

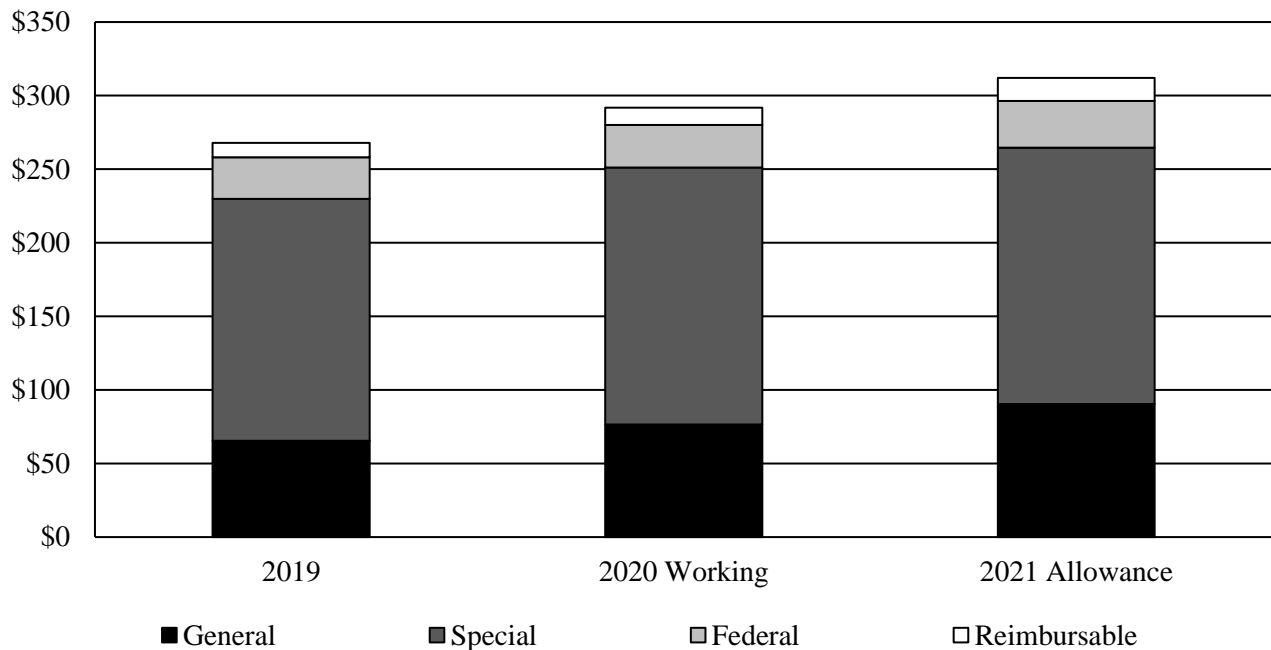
K00A
Department of Natural Resources

Executive Summary

The Department of Natural Resources (DNR) leads Maryland in securing a sustainable future for its environment, society, and economy by preserving, protecting, restoring, and enhancing the State’s natural resources.

Operating Budget Summary

**Budget Increases by \$20.4 Million or 7% to \$312.1 Million in Fiscal 2021
(\$ in Millions)**



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

- DNR’s budget includes fiscal 2020 deficiencies, which would increase DNR’s overall appropriation by \$2,800,000, comprised of \$1,400,000 in general funds and \$1,400,000 in special funds. The deficiencies primarily would provide \$1,400,000 in general funds to the Maryland Park Service (MPS) to backfill funding not released from the Dedicated Purpose Account, and \$750,000 in special funds to the Forest Service and MPS from the Off-Highway Recreational Trail Fund for off-highway recreational trail creation and maintenance.

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- The overall adjusted change in DNR’s budget is an increase of \$20.4 million, or 7.0%. The major changes are increases of \$5.7 million for the Program Open Space repayment for the Forest Service and MPS, \$5.0 million for the J. Millard Tawes ice breaking buoy tender vessel replacement, and \$3.5 million for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund grants.

