

KA05
Department of Natural Resources – Capital

Capital Budget Summary

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

| Program | 2018 Approp. | 2019 Approp. | 2020 Request | 2021 Estimate | 2022 Estimate | 2023 Estimate | 2024 Estimate |
|--|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| POS – Land Acquisition and Local Program | \$71.690 | \$110.320 | \$118.141 | \$118.337 | \$112.892 | \$106.837 | \$107.674 |
| POS – Natural Resources Development Fund | 13.855 | 14.756 | 19.632 | 22.325 | 21.284 | 20.131 | 20.293 |
| POS – Critical Maintenance Projects | 6.000 | 13.000 | 11.000 | 7.000 | 7.000 | 7.000 | 7.000 |
| Rural Legacy Program | 22.914 | 25.018 | 25.745 | 25.767 | 25.254 | 24.685 | 24.765 |
| Ocean City Beach Maintenance | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| Waterway Improvement Program | 11.400 | 15.000 | 16.000 | 16.000 | 16.000 | 16.000 | 16.000 |
| Community Parks and Playgrounds | 2.500 | 2.500 | 2.500 | 2.500 | 2.500 | 2.500 | 2.500 |
| Oyster Restoration Program | 2.729 | 0.270 | 2.610 | 8.730 | 3.870 | 7.170 | 1.000 |
| Coastal Resiliency Program | 0.540 | 4.725 | 6.065 | 4.810 | 0.400 | 0.000 | 0.000 |
| Total | \$133.628 | \$187.589 | \$203.692 | \$207.469 | \$191.199 | \$186.323 | \$181.231 |

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| Fund Source | 2018 Approp. | 2019 Approp. | 2020 Request | 2021 Estimate | 2022 Estimate | 2023 Estimate | 2024 Estimate |
|--------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| PAYGO SF | \$117.901 | \$169.594 | \$180.667 | \$180.929 | \$173.929 | \$166.153 | \$167.231 |
| PAYGO FF | 5.958 | 5.500 | 6.850 | 5.500 | 5.500 | 5.500 | 5.500 |
| GO Bonds | 9.769 | 12.495 | 16.175 | 21.040 | 11.770 | 14.670 | 8.500 |
| Total | \$133.628 | \$187.589 | \$203.692 | \$207.469 | \$191.199 | \$186.323 | \$181.231 |

FF: federal funds

GO: general obligation

PAYGO: pay-as-you-go

POS: Program Open Space

SF: special funds

Note: The fiscal 2019 through 2024 special fund figures include the repayment of transfer tax revenues diverted to the General Fund in prior years as required by Chapter 10 of 2016 and reflect a revised repayment plan as set forth in the 2019 *Capital Improvement Program*. The fiscal 2018 funding for POS – Land Acquisition and Local Program includes \$980,000 that was restricted for purchasing the La Grange property in Southern Maryland.

Issues and Key Observations

- ***Fiscal 2020 Transfer Tax Repayment:*** In accordance with Chapter 10 of 2016, as amended by the Budget Reconciliation and Financing Act (BRFA) of 2018, the fiscal 2020 budget provides \$43.9 million in general funds budgeted in the Dedicated Purpose Account for fiscal 2020 Program Open Space (POS) repayments. Of this amount, \$38.2 million supports capital programs in the Department of Natural Resources (DNR) and the Maryland Department of Agriculture (MDA) compared to just \$6.0 million in fiscal 2019. **The Department of Legislative Services (DLS) recommends using general obligation (GO) bond funds as a source of any repayments and the repurposing of the \$38.2 million of general funds for capital programs that require the issuance of more expensive taxable GO bonds.**
- ***Capital Development Funding Stretched:*** Funding modifications and project prioritization changes have put new stresses on DNR's capital development program. In addition to reallocating \$9.0 million to fund improvements to the Fair Hill Equine facility that was earmarked for other projects, beginning in fiscal 2020 and through the five years covered by the 2019 *Capital Improvement Program* (CIP), a portion of the transfer tax that would otherwise be used for park development projects will be used to support the Maryland Environmental Service's (MES) State park water and sewer infrastructure improvement projects. This is occurring at a time that DNR's capital program is experiencing an increase in the backlog for critical maintenance projects, and the park development project needs exceed the resources devoted to the program. **DLS recommends that DNR submit a five-year CIP updated for the fiscal 2021 allowance for both the Critical Maintenance Program and the Natural Resources Development Fund. The CIP should include project estimates of planning, construction, and equipment funding by fiscal year for all projects; project prioritization; and a general depreciation schedule for DNR's facilities.**

Summary of Recommended PAYGO Actions

1. Adopt committee narrative on a five-year capital improvement program for the Natural Resources Development Fund and Critical Maintenance Program.
2. Concur with Governor's allowance of \$1,000,000 in special funds for the Ocean City Beach Maintenance local funds.
3. Concur with Governor's allowance of \$13,500,000 in special funds and \$2,500,000 in federal funds for the Waterway Improvement Program.

Summary of Recommended Bond Actions

| | <u>Funds</u> |
|--|---------------------|
| 1. Natural Resources Development Fund | \$12,000,000 GO |
| Add \$12,000,000 in general obligation bond authorization for the Natural Resources Development Fund. | |
| 2. Critical Maintenance Program | \$9,286,358 GO |
| Add \$9,286,358 in general obligation bond authorization for the Critical Maintenance Program. | |
| 3. Program Open Space – Local | \$8,535,752 GO |
| Add \$8,535,752 in general obligation bond authorization for Program Open Space – Local. | |
| 4. Community Parks and Playgrounds | |
| Approve the \$2,500,000 general obligation bond authorization for the Community Parks and Playgrounds. | |
| 5. Rural Legacy Program | \$1,893,048 GO |
| Add \$1,893,048 in general obligation bond authorization for the Rural Legacy Program. | |

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| | | |
|---|---|---------------------|
| 6. | Coastal Resiliency Program | -\$3,980,000 GO |
| | Reduce the \$6,065,000 general obligation bond authorization for the Coastal Resiliency Program by \$3,980,000. | |
| 7. | Oyster Restoration Program | |
| | Approve the \$2,610,000 general obligation bond authorization for the Oyster Restoration Program. | |
| Total General Obligation Bond Reductions/Additions | | \$27,735,158 |

Summary of Updates

- ***Baltimore City Direct Grant Project Status:*** Chapter 10 modified the amount of the State’s share of POS funding that must be allocated for direct grants to Baltimore City for park development and improvement projects. In place of the existing requirement that Baltimore City receive at least \$1.5 million in direct grants each fiscal year, the bill requires annual direct grants that have increased to \$6.0 million for fiscal 2020 and each year thereafter. In both fiscal 2018 and 2019, the General Assembly has restricted the funds to particular parks.
- ***Maryland Land Preservation and Recreation Plan Status:*** *The Maryland Land Preservation and Recreation Plan* is revised every five years by DNR in consultation with the Maryland Department of Planning (MDP) and local governments. The document informs the direction of DNR’s capital program and is assembled one year after local jurisdictions submit their local land preservation and recreation plans. DNR notes that the draft 2019-2023 *Maryland Land Preservation and Recreation Plan* is complete and is currently under review. After review, it will be posted for a 30-day public comment period and then be submitted to the National Park Service.

Program Description

The mission of the DNR capital program may be summarized as the protection 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 POS (including the Natural Resources Development Fund and Critical Maintenance Program), the Rural Legacy Program, Ocean City Beach Maintenance, the Waterway Improvement Program (WIP), Community Parks and Playgrounds, the Oyster Restoration Program, and the new Coastal Resiliency Program (CRP) as of fiscal 2018. 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 the provision of recreation facilities before land is devoted to other purposes. The POS appropriation has historically been split between the State and local governments. 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 and critical maintenance, which are described as separate programs. Local recreation and park 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 25.0% 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. In addition, the Natural Resources Development Fund has taken on the funding for dam rehabilitations.
- ***POS – Critical Maintenance Program:*** DNR maintains over 1,900 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. Based on project requests submitted by DNR facility managers during the past year, there is a \$52.6 million (634 projects) backlog in necessary critical maintenance projects at all DNR facilities – State forests and parks, wildlife management areas, fisheries facilities, and others – which is an increase in both the overall cost and the number of projects since February 2018 (\$44.0 million and 602 projects). 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.
- ***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 recommended by the Rural Legacy Board (composed of the Secretary of Natural Resources, the Secretary of Planning, and the Secretary of Agriculture) and approved by the Board of Public Works (BPW). Under § 5-9A-09 of the Natural Resources Article, the Governor is required to include at least \$5.0 million annually in GO bond funds 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 \$1.0 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 or GO bonds are used to fund the State's contribution to this effort. Upon reaching a \$15.0 million cap in the fund, no funding is required to be provided by the State or local governments. Nourishment of the Ocean City beach is usually done on a four-year cycle. The U.S. Army Corps of Engineers is responsible for developing estimates, plans, and managing construction contracts for the periodic nourishment efforts, and costs are usually shared: 53.0% federal; and 47.0% State, Worcester County, and Ocean City.
- ***WIP:*** WIP finances projects to expand and improve public boating access throughout the State. The 5.0% excise tax paid on the sale of motorized vessels within the State, up to \$15,000 per vessel in fiscal 2016 with an annual \$100 escalator, and 0.5% of the motor vehicle fuel tax support the fund, per Chapter 180 of 2013 (Natural Resources – Vessel Excise Tax – Waterway Improvement Fund) as modified by Chapters 656 and 657 of 2016 (Natural Resources – Vessel Excise Tax Cap – Amount and Repeal of Termination). 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 (100.0%) not to exceed \$5,000; (2) grants (100.0%) less than \$100,000; (3) public navigation improvement and DNR boating facility construction grants (100.0%) of unlimited amounts; (4) matching grants with a maximum State cost share (50.0%); and (5) interest-free loans (100.0%) with a 25-year maximum. Additional funding specifications are provided for dredging/navigation projects and boating access facility and boating safety projects.
- ***Community Parks and Playgrounds:*** The program provides flexible grants to municipalities and Baltimore City – counties are no longer eligible – to (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 increase commercial oyster production by aquaculture. In addition, Maryland is guided by the new Chesapeake Bay Agreement signed in June 2014, which has the goal to restore native oyster habitat and populations in 10 tributaries by 2025 and ensure their protection. Based on a U.S. National Oceanic and Atmospheric Administration oyster workgroup, the program has adopted the

following restoration goals: (1) restoring 50.0% to 100.0% 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 generations, and covering at least 30.0% of the reef area at the reef level.

