – Wastewater Treatment Plant Improvements	10,000	10,000	100.0%
Garrett	Swallow Falls State Park – Install Office Lift Station	14,000	14,000	100.0%
Garrett	Swallow Falls State Park – Re-roof Day Use Area Restrooms	5,000	5,000	100.0%
Garrett	Western Maryland Forestry Trail Repairs	300,000	300,000	100.0%
Harford	Rocks State Park – Replace Windows and Doors – Headquarters	32,000	32,000	100.0%

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<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>FY 2014 Amount</u>	<u>Total State Share (%)</u>
Harford	Rocks State Park – Sewage Ejector Pump and Septic Tank Replacement	20,000	20,000	100.0%
Harford	Susquehanna State Park – Dump Station Improvements	45,000	45,000	100.0%
Harford	Susquehanna State Park – Mansion and Carriage House Roof Repair	48,000	48,000	100.0%
Harford	Susquehanna State Park – Replace Spiral Slide	7,000	7,000	100.0%
Harford	Susquehanna State Park – Replace Underground Water Lines – Steppingstone Museum	34,000	34,000	100.0%
Howard	Patapsco Valley State Park – Pumping System Rehabilitation	50,000	50,000	100.0%
Howard	Patapsco Valley State Park – Re-roof Restroom	8,000	8,000	100.0%
Howard	Patapsco Valley State Park – Renovate Avalon and Orange Grove Comfort Stations	80,000	80,000	100.0%
Howard	Patapsco Valley State Park – Repair Grills	10,000	10,000	100.0%
Howard	Patapsco Valley State Park – Water Line Investigation	20,000	20,000	100.0%
Somerset	Janes Island State Park – Water Management Plan	39,000	39,000	100.0%
Somerset	Janes Island State Park – Renovate Shower Buildings	200,000	200,000	100.0%
St. Mary’s	Calvert Cliffs State Park – New Well and Controls	70,000	70,000	100.0%
St. Mary’s	Greenwell State Park – New Well	150,000	150,000	100.0%
St. Mary’s	Point Lookout State Park – New Well	250,000	250,000	100.0%
St. Mary’s	Point Lookout State Park – Replace Automatic Entrance Gate – Camp Office	10,000	10,000	100.0%
Washington	Fort Frederick State Park – Roof Repairs	60,000	60,000	100.0%
Worcester	Assateague State Park – Dune Maintenance	950,000	950,000	100.0%
Worcester	Assateague State Park – Replace Decking on Boardwalk	25,000	25,000	100.0%
Worcester	Nassawango Forestry Work Center – Renovate Office Exterior	40,000	40,000	100.0%
Worcester	Pocomoke River State Park – Renovate Shower Buildings	400,000	400,000	100.0%
Worcester	Pocomoke River State Park – Replace Pit Toilet – Youth Area	45,000	45,000	100.0%
Worcester	Pocomoke River State Park – Shad Landing Dump Station Replacement	70,000	70,000	100.0%

KA05 – Department of Natural Resources – Capital

<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>FY 2014 Amount</u>	<u>Total State Share (%)</u>
Statewide	Statewide – Bridge Repairs	75,000	75,000	100.0%
Statewide	Statewide – Contingency Fund	49,000	49,000	100.0%
Statewide	Statewide – House Assessment Program	133,000	133,000	100.0%
Total		\$4,620,000	\$4,620,000	

HVAC: heating, ventilation, and air conditioning

***Community Parks and Playgrounds
Fiscal 2014 Proposed Projects***

<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>FY 2014 Amount</u>	<u>Total State Share (%)</u>
Allegany	Canal Place – New Community Playground	\$62,000	\$62,000	100.0%
Baltimore City	McKim Park Playground Renovations	185,000	185,000	100.0%
Caroline	Church Playground Renovation	25,000	25,000	100.0%
Caroline	Hillsboro Playground and Walking Trail Upgrades	50,000	50,000	100.0%
Carroll	Leister Park – New Tot Lot	88,000	88,000	100.0%
Cecil	Cecilton Town Park – Outdoor Fitness Stations	17,000	17,000	100.0%
Cecil	Charlestown Athletic Complex Improvements	78,000	78,000	100.0%
Cecil	Meadow Park – New Playground Equipment	28,000	28,000	100.0%
Dorchester	Friendship Park Development Project	55,000	55,000	100.0%
Dorchester	Great Marsh Park – New Trail	202,000	202,000	100.0%
Frederick	Doub’s Meadow Park – New Parking Lot	60,000	60,000	100.0%
Frederick	Emmitsburg Community Park – ADA Improvements	13,000	13,000	100.0%
Garrett	Broadford Recreation Area – Comfort Station and Equipment Replacement	50,000	50,000	100.0%
Garrett	Friendsville Community Park – New Volleyball Court	9,000	9,000	100.0%
Kent	Betterton Memorial Park – New Play Area	16,000	16,000	100.0%
Kent	Gateway Park Development Project	155,000	155,000	100.0%
Kent	Rock Hall Civic Center – Replacement Basketball and Tennis Courts	161,000	161,000	100.0%
Montgomery	Griffith Park – Playground Improvements	66,000	66,000	100.0%
Prince George’s	District Heights Recreation Department – Athletic Field Improvements	147,000	147,000	100.0%
Prince George’s	Greenspring Park – Playground Renovation	82,000	82,000	100.0%
Prince George’s	North Brentwood Neighborhood Playground Improvements	91,000	91,000	100.0%
Prince George’s	Pop’s Park Renovations	91,000	91,000	100.0%
Prince George’s	Riverdale Park Community Playground Improvements	195,000	195,000	100.0%
Prince George’s	Town of Bladensburg – New Tot Lot	121,000	121,000	100.0%

KA05 – Department of Natural Resources – Capital

<u>Subdivision</u>	<u>Project Title</u>	<u>Estimated Cost</u>	<u>FY 2014 Amount</u>	<u>Total State Share (%)</u>
Somerset	Manokin River Park Development Project	168,000	168,000	100.0%
St. Mary's	Port of Leonardtown Public Park Improvements	163,000	163,000	100.0%
Washington	City of Hagerstown – Merry-Go-Round Installations	26,000	26,000	100.0%
Worcester	Henry Park – Replacement Basketball Courts	66,000	66,000	100.0%
Worcester	Ocean City Skate Park Improvements	30,000	30,000	100.0%
Total		\$2,500,000	\$2,500,000	

ADA: Americans with Disabilities Act