Key Observations

- ***Natural Resources Police Conservation Inspections Short of Objective:*** The number of Natural Resources Police conservation inspections was 146,210 in fiscal 2019 and thus, it is unlikely that the objective of 170,000 conservation inspections by 2021 will be met.
- ***Oyster Numbers Hurt by Low Spatfall and High Rainfall:*** Oyster population numbers have been hurt by low spatfall since calendar 2012 and very low salinity levels, which lowers the reproductive capability of oysters, as a result of high rainfall numbers in calendar 2018.
- ***Power Plant Assessment Program Reviews Projected to Increase:*** The number of new power plant transmission line projects under review is estimated to increase from 26 in calendar 2018 to 38 in calendar 2020 to 2021 as a result of distribution lines needing to be upgraded. The distribution lines have reached their capacity as a result of the large number of solar projects over the past few years.
- ***Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Allocation:*** The three largest allocations in fiscal 2021 are the \$25.5 million for the Competitive Grant Program to fund cost-effective nonpoint source nutrient and sediment reduction projects, \$11.3 million for the Cover Crop Program, and \$6.0 million for Natural Filters on Public Lands Program to fund nutrient and sediment reduction projects such as forested buffers and stream and floodplain restoration. In fiscal 2019 and 2020, the largest recipient of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding by number of projects funded was the Maryland Forestry Foundation for its Healthy Forests, Healthy Waters Initiative.
- ***Overhead Rate Change Proposed for Office of the Secretary:*** DNR’s fiscal 2021 allowance reflects a change in the overhead rate methodology for funding charged to its special funds for the use of the Office of the Secretary. The change in methodology amounts to a \$3.2 million reduction in special fund allocation to the Office of the Secretary and an overall increase of \$4.8 million of which \$3.8 million is designated as replacement funding for the special funds, and the remainder is allocated for increased salary costs. An equitable review of DNR’s overhead charges would include the possibility of raising fees and reviewing reimbursable fund arrangements between DNR’s units.
- ***Forest Service and MPS Funding Changes:*** A number of general fund and special fund changes affect the Forest Service and MPS in fiscal 2020 and 2021, including a funding

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shortfall, programmatic fiscal 2020 deficiencies, transfer tax repayment, and a special fund shift. The overall impact of these four funding changes is an increase of \$727,525 in general funds and a decrease of \$469,522 in special funds across the two units, or a net increase of \$258,003.

Operating Budget Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add narrative requesting a report on the Department of Natural Resources' multi-year special fund overhead replacement plan.		
2. Abolish vacant positions in the Wildlife and Heritage Service.	\$ 141,151	2.0
3. Add budget bill language restricting funding until the submission of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund annual report and supplementary information.		
4. Abolish vacant positions in the Chesapeake and Coastal Service.	123,539	2.0
5. Add narrative on Chesapeake Bay spending for programs with over 50% of their activities directly related to Chesapeake Bay restoration.		
Total Reductions	\$ 264,690	4.0

Updates

- ***Critical Maintenance Program Report:*** The budget committees were concerned about the growing backlog of deferred, critical maintenance projects on public lands managed by DNR and therefore requested that DNR, in coordination with the Department of Budget and Management and the Department of General Services (DGS), submit a Critical Maintenance Program report to the committees and the Governor by October 15, 2019. The submitted report notes that it is considering an increase in its procurement authority from \$50,000 to \$100,000, the establishment of four regional construction crews, the use of the DGS' new Computerized Maintenance Management System, and public-private partnerships.

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Operating Budget Analysis

Program Description

The Department of Natural Resources (DNR) leads Maryland in securing a sustainable future for its environment, society, and economy by preserving, protecting, restoring, and enhancing the State's natural resources. To accomplish this mission, DNR is structured into the programmatic units described below.

- ***Office of the Secretary:*** Provides leadership, public outreach, customer service, legislative, financial, administrative, information technology, and legal services.
- ***Forest Service:*** Manages the State forests and supports Maryland's forest and tree resources by providing private forestland management expertise, wildfire protection, and urban and community forestry assistance.
- ***Wildlife and Heritage Service:*** Provides technical assistance and expertise to the public and private sectors for the conservation of Maryland's wildlife resources, including the management of threatened and endangered species, game birds, and mammals and the operation of over 125,000 acres of State-owned lands classified as Wildlife Management Areas.
- ***Maryland Park Service (MPS):*** Manages natural, cultural, historic, and recreational resources in parks across the State and provides related educational services.
- ***Land Acquisition and Planning:*** Administers diverse financial assistance programs that support public land and easement acquisitions and local grants and leads the preparation of the Maryland Land Preservation and Recreation Plan.
- ***Licensing and Registration Service:*** Operates eight regional service centers (primarily within the Motor Vehicle Administration branch offices) that assist the public with vessel titling and registration, off-road vehicle registration, commercial fishing licenses, and recreational hunting and fishing licenses.
- ***Natural Resources Police (NRP):*** Preserves and protects Maryland's natural resources and its citizens through enforcement of conservation, boating, and criminal law; provides primary law enforcement services for Maryland's public lands owned by DNR; and serves as the State's lead on maritime homeland security.
- ***Engineering and Construction:*** Provides engineering, project management, and in-house construction services.