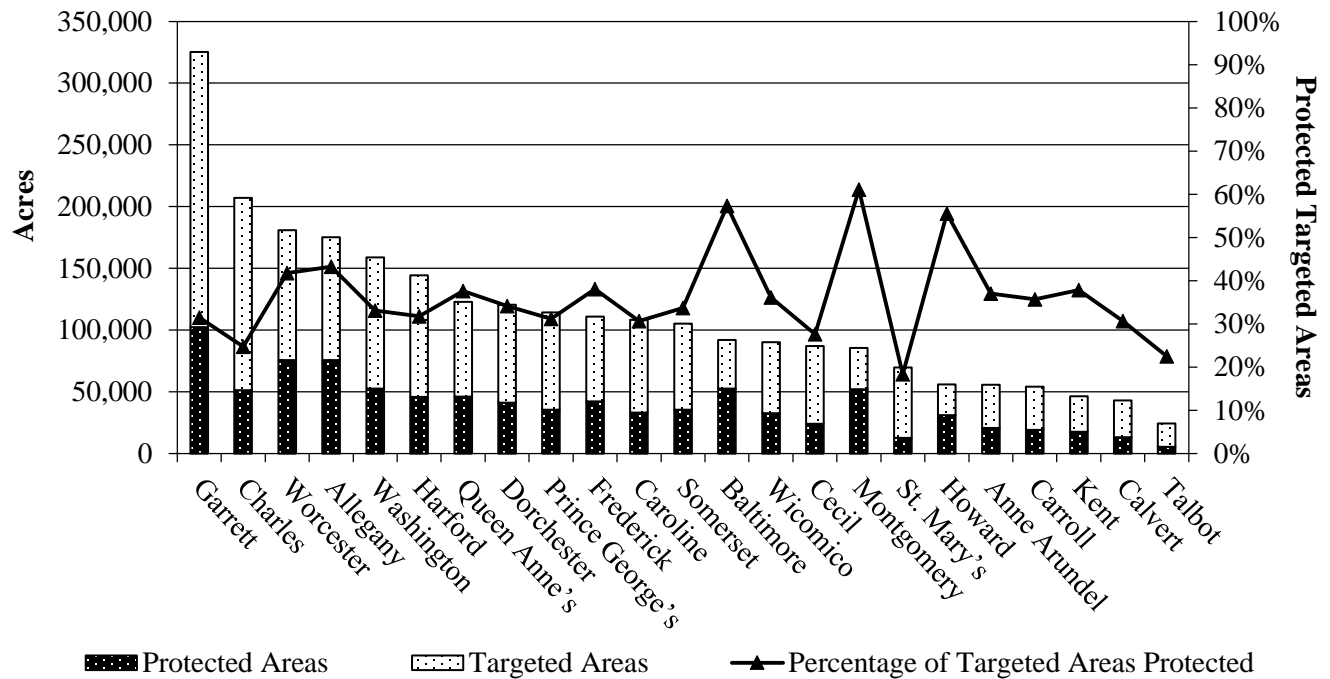
- **CRP:** The CRP is a new addition to DNR’s portfolio as of fiscal 2018. Funding is provided to restore actively eroding shoreline using living shoreline techniques and offshore breakwaters along the State’s coast. Project selection is guided by the Maryland Coastal Resiliency assessment published in March 2016. The assessment is a collaborative effort between DNR’s Chesapeake and Coastal Service and The Nature Conservancy and was designed to inform coastal conservation and restoration decisions by determining where living shoreline technique and offshore breakwaters can help Maryland’s coastal communities become more resilient. Funding is based on the following factors: (1) the vulnerability of the habitat and community; (2) the project readiness and status (designed/permitted); (3) the location and priority tier within the Maryland Coastal Resiliency Assessment; (4) the level of community engagement; and (5) broader ecosystem services.

Performance Measures and Outputs

DNR uses a two-step process for targeting and ranking land conservation. First, there is an ecological screen, which involves DNR using an ecological baseline to select targeted ecological areas – areas with the highest ranking for green infrastructure, species diversity, and water quality – and review properties relative to connected hubs and corridors, ecologically significant areas, and restoration opportunities. Second, DNR uses a parcel screen to assess a potential acquisition based on ecological value, special adjustments made for multiple benefits, management and operations responsibility identification, consistency with local land use, and vulnerability to additional development. All of this information is summarized in GreenPrint, the online geographic information system tracking program for preserved land and targeted ecological areas, which is available for local governments to use in their planning and zoning work. DNR notes that it will still buy some property outside of the targeted ecological areas for exceptional recreational, cultural, historical, educational, water access, resource-based economic, and in-holding/management purposes in existing DNR-managed property holdings.

Maryland’s targeted ecological areas total 2,578,651 acres, the same as last year. To date, 919,425 acres have been protected, up from 908,340 acres at this time last year, leaving 1,659,225 acres still to be protected. As shown in **Exhibit 1**, Garrett (325,208 acres), Charles (207,129 acres), and Worcester (181,008 acres) counties continue to be the top three counties in terms of targeted ecological areas. The three counties with the highest percentage of targeted ecological areas protected are Montgomery (61%), Baltimore (57%), and Howard (56%).

Exhibit 1
Protected and Targeted Ecological Areas
February 2019



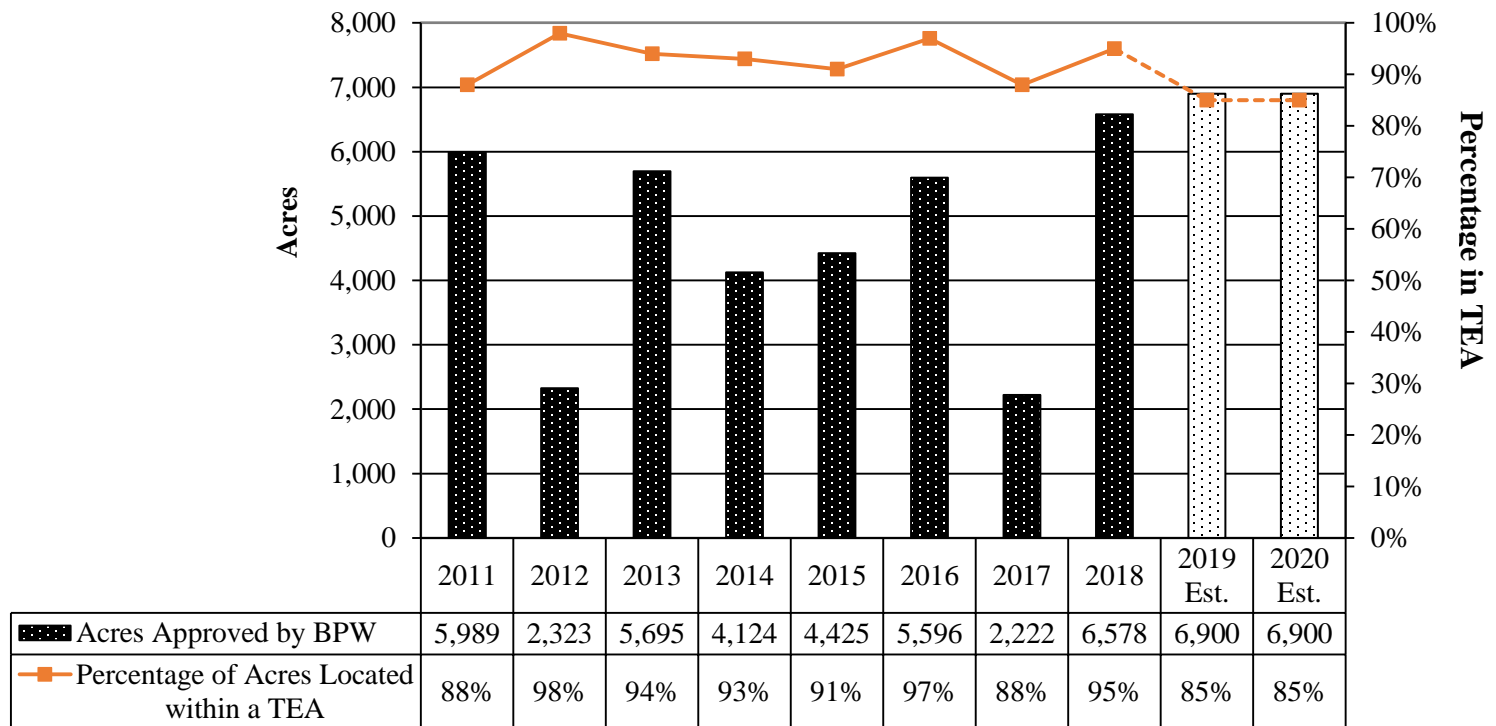
Note: The acres shown as protected within targeted ecological areas include total acres protected by all State, local, and federal programs as well as by nonprofit organizations.

Source: Department of Natural Resources

As illustrated in **Exhibit 2**, there was an increase in POS (State and local) acquisition acres approved by BPW between fiscal 2017 (2,222 acres) and 2018 (6,578 acres). DNR notes that a large 1,664-acre property transaction was originally anticipated to be presented to BPW in fiscal 2017 but ultimately was approved in fiscal 2018, which had the effect of depressing the acres approved by BPW in fiscal 2017.