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- ***Critical Area Commission:*** Implements the cooperative resource protection program between the State and local governments in the 1,000-foot-wide critical area surrounding the Chesapeake Bay by reviewing local development proposals, providing technical planning assistance to local governments, approving amendments to local plans, and providing grants for the implementation of 64 local critical area programs.
- ***Resource Assessment Service:*** Evaluates and directs implementation of environmental restoration and protection policy for tidal and nontidal ecosystems, ensures electricity demands are met at reasonable costs while protecting natural resources, and provides scientific assessments and technical guidance for the management of geologic and hydrologic resources.
- ***Maryland Environmental Trust:*** Negotiates and accepts conservation easements over properties with environmental, scenic, historic, or cultural significance and provides grants, loans, and technical assistance to local land trusts.
- ***Chesapeake and Coastal Service:*** Coordinates State efforts to restore and protect the Chesapeake and Atlantic Coastal Bays by providing technical assistance and financial resources to local governments, State government agencies, nonprofit organizations, and private landowners in order to restore local waterways and prepare for future storms and coastline changes. In addition, the unit also administers the Waterway Improvement Program’s capital projects – public boating access facilities and navigation channel dredging – and coordinates the Clean Marina Initiative and Pumpout Program.
- ***Fishing and Boating Services:*** Manages commercial and recreational harvests to maintain sustainable fisheries and to optimize recreational and economic use of these resources. In addition, the unit also oversees a State-owned marina and places regulatory markers and navigation aids in support of sustainable development, use, and enjoyment of Maryland waterways for the general boating public.

DNR’s mission is to lead Maryland in securing a sustainable future for its environment, society, and economy by preserving, protecting, restoring, and enhancing the State’s natural resources. DNR’s goals are as follows.

- ***Goal 1:*** Healthy terrestrial ecosystems.
- ***Goal 2:*** Healthy aquatic ecosystems.
- ***Goal 3:*** Fiscal responsibility: efficient use of energy and resources, and the support of long-term economic prosperity.
- ***Goal 4:*** Citizen stewardship, outdoor recreation, and opportunities to take action.
- ***Goal 5:*** Vibrant communities and neighborhoods.

Performance Analysis: Managing for Results

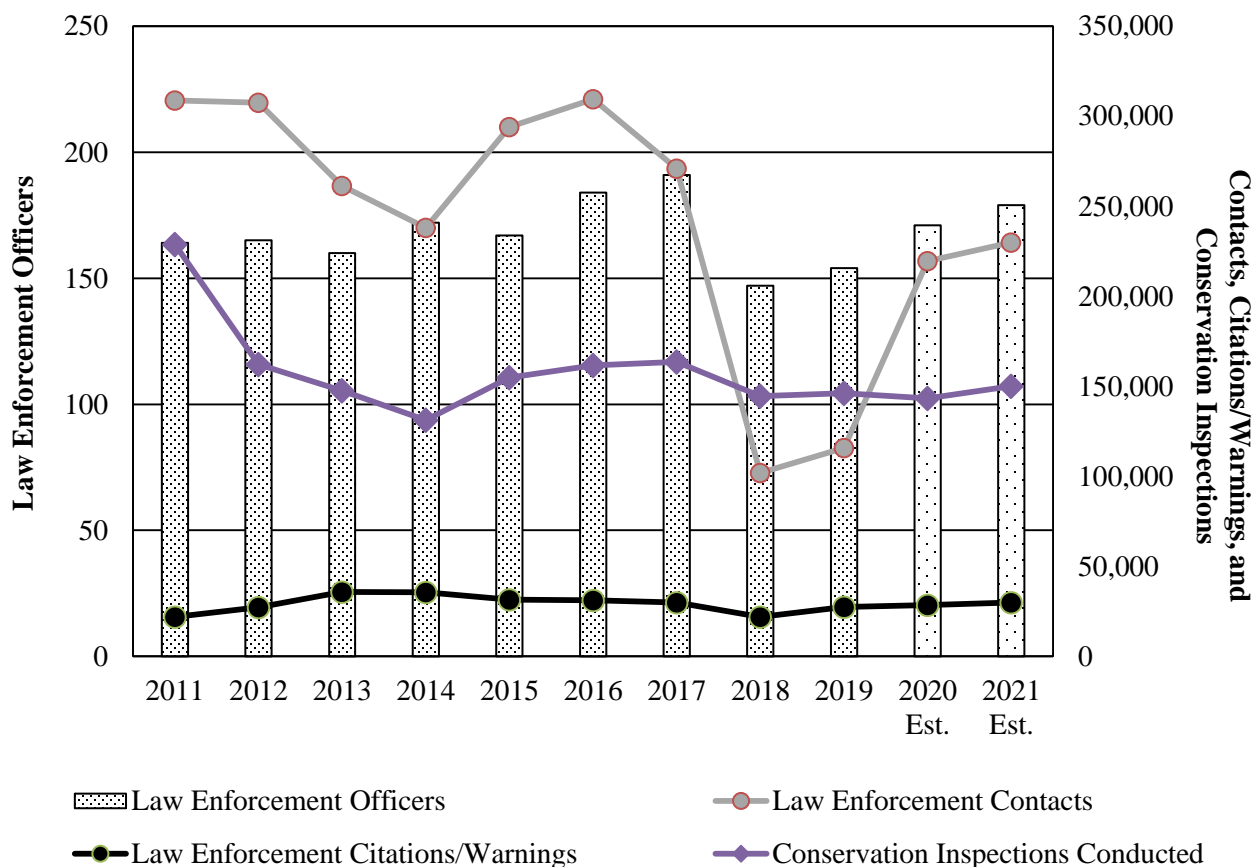
The Managing for Results analysis shows that (1) the number of NRP conservation inspections is unlikely to meet the objective of 170,000 by 2021; (2) oyster population numbers are hurt by low spatfall and high rainfall; and (3) Power Plant Assessment Program reviews are projected to increase.

1. NRP Conservation Inspections Short of Objective

DNR's first and fourth goals apply to the work of NRP. The first goal is healthy terrestrial ecosystems. Under this goal, one of the objectives is to preserve and protect Maryland's aquatic and wildlife habitats and populations by increasing the number of conservation inspections conducted annually to 170,000 by 2021. The fourth goal is citizen stewardship, outdoor recreation, and opportunities to take action. Under this goal, one of the objectives is to ensure safe and enjoyable recreational opportunities for boaters, hunters, park visitors, and others participating in outdoor recreation activities by providing effective law enforcement services as a public safety agency.

As shown in **Exhibit 1**, the number of law enforcement officers in the field increased between fiscal 2011 and 2017 but then decreased in fiscal 2018. DNR has noted that in fiscal 2018, a high number of patrol officers were temporarily assigned to conduct background investigations in order to hire new officers. This decrease in officers coincides with decreases in the number of law enforcement contacts, citations/warnings, and, to a lesser extent, conservation inspections conducted. In addition, it appears that this reduction in patrol officers has made it more difficult to meet the 170,000 conservation inspections conducted objective; only 146,210 such inspections were conducted in fiscal 2019. DNR notes that NRP will have a higher number of officers available to conduct inspections due to a decrease in retirements compared to the past five years and that it anticipates meeting the objective within a couple of years.

**Exhibit 1
Law Enforcement Officer Statistics
Fiscal 2011-2021 Est.**



Source: Department of Budget and Management

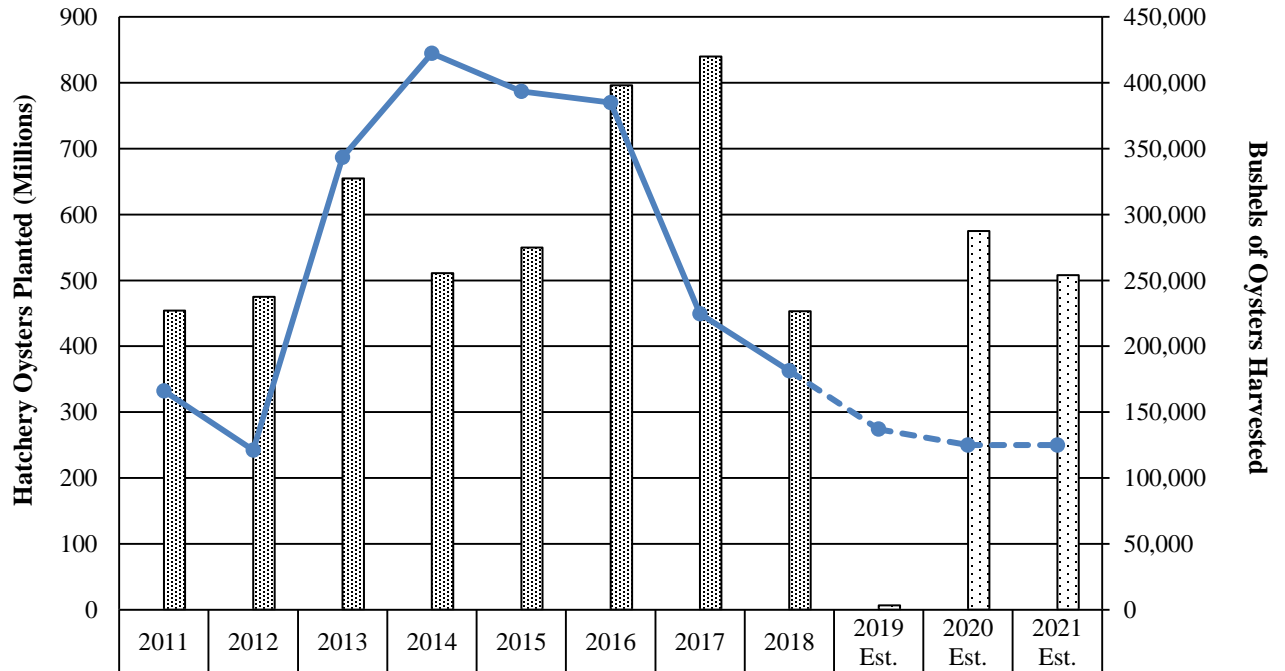
2. Oyster Numbers Hurt by Low Spatfall and High Rainfall