DNR projects an increase in fiscal 2019 and 2020 in the number of POS acquisition acres approved by BPW relative to the more recent historical number of acres. DNR has a measure that reflects the percentage of acres funded by State POS that are located within a targeted ecological area. The highest percentage shown is 98% in fiscal 2012 and was 95% in fiscal 2018.

Exhibit 2 POS Acquisition Acres Approved by the Board of Public Works Fiscal 2011-2020 Est.



BPW: Board of Public Works
POS: Program Open Space
TEA: Targeted Ecological Area

Note: The fiscal 2013 acreage includes 2,352 acres donated to POS by the Conservation Fund. The acres approved by BPW reflect both POS State and POS local funding, while the percentage of acres located within a TEA only reflects POS – State funding.

Source: Governor's Fiscal 2020 Budget Books

POS funding expanded the number of State parks acreage available to the public in fiscal 2019. Through February 6, 2019, 464 acres have been added, as shown in **Exhibit 3**. The greatest number of acres added to a single park is 212 acres added to Pocomoke River State Park in Worcester County.

Exhibit 3
Maryland State Parks Acreage Increase from Program Open Space Acquisitions
July 1, 2018, through February 6, 2019

| <u>County</u> | <u>BPW Date</u> | <u>Area</u> | <u>Managing Unit</u> | <u>Acres</u> |
|-----------------|-----------------|---|----------------------|--------------|
| Frederick | 08/01/2018 | South Mountain State Park | Parks | 8 |
| Allegany | 08/22/2018 | Wills Mountain State Park | Parks | 99 |
| Worcester | 09/05/2018 | Pocomoke River State Park | Parks | 212 |
| Garrett | 09/26/2018 | New Germany State Park | Parks | 4 |
| Prince George's | 09/26/2018 | Merkle NRMA | Parks | 33 |
| Frederick | 10/31/2018 | South Mountain State Park | Parks | 24 |
| Baltimore | 11/14/2018 | Patapsco Valley State Park | Parks | 1 |
| Garrett | 01/23/2019 | Youghiogheny Wild River Natural Environmental Area | Parks | 50 |
| Garrett | 02/06/2019 | New Germany State Park | Parks | 33 |
| Total | | | | 464 |

BPW: Board of Public Works

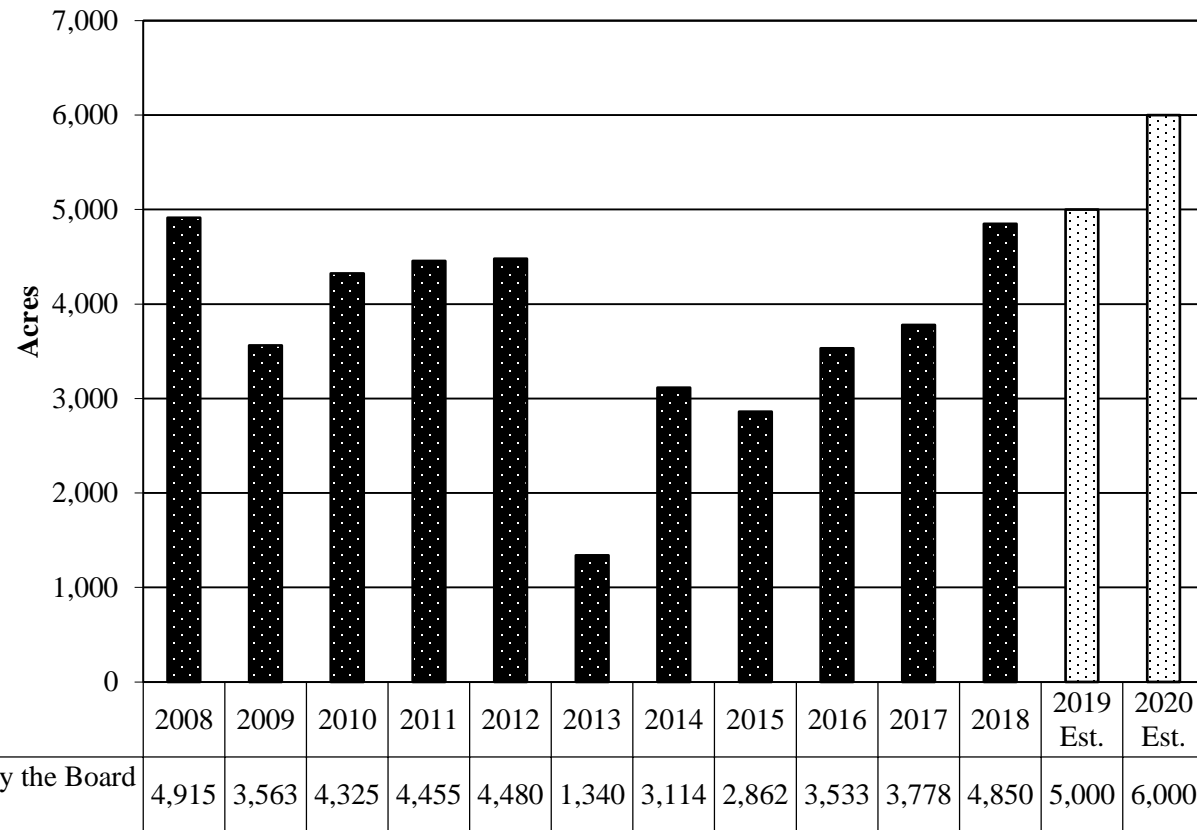
NRMA: Natural Resources Management Area

Source: Department of Natural Resources

Rural Legacy Program

Exhibit 4 shows that the number of approved Rural Legacy Program easement and fee simple acres increased 28% from 3,778 acres in fiscal 2017 to 4,850 acres in fiscal 2018, which roughly corresponds with the increase in funding between the two years. However, DNR notes that the number of approved acres may not necessarily reflect the increase in funding between fiscal years due to the time it takes to complete the due diligence necessary to complete the project. DNR obligates funds for projects when the year's annual grant awards are taken to BPW, but it may take up to a year for signed projects to be approved by BPW, which constitutes encumbrances. As of January 23, 2019, the Rural Legacy Program accounts for 99,049 acres toward the calendar 2022 1,030,000-acre preservation goal from Senate Joint Resolution 10 of 2002. Another goal is for each Rural Legacy Area to be at least 80% permanently preserved, including land protected by other State, local, and federal programs and by nonprofit organizations.

Exhibit 4
Rural Legacy Easement and Fee Simple Acres
Approved by the Board of Public Works
Fiscal 2008-2020 Est.



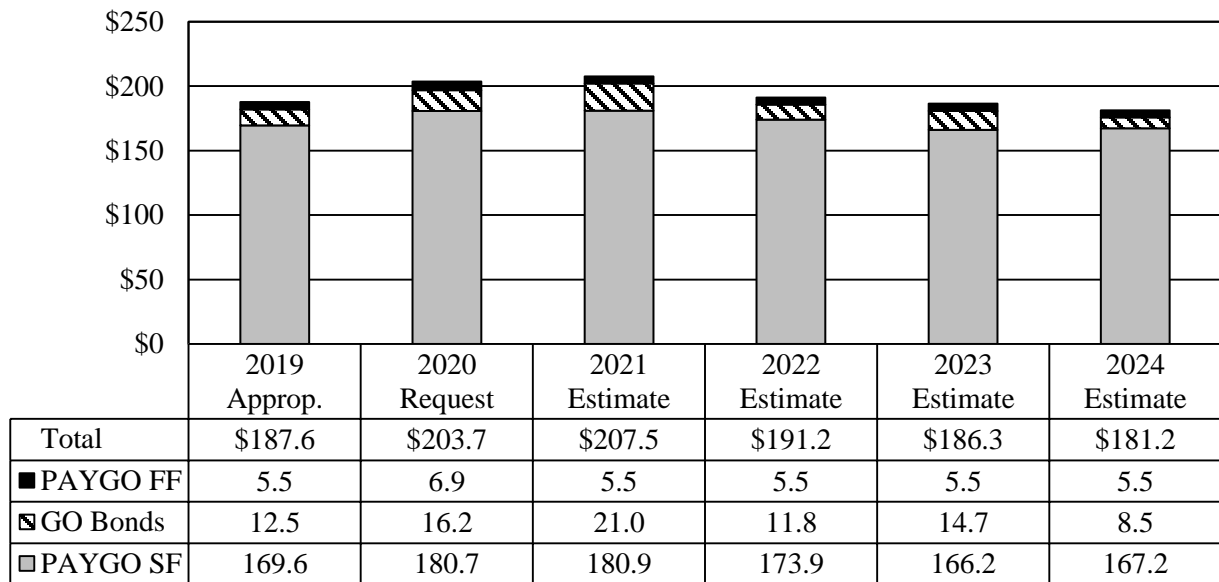
Source: Governor's Fiscal 2007-2020 Budget Books

Budget Overview

Fiscal 2020 Budget

The fiscal 2020 allowance includes \$180.7 million in special funds, \$6.9 million in federal funds, and \$16.2 million in GO bonds, for a total of \$203.7 million. **Exhibit 5** shows the repayment of the fiscal 2006 and 2016 to 2018 transfers to the General Fund in fiscal 2020 through 2024. Overall, funding decreases after fiscal 2021 because of the reduction in the amount of the repayment. The special funds programmed for fiscal 2020 through 2024 are not as large as might otherwise be the case because a portion of the Natural Resources Development Fund funding is being budgeted in the MES capital appropriation for water and wastewater projects on DNR lands.

Exhibit 5
Department of Natural Resources Capital Programs Funding
Fiscal 2019-2024 Est.
(\$ in Millions)



FF: federal funds
 GO: general obligation
 PAYGO: pay-as-you-go
 SF: special funds

Note: The fiscal 2019 through 2024 special fund figures include the repayment of transfer tax revenues diverted to the General Fund in prior years as required by Chapter 10 of 2016 and reflect a revised repayment plan as set forth in the 2019 *Capital Improvement Program*.