DNR’s second goal is healthy aquatic ecosystems. Under this goal is the objective to restore native oyster habitat and populations to 10 tributaries (5 in Maryland) by 2025 and to ensure their protection. A larger objective is to increase the oyster biomass index from the 1994 base of 1 to an index of 10. The health of oyster stock in the Chesapeake Bay appears to have declined in recent years, as shown in **Exhibit 2**. Between calendar 2015 and 2018, both the oyster biomass index and the number of bushels of oysters harvested have declined. The number of hatchery oysters planted provided a healthy counterpoint to these declines over the calendar 2015 to 2017 time period with a high of 840 million hatchery oysters planted in calendar 2017, but then there was a sharp decrease in the

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number of hatchery oysters planted between calendar 2017 and 2019. DNR notes that the decline in the number of bushels harvested corresponds to low spatfall; spat are young oysters that become market oysters a few years later. Above average spatfalls in calendar 2010 and 2012 boosted harvests from calendar 2012 to 2016, but then there has been average to low spatfalls and very low salinity levels due to heavy rain in calendar 2018 – Baltimore City received 71.82 inches – lowering salinity levels into calendar 2019 that decreased oyster growth and consequently the oysters available for harvest. The hatchery larval production also was affected by the high rainfall since lowered salinity lowers the reproductive capability of oysters at the hatchery.

**Exhibit 2
Oyster Statistics
Calendar 2011-2021**



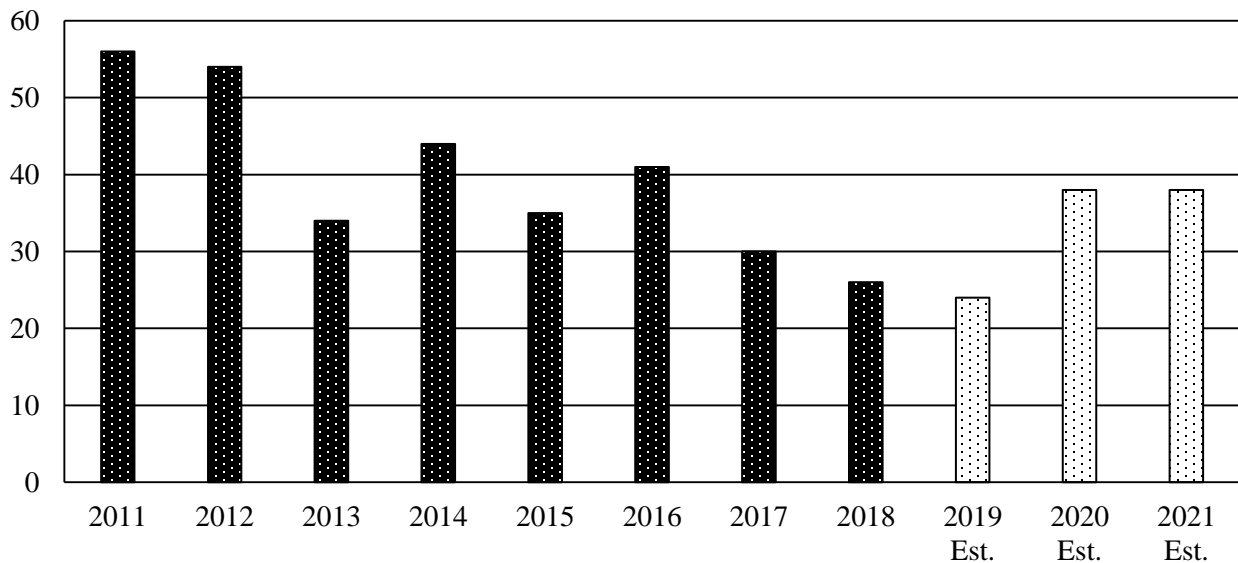
Oyster Biomass Index (1,994 Base = 1; Goal = 10)	1	1	2	2	2.1	1.77	1.41	1.40	1.78	1.75	1.25
Hatcherly Oysters Planted (Millions)	454	475	655	511	550	796	840	453	6.6	575	508
Bushels of Oysters Harvested	166,000	121,173	343,575	422,382	393,588	385,000	224,685	181,329	136,954	125,000	125,000

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

3. Power Plant Assessment Program Reviews Projected to Increase

DNR’s third goal is fiscal responsibility: efficient use of energy and resources and support of long-term economic prosperity. Under this goal is the objective to annually issue assessments and recommendations to minimize the environmental, public health, and socioeconomic impacts of electric energy facilities. As shown in **Exhibit 3**, the number of new power plant transmission line projects under review is estimated to increase from calendar 2018 (26) to calendar 2020 to 2021 (38). DNR notes that the large number of solar projects over the past few years, both distributed generation and utility scale generation, have caused many distribution lines to reach their capacity. As a result, many of these lines will need to be upgraded over the next few years in order to create enough capacity for the State to meet its Renewable Portfolio Standard goals, which were increased by Chapter 757 of 2019.

Exhibit 3
Power Plant Assessment Program Projects under Review
Calendar 2011-2021 Est.



Source: Department of Budget and Management

Fiscal 2020

Proposed Deficiency

The Governor has submitted deficiency appropriations for the fiscal 2020 operating budget for four programs that would increase DNR’s appropriation overall by \$2,800,000. The funding increase

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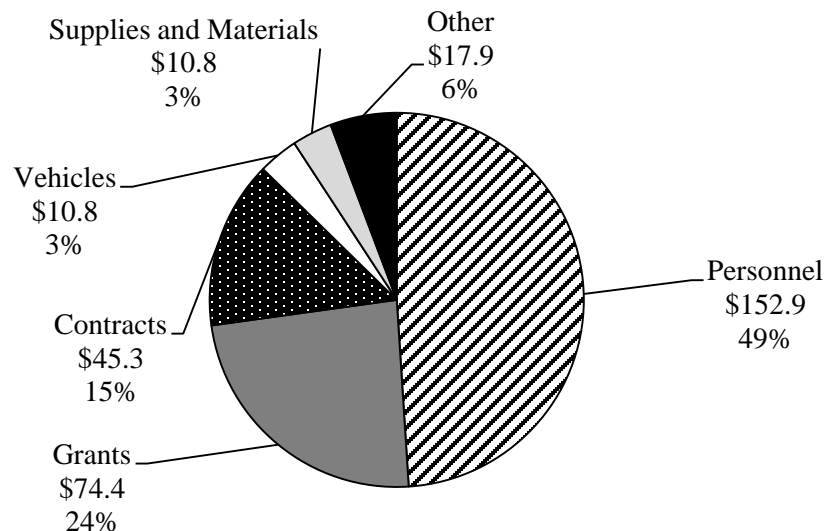
is comprised of \$1,400,000 in general funds and \$1,400,000 in special funds. The changes would be as follows.

- ***MPS:*** An increase of \$1,775,000 is comprised of \$1,400,000 in general funds and \$375,000 in special funds. The \$1,400,000 in general funds is for salaries to backfill a shortfall in special fund revenue at least partially due to the Administration’s decision not to release fiscal 2020 funding from the Dedicated Purpose Account (DPA). The \$375,000 in special funds are from the Off-Highway Recreational Trail Fund and are for contractual services related to off-highway recreational trail creation and maintenance. The Off-Highway Recreational Trail Fund was established by Chapter 700 of 2018 for the purpose of maintaining and constructing trails for off-highway recreational vehicles on specified land that is owned or leased by DNR. The fund consists of 50% of the revenue generated from the excise tax imposed on off-highway recreational vehicles (25% in fiscal 2019 only) and any money appropriated for the fund in the State budget. Money expended from the fund is supplemental to and is not intended to replace funding that would otherwise be appropriated for maintaining and constructing trails for off-highway recreational vehicles. As of July 22, 2019, the Maryland Department of Transportation had transferred \$453,703 to DNR for fiscal 2019.
- ***Engineering and Construction:*** An increase of \$400,000 in special funds from the Maryland Environmental Service (MES), presumably originally from the Maryland Port Administration (MPA), for a portion of the cost to remove Bloede Dam. By providing this, MPA will fulfill permit mitigation requirements for the Masonville Dredged Material Containment Facility. The receipt of the funding from MES reduces the use of transfer tax funding.
- ***Forest Service:*** An increase of \$375,000 in special funds from the Off-Highway Recreational Trail Fund for contractual services (\$307,500) and supplies and materials (\$67,500) related to off-highway recreational vehicle trail creation and maintenance. Three off road vehicle projects have been identified: St. John’s Rock Off Road Vehicle Connector Trail at Savage River State Forest (\$190,000); Wallman Road Off Road Vehicle Trail Maintenance at Potomac-Garrett State Forest (\$163,000); and a rollback truck equipment purchase to transport an off road vehicle side-arm mower for Potomac-Garrett State Forest (\$160,000).
- ***Power Plant Assessment Program:*** An increase of \$250,000 in Strategic Energy Investment Fund special funds from the Regional Greenhouse Gas Initiative for contractual services (\$170,000), contractual full-time equivalents (FTE) (\$69,099), and salaries in order to fund studies by the Power Plant Research Program (PPRP) related to the State’s renewable portfolio standard per Chapter 757. Under Chapter 757, the PPRP must conduct a study and report on nuclear energy and its role as a renewable or clean energy resource by January 1, 2020, include additional topics for an existing study being conducted by the PPRP that was due December 1, 2019, and conduct a supplemental study on a 100% renewable portfolio standard goal due by January 1, 2024.