Source: Governor's Capital Budget; Department of Budget and Management Capital Budget Worksheets

Fiscal 2020 Transfer Tax Repayment

Chapter 10 requires the repayment of \$242.2 million in past redirected transfer tax funds by fiscal 2029, of which \$189.6 million would support capital programs. The plan provides for the use of general funds as a source of repayment to be expended as special funds in the budget; for fiscal 2020, a total of \$43.9 million is budgeted in the Dedicated Purpose Account, of which \$38.2 million is distributed to capital programs as specified in Chapter 10. The components of the repayment plan remain unchanged following changes to the plan in the BRFA of 2018. **Exhibit 6** shows the Governor's current repayment schedule as articulated in the 2019 CIP. For fiscal 2020, only \$21.0 million is mandated with the remaining \$25.4 million discretionary. Moreover, \$5.7 million of the repayment supports the Park Service and Engineering and Construction operating budgets, all of which is not needed to meet the service's operating budget plan, and a portion of this funding could be reallocated to increase the allocation to DNR critical maintenance projects. The individual components of the plan are as follows:

- ***Payback for Fiscal 2006 Transfer Tax (to Be Distributed through the Transfer Tax Formula):*** Chapter 10 required \$15.0 million in each of fiscal 2019 through 2021 for a total repayment of \$45.0 million. A provision in the BRFA of 2018 amended the repayment schedule by deferring by one year the \$15.0 million required in fiscal 2019 to 2022. Another provision in the BRFA of 2018 reduced the \$15.0 million required repayments in fiscal 2020 through 2022 by \$2.5 million and instead mandated that the funding be used by the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) for the Next Generation Farmland Acquisition Program.
- ***Payback for Fiscal 2006 Transfer Tax for Critical Maintenance/Natural Resources Development Fund:*** Chapter 10 required that \$6.0 million in each of fiscal 2019 through 2024 and \$4.0 million in fiscal 2025 for a total repayment of \$40.0 million be used to fund DNR's Critical Maintenance and Natural Resources Development Fund projects.
- ***Payback for Fiscal 2016 to 2018 Transfer Tax (to Be Distributed through the Transfer Tax Formula):*** Chapter 10 required the repayment of \$152.2 million as follows: one-third by fiscal 2021; two-thirds by fiscal 2025; and the full amount by fiscal 2029. This provision provides for some annual funding flexibility, and the Governor's plan programs the first one-third payment in equal installments of \$25.4 million in each of fiscal 2020 and 2021.

Exhibit 6
Transfer Tax Replacement Plan
Fiscal 2018-2029
(\$ in Millions)

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025-2029</u> | <u>Total</u> |
|---|--------------|--------------|---------------|---------------|---------------|---------------|---------------|------------------|----------------|
| MARBIDCO (Fiscal 2006 Transfer) | \$2.5 | \$2.5 | \$2.5 | \$2.5 | \$2.5 | \$0.0 | \$0.0 | \$0.0 | \$12.5 |
| POS (Fiscal 2006 Transfer) | 0.0 | 0.0 | 12.5 | 12.5 | 12.5 | 0.0 | 0.0 | 0.0 | 37.5 |
| Park Development (Fiscal 2006 Transfer) | 0.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 4.0 | 40.0 |
| POS (Fiscal 2016 to 2018 Transfers) | 0.0 | 0.0 | 25.4 | 25.4 | 12.7 | 12.7 | 12.7 | 63.4 | 152.2 |
| Total Repayments | \$2.5 | \$8.5 | \$46.4 | \$46.4 | \$33.7 | \$18.7 | \$18.7 | \$67.4 | \$242.2 |
| Total PAYGO Capital Program Repayments | \$0.0 | \$6.0 | \$38.2 | \$38.2 | \$27.5 | \$10.2 | \$10.2 | \$59.3 | \$189.6 |

MARBIDCO: Maryland Agricultural and Resource-Based Industry Development Corporation

PAYGO: pay-as-you-go

POS: Program Open Space

Note: The amounts to capital programs do not include MARBIDCO allocation or estimated allocation to State Park Service operations.

Source: Department of Budget and Management

Exhibit 7 shows the difference between the fiscal 2019 and 2020 revenue and expenditures for the transfer tax. As illustrated, there is an overall increase in the revenue available, primarily due to the increase of \$37.9 million in the repayment amount. This is offset partially by a decrease of \$22.0 million in the prior year funding available – the negative overattainment shown – and a \$1.4 million decrease in the revenue estimate. In terms of expenditures, the largest change is an increase of \$6.1 million for MES projects in State parks followed by increases of \$4.5 million for the State share of POS, \$3.3 million for the local share of POS, \$2.5 million for the Maryland Agricultural Land Preservation Foundation, and \$0.7 million for the Rural Legacy Program. There are also reductions of \$2.5 million for the Natural Resources Development Fund and \$2.0 million for the Critical Maintenance Program, based on project schedules.

Exhibit 7
Transfer Tax Funding Comparison
Fiscal 2019-2020
(\$ in Millions)

| | <u>2019</u> | <u>2020</u> | <u>Difference</u> |
|---|--------------------|--------------------|--------------------------|
| Revenues | | | |
| Revenue Estimate | \$221.9 | \$220.5 | -\$1.4 |
| Overattainment | 25.1 | 3.1 | -22.0 |
| Transfer to General Fund | 0.0 | 0.0 | 0.0 |
| Repayment – Fiscal 2006 Transfer – Critical Maintenance/Natural Resources Development Fund | 6.0 | 6.0 | 0.0 |
| Repayment – Fiscal 2006 Transfer – Distributed through Formula | 0.0 | 37.9 | 37.9 |
| Total Revenue | \$253.0 | \$267.5 | \$14.5 |
| Expenditures | | | |
| Administrative Expenses | \$6.7 | \$6.6 | \$0.0 |
| Debt Service | 7.1 | 6.9 | -0.2 |
| Heritage Areas Authority | 6.0 | 6.0 | 0.0 |
| Forest and Park Service | 36.7 | 38.9 | 2.2 |
| Department of Natural Resources – Land Acquisition and Planning | | | |
| Program Open Space – State Share | 54.0 | 58.6 | 4.5 |
| Program Open Space – Local Share | 53.3 | 56.6 | 3.3 |
| Rural Legacy Program | 20.0 | 20.7 | 0.7 |
| Natural Resources Development Fund | 14.8 | 12.2 | -2.5 |
| Critical Maintenance Program | 13.0 | 11.0 | -2.0 |
| Ocean City Beach Maintenance | 1.0 | 1.0 | 0.0 |
| Maryland Environmental Service | 0.0 | 6.1 | 6.1 |
| Maryland Department of Agriculture – Maryland Agricultural Land Preservation Foundation | 40.5 | 43.0 | 2.5 |
| Total Expenditures | \$253.0 | \$267.5 | \$14.5 |

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

Program Highlights

The changes in funding for fiscal 2020 are reflected in **Exhibit 8**.

Exhibit 8
DNR Capital Budget Changes
Fiscal 2019-2020
(\$ in Millions)

| <u>Program</u> | <u>2019</u> | <u>2020</u> | <u>Difference</u> |
|--|----------------|----------------|-------------------|
| POS – Land Acquisition and Local Program | \$110.3 | \$118.1 | \$7.8 |
| POS – Natural Resources Development Fund | 14.8 | 19.6 | 4.9 |
| Oyster Restoration Program | 0.3 | 2.6 | 2.3 |
| Coastal Resiliency Program | 4.7 | 6.1 | 1.3 |
| Waterway Improvement Program | 15.0 | 16.0 | 1.0 |
| Rural Legacy Program | 25.0 | 25.7 | 0.7 |
| Ocean City Beach Maintenance | 2.0 | 2.0 | 0.0 |
| Community Parks and Playgrounds | 2.5 | 2.5 | 0.0 |
| POS – Critical Maintenance | 13.0 | 11.0 | -2.0 |
| Total | \$187.6 | \$203.7 | \$16.1 |

DNR: Department of Natural Resources
POS: Program Open Space

Note: The fiscal 2019 through 2024 special fund figures include the repayment of transfer tax revenues diverted to the General Fund in prior years as required by Chapter 10 of 2016 and reflect a revised repayment plan as set forth in the 2019 *Capital Improvement Program*.

Source: Department of Legislative Services

The highlighted changes in funding are as follows.

POS – Land Acquisition and Local Program

The fiscal 2020 allowance includes \$20.0 million in general funds budgeted in the Dedicated Purpose Account, \$95.2 million in special funds, and \$3.0 million in federal funds. Of this appropriation, \$11.4 million in general funds and \$47.1 million in special funds are allocated to the State share of POS, and \$8.5 million in general funds and \$48.0 million in special funds are allocated to the local share of POS; the \$3.0 million in federal funds could be used by either the State or local share of POS. The overall Baltimore City Direct Grant includes the \$1.5 million base amount provided in previous years and \$4.5 million in additional funding mandated by Chapter 10. None of the funding is earmarked for specific projects. The status of prior year Baltimore City Direct Grant is reflected in an update in this analysis.

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The overall increase in funding of \$7.8 million between fiscal 2019 and 2020 is attributable to the repayment of prior year transfers. The fiscal 2020 funding for the State share of POS land acquisition would conserve approximately 13,500 acres. In fiscal 2019, \$5.0 million of the State share of POS funding is allocated to enhance public access to existing recreational and open space sites as authorized by Natural Resources Article Section 5-903(f)(3). This funding reduces the amount available for State land acquisition but defrays the need for Natural Resources Development Fund funding that is freed up for other purposes.

POS – Natural Resources Development Fund

The Natural Resources Development Fund receives a total of \$19.6 million comprised of \$3.0 million in general funds budgeted in the Dedicated Purpose Account, \$9.2 million in special funds through the distribution of transfer tax revenues, and \$1.4 million in Land and Water Conservation federal funds. This is a \$4.9 million increase over the fiscal 2019 appropriation and \$7.6 million over what was programmed for fiscal 2020 in the 2018 CIP. Selected fiscal 2020 projects are as follows: State Park Water and Sewer Infrastructure Improvement Fund (\$6,052,000); Statewide Dam Repairs (\$4,300,000); Bridge Inspection and Improvement Projects (\$3,141,000); Sassafras Natural Resources Management Area Day Use (\$2,919,000); and Janes Island State Park – Cabin Replacement and Site Work (\$1,899,000).