Fiscal 2021 Overview of Agency Spending

DNR’s main expenditure categories are personnel, grants, contracts, vehicles, supplies and materials, and other administrative funding. **Exhibit 4** reflects this breakdown. The largest category is personnel, which accounts for \$152.9 million, or 49%, and includes funding for both DNR’s 1,344.00 regular positions and 407.37 contractual FTE as well as the general salary increase. The second largest category of spending is for grants, which accounts for \$74.4 million, or 24%. The main allocation is for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund grants that are budgeted at \$56.0 million in fiscal 2021. Smaller grants include \$5.7 million for repayment to MPS and the Forest Service of prior diversions of the transfer tax to the General Fund, \$3.6 million for payments to counties per Chapter 692 of 2017, \$2.1 million for payments to counties in lieu of taxes, and \$1.8 million mandated for Fishing and Boating Services. Contracts account for \$45.3 million, or 15%, of fiscal 2021 expenditures and include \$6.0 million for replacement of the J. Millard Tawes ice breaking buoy tender vessel, \$5.2 million for the Department of Information Technology (DoIT) fee-for-service business model, and \$3.3 million in special funds for Power Plant Assessment Program technical assistance. Combined, vehicles and supplies and materials account for \$21.6 million, which is approximately 6% of the fiscal 2021 allowance, and the funding is primarily used by MPS, NRP, and Fishing and Boating Services. The remaining \$17.9 million, or 6%, of expenditures is for other spending.

Exhibit 4
Overview of Agency Spending
Fiscal 2021 Allowance
(\$ in Thousands)



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

Proposed Budget Change

DNR’s fiscal 2021 adjusted allowance increases by \$20.4 million, or 7.0%, relative to the fiscal 2020 adjusted working appropriation, as shown in **Exhibit 5**. The changes by fund reflect an increase of \$13.8 million in general funds, a decrease of \$0.4 million in special funds, an increase of \$2.9 million in federal funds, and an increase of \$4.0 million in reimbursable funds. Changes in personnel funding are discussed first, followed by other changes.

Exhibit 5
Proposed Budget
Department of Natural Resources
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2019 Actual	\$65,356	\$164,417	\$28,265	\$9,885	\$267,923
Fiscal 2020 Working Appropriation	76,569	174,549	28,898	11,729	291,745
Fiscal 2021 Allowance	<u>90,364</u>	<u>174,161</u>	<u>31,819</u>	<u>15,762</u>	<u>312,106</u>
Fiscal 2020-2021 Amount Change	\$13,795	-\$388	\$2,921	\$4,033	\$20,361
Fiscal 2020-2021 Percent Change	18.0%	-0.2%	10.1%	34.4%	7.0%

Where It Goes:	Change
Personnel Expenses	
State Law Enforcement Officers Labor Alliance increments and 4% COLA	\$1,899
General salary increase including COLAs	1,661
Employee and retiree health insurance	377
Retirement contributions	315
Reclassification	196
New positions (2.5)	179
Law enforcement officer pension system	154
Turnover adjustments	150
Workers’ compensation premium assessment	-158
Abolished/transferred positions (7.5)	-515
Other fringe benefit adjustments	50
Other Changes	
Grants	
Program Open Space repayment for the Maryland Park Service and Forest Service	5,691
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund grants	3,482
Middle Branch Waterfront project	250
Calvert County Youth Opportunities Fund	-232
Deficiencies	
One-time fiscal 2020 deficiency for Bloede Dam	-400
Routine Operations	
J. Millard Tawes ice breaking buoy tender vessel replacement	5,000
State controlled costs	939
Federal indirect cost recovery	665