The State Park Water and Sewer Improvements Fund funding is for water and wastewater treatment plant projects in State parks managed by MES. Use of the funding in this manner reduces the need for GO bonds for the same projects.

The Statewide Dam Repairs and Bridge Inspection and Improvement Projects funding reflects the need to address dam and bridge infrastructure and safety needs. For instance, \$5.4 million in Critical Maintenance Program emergency funding is needed in fiscal 2019 for the Greenbrier Dam project. Similar to the Bloede Dam, DNR may request funding in the future for removal of the dam at the Frank Bentz Memorial Lake in Thurmont for fish passage and alleviating unsafe conditions. In terms of Bridge Inspection and Improvement Projects, DNR notes that it is in the process of creating an inventory of the bridges in its portfolio that is currently 63 but is expected to be more than 100 once the inventory is completed. The funding for Sassafras Natural Resources Management Area Day Use and Janes Island State Park – Cabin Replacement and Site Work projects reflect funding that was delayed from fiscal 2019.

Oyster Restoration Program

The fiscal 2020 allowance includes \$2,610,000 in GO bond authorization for the Oyster Restoration Program. This is \$2.3 million more than the fiscal 2019 appropriation but is equal to the 2018 CIP amount. The fiscal 2020 funding would provide for \$1,313,000 for initial seed plantings and substrate deployment in the St. Mary's River and the Manokin River; \$1,027,000 for second year seeding in the Harris Creek, Little Choptank, and Trevon Avon; \$250,000 for seed plantings in other tributaries; and \$20,000 for the Marylanders Grow Oysters program. The Manokin River is a new addition to the selected Chesapeake Bay tributaries for oyster restoration; it was selected for restoration instead of Breton Bay due to a lack of suitable habitat for oyster restoration in Breton Bay. The Marylanders Grow Oysters program consists of Marylanders growing oysters in cages for 9 months at

their piers that are then planted on existing oyster bars with natural oyster substrate. Of note, for the third year in a row, no funding is provided for MARBIDCO aquaculture loans. Funding is next expected for this purpose in fiscal 2022.

There is \$3,571,000 in prior year funding that is being held in reserve for the Man O'War Shoals shell dredging project or other restoration work if the dredging is not approved. DNR notes that the State and federal permitting agencies have completed their reviews and that the U.S. Army Corps of Engineers has issued a provisional permit. The next step is for BPW to approve the State permit, but a meeting agenda has not been selected and legislation has been submitted in the 2019 legislative session to prohibit the dredging. The U.S. Army Corps of Engineers is an active partner in the oyster restoration work done in Maryland but has not received any funding in fiscal 2019. This means that the Tred Avon River oyster restoration project is on hold for the time being.

CRP

The fiscal 2020 capital budget provides \$6,065,000 in GO bonds for the CRP. This reflects a \$1,340,000 increase relative to the fiscal 2019 working appropriation and a \$108,000 increase relative to the amount programmed in the 2018 CIP. Funding for this program was initiated in fiscal 2018. The program funds the construction of shoreline improvements for six projects in five jurisdictions, adaptive management for six projects in five jurisdictions, and design funds for at least three projects based on a fiscal 2020 solicitation.

DNR notes that the design and permitting of the Deale Beach, St. Mary's Church, Selsey Road, and West River Enhancements projects are now anticipated to be completed in May 2020, which is one month later than the current April 2020 construction start date for these projects. The design and permitting for the Oxford Shoreline and Stormwater Enhancements Project is now anticipated to be completed in summer 2020, which is several months later than the current April 2020 construction start date for this project. In terms of the requests for fiscal 2020 funding, DNR notes that the fall 2018 solicitation was delayed to February 2019 in order to develop a common application for all of the applicants. Projects are now expected to be selected by June 2019. There is no funding programmed for the CRP beyond fiscal 2022. **DLS recommends that the funding be reduced for the projects scheduled to begin construction in April 2020 because the projects are unlikely to need funding until fiscal 2021.**

WIP

WIP's fiscal 2020 allowance includes \$13.5 million in special funds and \$2.5 million in federal funds. This reflects a \$1.0 million increase in special funds relative to both the fiscal 2019 working appropriation and the amount programmed in the 2018 CIP. The increase in the special funds is based on national boat sale revenue estimates. The fiscal 2020 allowance provides for 58 projects throughout the State.

Several of the larger projects funded in fiscal 2020 are as follows: J.M. Tawes Ice Breaking Buoy Tender Vessel Replacement (\$2,000,000); Statewide – Emergency Dredging and Navigation Needs (\$1,241,000); Sweden Point Marina – Bulkhead Replacement (\$1,000,000); Somers Cove

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Marina – Marina Improvements (\$996,000); Elk River – Dredging (\$940,000); and Smith Island – Sheep Pen Gut Dredging (\$500,000). The J.M. Tawes Ice Breaking Buoy Tender replacement project receives fourth-year funding in fiscal 2020; the Request for Proposals for design-build is expected to be sent to the Department of Budget and Management in March 2019. In terms of fiscal 2019 projects, DNR notes that Garrett County has signed and accepted the \$1,115,000 grant for the Deep Creek Lake – Dredging of Arrowhead Cove project, and the county is now looking into the match funding. In addition, Garrett County and Deep Creek Lake stakeholders are looking into the development of a sediment mitigation plan to mitigate and resource sediment flow to Deep Creek Lake.

There are approximately 60 deep channels in Maryland for commercial shipping that are maintained by the U.S. Army Corps of Engineers. In addition, there are approximately 250 private channels used by the general boating public. DNR last surveyed the 250 private channels in 2014 to determine the status of each channel and intends to repeat the survey in fiscal 2019 in order to plan for the future channel dredging needs.

Rural Legacy Program

The Rural Legacy Program receives \$25.7 million in fiscal 2020 comprised of \$1.9 million in general funds budgeted in the Dedicated Purpose Account, \$18.9 million in special funds, and \$5.0 million in GO bonds; the GO bond funds are mandated under Section 5-9A-09 of the Natural Resources Article. The program increases by \$0.7 million relative to the fiscal 2019 working appropriation but is \$0.5 million less than the \$26.2 million in the 2018 CIP due to a reduction in the transfer tax revenue estimate. The fiscal 2020 cost per acre is estimated to be \$3,500, which would allow for the preservation of approximately 7,400 acres. The August 22, 2018 BPW meeting included an agenda item expanding five Rural Legacy Areas and adding the new Harriet Tubman Rural Legacy Area.

Ocean City Beach Maintenance

The budget provides \$2.0 million for the Ocean City Beach Maintenance program comprised of \$1.0 million from the State and \$1.0 million in special funds from Worcester County, Ocean City, and fund interest, which is counted toward the local contribution. The fiscal 2020 funding is level with both the fiscal 2019 working appropriation and the amount programmed in the 2018 CIP for fiscal 2020. Fiscal 2020 funding will be used to perform dune maintenance using the existing three-year maintenance contract with Ashton Manor Environmental.

The most recent beach renourishment was conducted between September and December 2017 and was intended to repair the damage from the January 2016 winter storm. The cost was split as follows: Federal Emergency Management Agency (FEMA) (\$6,607,444); U.S. Army Corps of Engineers (\$3,546,299); and State and local (\$3,144,831). DNR had planned to meet with Ocean City and Worcester County in spring 2018 to discuss the need to raise the funding cap due to concerns about future federal funding and the possibility for more damaging storms. However, the last two renourishment cycles included FEMA funding, so expenditures from the Ocean City Beach Maintenance Fund were approximately 40% of their typical levels. As a result, the meeting has not taken place. DNR notes that any future expenditures that exceed current U.S. Army Corps of Engineers, State, and local resources would qualify for FEMA funding.

Community Parks and Playgrounds

The fiscal 2020 allowance includes \$2.5 million in GO bonds for the Community Parks and Playgrounds program, which is level with both the fiscal 2019 appropriation and the amount programmed in the 2018 CIP for fiscal 2020. The budget provides funding for 19 projects in 14 subdivisions. The largest project in the fiscal 2020 allowance is the Violetville Park in Baltimore City (\$260,000). The fiscal 2020 allowance actually reflects funding for \$2,719,630. The additional \$219,630 reflects funding reverted from prior year projects.

POS – Critical Maintenance Program

There is \$11.0 million in the fiscal 2020 allowance for the Critical Maintenance Program comprised of \$6.8 million in general funds budgeted in the Dedicated Purpose Account and \$4.2 million in special funds. The fiscal 2020 funding level is \$2.0 million less than the fiscal 2019 working appropriation but is equal to the amount programmed in the 2018 CIP. As noted in the program description, the critical maintenance project backlog has increased from \$44.0 million and 602 projects in February 2018 to \$52.6 million and 634 projects in February 2019.

The fiscal 2020 budget includes funding for 83 projects in 20 counties. The funding provides for the construction of the following selected large projects: Point Lookout State Park – Fishing Pier Repairs (\$1,000,000); Elk Neck State Park – Resurface Roads and Parking Lots, Day-use Area (\$750,000); Greenbrier State Park – Resurface Roads and Parking Lots, Day-use Area (\$750,000); Elk Neck State Park – Renovate Two Shower Buildings, Susquehanna and Bohemia (\$640,000); Seneca Creek State Park – Resurface Roads and Parking Lots North of Dam (\$600,000); Pocomoke River State Park – Resurface Main Loop Road, Shad Landing (\$600,000); and Smallwood State Park – Resurface Roads and Parking Lots, Day-use Area (\$500,000).

Issues

1. General Funds Budgeted for Transfer Tax Replacement Should Be Used to Fund Programs That Require the Use of More Expensive Taxable Bonds

As proposed, the capital budget funds programs in the Department of Housing and Community Development (DHCD) with GO bonds that would require the State to issue more expensive taxable bonds due to federal restrictions on the use of tax-exempt financing for private activity purposes. **Therefore, DLS recommends repurposing the \$38.2 million of general funds budgeted in the Dedicated Purpose Account programmed to be used to fund capital programs in DNR and MDA to instead fund DHCD programs in order to avoid the issuance of taxable bonds. The recommendation includes fully replacing the \$38.2 million of general funds programmed to support DNR and MDA capital programs with GO bonds but also reprioritizing the distribution of those funds to DNR capital park development and critical maintenance programs. Exhibit 9 illustrates how the DLS recommendation would impact DNR and MDA programs.**

Exhibit 9
Bond Replacement for Transfer Tax-funded Programs
Fiscal 2020

| | <u>Budgeted General Funds</u> | <u>Recommended General Funds</u> | <u>Recommended GO Bond Funds</u> |
|---|--|---|---|
| DNR Program Open Space – State Share | \$11,445,838 | \$0 | \$0 |
| DNR Program Open Space – Local Share | 8,535,752 | 0 | 8,535,752 |
| DNR Rural Legacy Program | 1,893,048 | 0 | 1,893,048 |
| DNR Natural Resources Development Fund | 3,000,000 | 0 | 12,000,000 |
| DNR Critical Maintenance Program | 6,840,520 | 0 | 9,286,358 |
| MDA Maryland Agricultural Land Preservation | 6,455,292 | 0 | 6,455,292 |
| Total | \$38,170,450 | \$0 | \$38,170,450 |

DNR: Department of Natural Resources

GO: general obligation

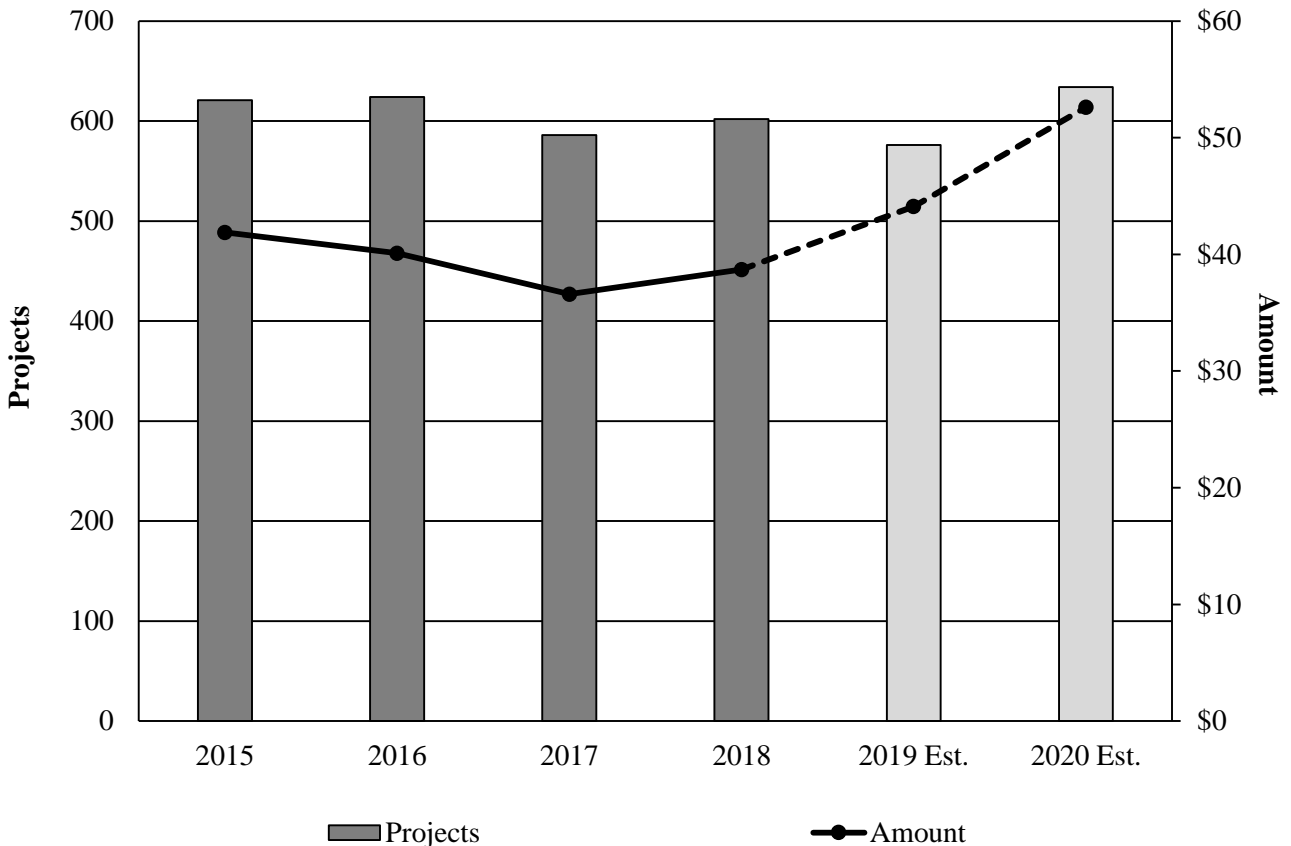
MDA: Maryland Department of Agriculture

Source: Department of Legislative Services

2. Capital Development Funding Stretched

Funding modifications and project prioritization changes have put new stresses on DNR's capital development program. For instance, in fiscal 2019, \$9.0 million in Natural Resources Development Fund money is allocated to the Fair Hill Equine Improvements project, and beginning in fiscal 2020, Natural Resources Development Fund money is allocated to MES' State park water and sewer infrastructure projects (\$6,952,000 in fiscal 2020 and \$48.2 million through the five-year planning period covered by the 2019 CIP). This is occurring at a time that DNR's capital program is experiencing an increase in the backlog for critical maintenance projects, as shown in **Exhibit 10**, which might otherwise be obviated if capital funding was used to build new infrastructure.

Exhibit 10
Critical Maintenance Program Project and Funding Backlog
Fiscal 2015-2020 Est.
(\$ in Millions)



Source: Department of Natural Resources

Fair Hill Equine Improvements

The Fair Hill Equine Improvements project at the Fair Hill Natural Resources Management Area has not operated through the same process as other Natural Resources Development Fund projects. Instead, the project has been handled as part of a long deliberation about a Maryland Horse Park and Agricultural Education Center. Studies on this topic started at least in May 2005 with a Maryland Stadium Authority (MSA), Department of Commerce (formerly the Department of Business and Economic Development), and Maryland Horse Industry Board comprehensive feasibility study. This study was followed by a report in August 2015, *Market and Economic Analysis for the Proposed New Maryland Horse Park System*, conducted by consultants on behalf of MSA and the Maryland Horse Industry Board.

DNR's involvement began on August 1, 2017, when DNR and MSA signed a Memorandum of Understanding stipulating that MSA would take the lead on initial studies, tests, and design of the master planning for improvements to the Fair Hill Racetrack and Special Event Area at the Fair Hill Natural Resources Management Area. Subsequently, a BPW item was approved on May 14, 2018, authorizing \$1.0 million of fiscal 2018 Natural Resources Development Fund money to be transferred to MSA to provide design services related to the following improvements: upgrades to the turf equestrian course; a new cross country course; improvements to the grandstand; improvements to related training areas; irrigation systems; an equestrian campground; and the development of access across Route 273 to accommodate visitors to the race course, the Cecil County Fairgrounds, and associated events. The fiscal 2019 project list for the Natural Resources Development Fund reflects \$9.0 million for the Fair Hill Equine Improvements project.

The urgency for the project has increased as an international horse organization – Federation Equestre Internationale – has approved the Fair Hill Natural Resources Management Area for what is termed a five-star event. This means that Fair Hill's existing annual three-star event will be updated to a four-star event in October 2019 and then upgraded again to a five-star event in October 2020. This five-star event is anticipated to raise Maryland's profile in the equestrian world as Maryland would be the only state other than Kentucky to have both a Triple Crown Race and a five-star event. DNR notes that the design work being done by MSA is being finalized and is at approximately 80% completion. In addition, DNR notes that plans have been submitted for permitting and are being expedited by the Maryland Department of the Environment (MDE). The project went to bid in January 2019, and the bid submittal date is late February 2019. Construction is expected to start at the beginning of June 2019.

MES Projects

The fiscal 2020 allowance includes \$6,052,000 for MES State park water and sewer projects. These projects benefit the State parks but previously would have been funded with GO bonds. The five projects in the fiscal 2020 allowance are as follows: State Water Towers – Elk Neck State Park; Rocky Gap State Park – Collection System; Fair Hill Natural Resources Management Area – Water Treatment Plant and Distribution System Upgrade; New Germany State Park – Water and Wastewater Treatment Plants and Water Collection System Upgrades; and Swallows Falls State Park – Water and Wastewater Treatment Plant Improvements.

A number of changes were made to the funding for fiscal 2019 and 2020 projects in order to accommodate the inclusion of \$9.0 million in fiscal 2019 funding for the Fair Hill Equine Improvements Project and the \$6,052,000 in fiscal 2020 funding for MES State park water and sewer projects. In fiscal 2019, funding was made available for the Fair Hill Equine Improvements project by pushing the following projects out: New Germany State Park Day-use and Beach Improvements; Sassafra Natural Resources Management Area Day Use Improvements (Phase II); and Janes Island State Park Cabin Replacement and Sitework projects. In fiscal 2020, funding was made available for MES State park water and sewer projects when it was determined that the following two projects were not ready to proceed: New Germany State Park Day-use and Beach Improvements; and Albert Powell Fish Hatchery Improvements.

There are synergies to be realized from using the Natural Resources Development Fund as a source of revenue for the Fair Hill Equine Improvements project and the MES State park water and sewer projects, but it also raises the question about the sufficiency of funding for the work of the Natural Resources Development Fund. **DLS recommends that DNR submit a five-year CIP updated for the fiscal 2021 allowance for both the Critical Maintenance Program and the Natural Resources Development Fund. The CIP should include project estimates of planning, construction, and equipment funding by fiscal year for all projects; project prioritization; and a general depreciation schedule for DNR’s facilities.**

Updates

1. Baltimore City Direct Grant Project Status

Chapter 10 modified the amount of the State’s share of POS funding that must be allocated for direct grants to Baltimore City for park development and improvement projects. In place of the existing requirement that Baltimore City receive at least \$1.5 million in direct grants each fiscal year, the bill requires annual direct grants that have increased to \$6.0 million for fiscal 2020 and each year thereafter. In both fiscal 2018 and 2019, the General Assembly has restricted the funds to particular parks.

Exhibit 11 shows the status of the Baltimore City Direct Grant funding between fiscal 2015 and 2019. Of the \$23.8 million that has been authorized over the period, \$10.3 million has been reimbursed to Baltimore City, and \$13.5 million remains to be reimbursed.

Exhibit 11
Baltimore City Direct Grant Funding
Fiscal 2015-2019

| <u>Project Name</u> | <u>Direct Grant – Baltimore City</u> | <u>Project Specified in Legislation</u> | <u>Reimbursed</u> | <u>Remaining</u> | <u>Status</u> |
|---|--|---|--------------------|--------------------|--|
| Fiscal 2015 | | | | | |
| Baltimore Park System | \$440,000 | \$0 | \$440,000 | \$0 | Closed. |
| Cylburn Arboretum | 200,000 | 0 | 199,628 | 372 | Closed. |
| Druid Hill Park | 200,000 | 0 | 62,414 | 137,586 | Advertise for bid spring 2019, construction fall 2019. |
| Cherry Hill Park | 500,000 | 0 | 0 | 500,000 | Under design, construction fall 2019. |
| Dypski Park | 160,000 | 0 | 0 | 160,000 | Advertise for bid spring 2019, construction fall 2019. |
| Gwynns Falls/Leakin Park – Cahill Community Recreation Center | 0 | 5,000,000 | 971,938 | 4,028,062 | Under construction, completion fall 2021. |
| Gwynns Falls/Leakin Park – Winans Nature Center | 0 | 1,000,000 | 223,739 | 776,261 | Finalizing design, advertise for bid spring 2019, construction fall 2019. |
| Royal Theater | 0 | 300,000 | 0 | 300,000 | Project not moving forward, Baltimore City requesting funds be moved to Robert C. Marshall Athletic Field. |
| Subtotal | \$1,500,000 | \$6,300,000 | \$1,897,719 | \$5,902,281 | |

| <u>Project Name</u> | <u>Direct Grant – Baltimore City</u> | <u>Project Specified in Legislation</u> | <u>Reimbursed</u> | <u>Remaining</u> | <u>Status</u> |
|---------------------------------------|--|---|--------------------|--------------------|--|
| Fiscal 2016 | | | | | |
| Baltimore Park System | \$1,500,000 | \$0 | \$1,500,000 | \$0 | Closed. |
| Subtotal | \$1,500,000 | \$0 | \$1,500,000 | \$0 | |
| Fiscal 2017 | | | | | |
| Baltimore Park System | \$1,500,000 | \$0 | \$1,500,000 | \$0 | Closed. |
| Eager Park | 4,000,000 | 0 | 4,000,000 | 0 | Closed. |
| Subtotal | \$5,500,000 | \$0 | \$5,500,000 | \$0 | |
| Fiscal 2018 | | | | | |
| Baltimore Park System | 1,500,000 | 0 | 1,278,225 | 221,775 | Underway. |
| Gwynns Falls Park | \$0 | \$300,000 | \$0 | \$300,000 | Design complete, construction document phase to begin late winter or early spring 2019. |
| Druid Hill Park | 0 | 300,000 | 0 | 300,000 | Advertisement to bid mid-March 2019, construction August 2019, completion April 2021. |
| Clifton Park | 0 | 500,000 | 40,935 | 459,065 | Under design, advertise for bid fall 2019, construction spring 2020. |
| Patterson Park | 0 | 300,000 | 37,950 | 262,050 | Light portion completed, other aspects under design. |
| Herring Run Park | 0 | 400,000 | 0 | 400,000 | Project on hold due to Harford Road Bridge construction anticipated to take three years. |
| Frederick B. Leidig Recreation Center | 0 | 200,000 | 0 | 200,000 | Project in planning phase. |
| Subtotal | \$1,500,000 | \$2,000,000 | \$1,357,110 | \$2,142,890 | |

| <u>Project Name</u> | <u>Direct Grant – Baltimore City</u> | <u>Project Specified in Legislation</u> | <u>Reimbursed</u> | <u>Remaining</u> | <u>Status</u> |
|---------------------------------------|--|---|---------------------|---------------------|--|
| Fiscal 2019 | | | | | |
| Baltimore Park System | 2,000,000 | 0 | 0 | 2,000,000 | BPW approved November 14, 2018. |
| Clifton Park | \$0 | \$100,000 | \$0 | \$100,000 | Under design, advertise for bid fall 2019, construction spring 2020. |
| Patterson Park | 0 | 500,000 | 0 | 500,000 | Light portion completed, other aspects under design. |
| Herring Run Park | 0 | 725,000 | 0 | 725,000 | Project on hold due to Harford Road Bridge construction anticipated to take three years. |
| Frederick B. Leidig Recreation Center | 0 | 600,000 | 0 | 600,000 | Project in planning phase. |
| Bocek Park | 0 | 750,000 | 0 | 750,000 | BPW approved October 17, 2018. |
| Mary Rodman Recreation Center | 0 | 500,000 | 0 | 500,000 | BPW approved October 17, 2018. |
| Malone Children Memorial Park | 0 | 150,000 | 0 | 150,000 | Under construction. |
| Saint Charles Park | 0 | 100,000 | 0 | 100,000 | Baltimore City is waiting for more information regarding project. |
| Darley Park | 0 | 75,000 | 0 | 75,000 | Awaiting transfer of properties to Baltimore City. |
| Subtotal | \$2,000,000 | \$3,500,000 | \$0 | \$5,500,000 | |
| Total | \$12,000,000 | \$11,800,000 | \$10,254,830 | \$13,545,170 | |

BPW: Board of Public Works

Source: Department of Natural Resources

2. *Maryland Land Preservation and Recreation Plan Status*

The *Maryland Land Preservation and Recreation Plan* is revised every five years by DNR in consultation with MDP and local governments. The document informs the direction of DNR's capital program and is assembled one year after local jurisdictions submit their local land preservation and recreation plans. For instance, Natural Resources Article 5-906(b) specifies that every acquisition and development project funded by the State in whole or in part shall meet the needs identified in the *Maryland Land Preservation and Recreation Plan* and that the document shall identify and recommend for State acquisition efforts those resource areas facing the most intense or immediate development pressure. In addition, the *Maryland Land Preservation and Recreation Plan* identifies the threshold for land preservation that local jurisdictions must meet before local funding for POS may be used for development purposes.

DNR notes that the draft 2019-2023 *Maryland Land Preservation and Recreation Plan* is complete and is currently under review. After review, it will be posted for a 30-day public comment period and then be submitted to the National Park Service.

Encumbrances and Expenditures

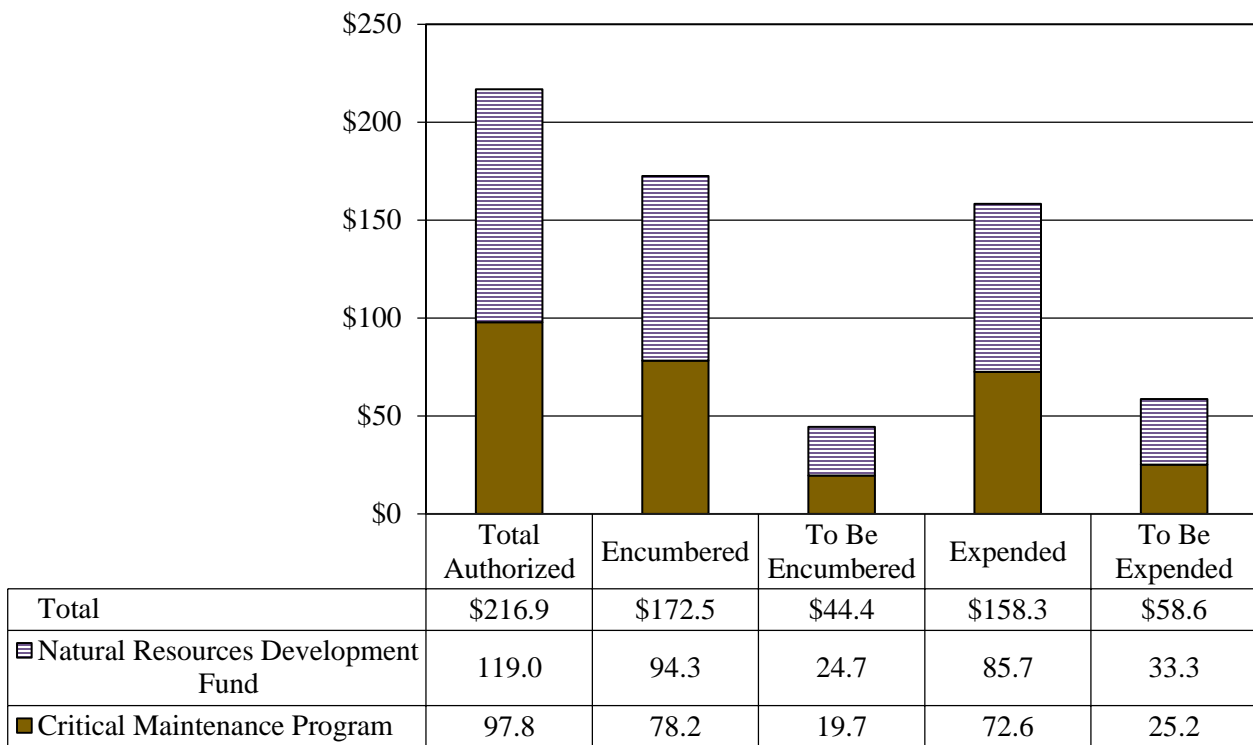
Progress toward encumbering and expending funding by program is shown in **Exhibit 12** for the Natural Resources Development Fund and the Critical Maintenance Program. The Natural Resources Development Fund has \$24.7 million to be encumbered, and the Critical Maintenance Program has \$19.7 million to be encumbered. DNR notes that it anticipates encumbering \$15.9 million for the Natural Resources Development Fund by July 2019 and \$3.4 million for the Critical Maintenance Program by October 2019, as follows.

- Natural Resources Development Fund:
 - Rocky Gap State Park Parking Lot Improvements is going out to bid and is expected to be encumbered in fiscal 2019 (\$3,104,000).
 - Bloede Dam Removal is expected to be completed in July 2019 using \$2.0 million in State funding for POS to cover the additional cost due to differing rock conditions (\$2,000,000).
 - Southern Region Multi-purpose Facility Master Plan is expected to be encumbered in fiscal 2019 and is currently in architectural/engineering procurement at DGS (\$205,000).
 - Fair Hill Equine Improvements construction contract in May 2019 (\$9,000,000).

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- Smallwood State Park Campground Improvements is expected to be encumbered in fiscal 2019 and is currently in architectural/engineering negotiations at DGS (\$239,000).
- Casselman River Bridge Improvements is expected to be encumbered in fiscal 2019 and currently is in architectural/engineering negotiations at DGS (\$1,380,000).
- Critical Maintenance Program:
 - Gordon and Twig Road Improvements increased scope of work due to storm damage in 2018 with project in design and encumbrance expected in October 2019 (\$707,000).
 - Rocky Gap Easter Hill Chalet is designing now with encumbrance in August 2019 (\$300,000).
 - Soldiers Delight Heating, Ventilation, and Air Conditioning (HVAC) is designing HVAC with encumbrance expected in September 2019 (\$250,000).
 - Fair Hill Culvert Replacement encumbrance in May 2019 and currently in procurement (\$226,600).
 - Point Lookout Culvert Replacement is waiting on MDE permitting with encumbrance expected in August 2019 (\$270,000).
 - Fort Frederick Renovate Barracks expected encumbrance in October 2019, although still in design (\$500,000).
 - Mt. Nebo, Green Ridge Fuel Tanks is expected to be encumbered in fiscal 2019 while currently under procurement bid protest (\$550,000).
 - Pocomoke River State Park Milburn Landing Paving is waiting on MDE permitting with expected encumbrance in fiscal 2019 (\$600,000).

Exhibit 12
Natural Resources Development Fund and Critical Maintenance Program
Encumbrances and Expenditures
Program Inception through January 2019
(\$ in Millions)



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

PAYGO Recommended Actions

1. Adopt the following narrative:

Natural Resources Development Fund and Critical Maintenance Program Capital Improvement Program: The committees are concerned about the impact of the inclusion of large unplanned projects on the ability of the Natural Resources Development Fund to provide for amenities at Department of Natural Resources' (DNR) facilities and the Critical Maintenance Program to reduce the project and funding backlog. Therefore, the committees request that DNR and the Department of Budget and Management (DBM) develop a capital improvement program for both the Natural Resources Development Fund and the Critical Maintenance Program that is updated to conform with the statewide 2020 Capital Improvement Program. DNR's capital improvement program shall include project estimates of planning, construction, and equipment funding by fiscal year for all projects; project prioritizations; explanations for any changes in project scheduling or amount; and a general depreciation schedule for DNR's facilities. The narrative shall be submitted with the fiscal 2021 budget submission.

| Information Request | Authors | Due Date |
|---|----------------|----------------------------------|
| Natural Resources Development Fund and Critical Maintenance Program capital improvement program | DNR DBM | Fiscal 2021 budget submission |

2. Concur with Governor's allowance of \$1,000,000 in special funds for the Ocean City Beach Maintenance local funds.
3. Concur with Governor's allowance of \$13,500,000 in special funds and \$2,500,000 in federal funds for the Waterway Improvement Program.

GO Bond Recommended Actions

1. Add \$12,000,000 in general obligation bond authorization for the Natural Resources Development Fund.

| | | |
|---------|--|---------------|
| KA0510A | Natural Resources Development Fund | \$ 12,000,000 |
|---------|--|---------------|

Add the following language:

| | | |
|-----|--|-------------------|
| (C) | <u>Natural Resources Development Fund. Provide funds to design, construct, and equip capital development projects on Department of Natural Resources property in accordance with § 5-903(g) of the Natural Resources Article</u> | <u>12,000,000</u> |
|-----|--|-------------------|

| | | |
|------------------|---------------|----------------------|
| <u>Allowance</u> | <u>Change</u> | <u>Authorization</u> |
| 0 | 12,000,000 | 12,000,000 |

Explanation: This action adds \$12,000,000 in general obligation (GO) bond authorization for the Natural Resources Development Fund. This reflects the \$3,000,000 in general funds in the Dedicated Purpose Account for the Natural Resources Development Fund and \$9,000,000 in general funds of the State allocation for Program Open Space in the Dedicated Purpose Account. This allows an equivalent amount of general funds budgeted in the Dedicated Purpose Account to be used to fund programs in the Department of Housing and Community Development that require the issuance of more expensive taxable GO bonds.

2. Add \$9,286,358 in general obligation bond authorization for the Critical Maintenance Program.

| | | |
|---------|------------------------------------|--------------|
| KA0510B | Critical Maintenance Program | \$ 9,286,358 |
|---------|------------------------------------|--------------|

Add the following language:

| | | |
|-----|---|------------------|
| (E) | <u>Critical Maintenance Program. Provide funds to construct capital improvements such as planned maintenance and repair projects at public use facilities on State-owned property</u> | <u>9,286,358</u> |
|-----|---|------------------|

| | | |
|------------------|---------------|----------------------|
| <u>Allowance</u> | <u>Change</u> | <u>Authorization</u> |
| 0 | 9,286,358 | 9,286,358 |

Explanation: This action adds \$9,286,358 in general obligation (GO) bond authorization for the Critical Maintenance Program. This reflects the \$6,840,520 in the Dedicated Purpose Account for the Critical Maintenance Program and \$2,445,838 in general funds of the State allocation for Program Open Space in the Dedicated Purpose Account. This allows an equivalent amount of general funds budgeted in the Dedicated Purpose Account to be used to fund programs in the Department of

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Housing and Community Development that require the issuance of more expensive taxable GO bonds.

3. Add \$8,535,752 in general obligation bond authorization for Program Open Space – Local.

| | | |
|---------|----------------------------------|--------------|
| KA0510D | Program Open Space – Local | \$ 8,535,752 |
|---------|----------------------------------|--------------|

Add the following language:

- (D) Program Open Space – Local. Provide funds to make grants to local jurisdictions for the purchase of conservation easements and acquisition of land and development of recreational facilities. Funds appropriated for local grants shall be administered in accordance with §§ 5-905 through 5-906 of the Natural Resources Article

| | | |
|-------------------------|----------------------|-----------------------------|
| <u>Allowance</u> | <u>Change</u> | <u>Authorization</u> |
| 0 | 8,535,752 | 8,535,752 |

Explanation: This action adds \$8,535,752 in general obligation (GO) bond authorization for the local share of Program Open Space. This allows an equivalent amount of general funds budgeted in the Dedicated Purpose Account for the program to instead be used to fund programs in the Department of Housing and Community Development that require the issuance of more expensive taxable GO bonds.

4. Approve the \$2,500,000 general obligation bond authorization for the Community Parks Playgrounds for grants to local governments to design and construct capital-eligible park and playground improvement projects.

5. Add \$1,893,048 in general obligation bond authorization for the Rural Legacy Program.

| | | |
|-------|----------------------------|--------------|
| KA05B | Rural Legacy Program | \$ 6,893,048 |
|-------|----------------------------|--------------|

| | | |
|-------------------------|----------------------|-----------------------------|
| <u>Allowance</u> | <u>Change</u> | <u>Authorization</u> |
| 5,000,000 | 1,893,048 | 6,893,048 |

Explanation: This action adds \$1,893,048 in general obligation (GO) bond authorization for the Rural Legacy Program. This allows an equivalent amount of general funds budgeted in the Dedicated Purpose Account for the program to instead be used to fund programs in the Department of Housing and Community Development that require the issuance of more expensive taxable GO bonds.

6. Reduce the \$6,065,000 general obligation bond authorization for the Coastal Resiliency Program by \$3,980,000.

| | | |
|---------|----------------------------------|--------------|
| KA1402A | Coastal Resiliency Program | \$ 2,085,000 |
|---------|----------------------------------|--------------|

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Allowance
6,065,000

Change
-3,980,000

Authorization
2,085,000

Explanation: This action reduces the \$6,065,000 general obligation bond authorization for the Coastal Resiliency Program by \$3,980,000. This reflects the reduction of funding for projects scheduled to begin construction in April 2020. The five projects are as follows: Selsey Road – Shoreline Enhancements (\$1,000,000); St. Mary’s Church – Shoreline Enhancements (\$980,000); Oxford – Shoreline and Stormwater Enhancements (\$900,000); West River – Shoreline and Stormwater Enhancements (\$800,000); and Deale Beach – Shoreline Enhancements (\$300,000).

7. Approve the \$2,610,000 general obligation bond authorization for the Oyster Restoration Program to design and construct oyster habitat restoration projects.

Total General Obligation Bond Reductions/Additions **\$27,735,158**