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Where It Goes:	<u>Change</u>
Forest Service easement acquisitions in Cecil County using federal funds	555
Contractual full-time equivalent increase by 4.22	372
Breeding Bird Atlas Project	213
Other	53
Equipment reductions in order to fund the Maryland Park Service personnel	-535
Total	\$20,361

COLA: cost-of-living adjustment

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Personnel

DNR’s overall personnel expenditures increase by \$4,307,553 in the fiscal 2021 adjusted allowance. The major change is in NRP with an increase of \$1,898,549 comprised of \$1,268,203 for the 4% State Law Enforcement Officer Labor Alliance (SLEOLA) cost-of-living adjustment (COLA) and \$630,346 for increments effective July 1, 2020. Of note, SLEOLA negotiated a 5% COLA for fiscal 2021, but only 4% is reflected in DNR’s budget. The remainder will be brought in via a supplemental budget.

Another large increase is the general salary increase of \$1,660,947. This salary increase is comprised of increases of \$2,020,051 due to a one-time temporary negative placeholder for fiscal 2020 MPS funding that was budgeted but not released from the DPA, \$723,863 for the net annualization of the fiscal 2020 1% COLA, and \$816,926 for the fiscal 2021 2% COLA. These increases are offset partially by decreases of \$1,410,901 for one-time fiscal 2020 deficiencies for backfilling the MPS funding not released from the DPA and \$488,992 for salaries.

Other increases include \$376,862 for employee and retiree health insurance, \$314,898 for pension contributions by non-law enforcement positions, \$196,386 for reclassifications, \$179,459 for 2.5 new positions, \$154,160 for law enforcement officer pension system contributions, and \$149,702 for turnover adjustments. There are also decreases of \$514,506 for 7.5 abolished positions, and \$158,462 for the workers’ compensation premium assessment.

As noted above, the overall change in positions reflects 6.75 abolished vacant positions that were not being utilized and the addition of 2.5 positions. The 0.5 new position in the fiscal 2020 deficiency is for implementing Chapter 757, and is in the Power Plant Assessment Program. The 2.0 new positions are to help with technical assistance for nuisance flooding and the expanded role of the Smart Coast Council to address climate resiliency for State capital projects in the Chesapeake and Coastal Service.

Other Changes

Overall, the nonpersonnel portion of DNR’s fiscal 2021 adjusted allowance increases by \$16,053,354. The areas of change may be broadly categorized as grants, deficiencies, and routine operations.

Grants

The largest category of change is for grant funding. There is an increase of \$5,690,501 in general funds for Program Open Space repayment funding in the fiscal 2021 allowance. This is comprised of \$3,500,000 for the Forest Service and \$2,190,501 for MPS. The funding is double counted in the fiscal 2021 allowance. The grants from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund increase by \$3,481,639 from \$52,820,948 to \$56,302,587. The Chesapeake and Atlantic Coastal Bays Allocation is reflected in Update 1 of this analysis. There is an increase of \$250,000 in special funds in MPS for a grant to the Parks and People Foundation to support the Middle Branch Waterfront. Baltimore City is required to provide matching funds to receive the award. These increases are offset partially by a decrease of \$231,588 in special funds for the Calvert County Youth Recreational Opportunities Fund. DNR administers the fund established in Natural Resources Article Section 5-1901. The reduction is due to revenue estimates provided by the Department of Budget and Management (DBM).

Deficiencies

The only fiscal 2020 deficiency funding that is not ongoing is the funding for the Bloede Dam removal from MES. Therefore, there is a reduction of \$400,000 in special funds. The \$375,000 in special funds from the Off-Highway Recreational Vehicle Trail Fund in both the Forest Service and MPS is ongoing in fiscal 2021. The \$250,000 in funding from the Strategic Energy Investment Fund for studies by the Power Plant Assessment Program related to studies concerning the State’s renewable portfolio standard also is ongoing and is increased by \$250,000 in fiscal 2021 as part of an increase for contractual FTE noted below.

Routine Operations

Under routine operations, there are several large changes. There is an increase of \$5,000,000 in reimbursable funds for the J. Millard Tawes ice breaking buoy tender vessel replacement project. The funding comes from the Waterway Improvement Fund, which provides a total of \$6,000,000 in fiscal 2021. The design funding is expected to be taken to the Board of Public Works in April 2020. The overall project is expected to cost approximately \$9.0 million.

State controlled costs increase by a net of \$938,849 in combined funds due primarily to increases of \$843,269 for 700 megahertz radio system maintenance costs, \$236,384 for the DoIT services allocation, and \$191,176 for the Enterprise Budgeting System, which is offset partially by a decrease of \$268,265 for MES charges.

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There is an increase of \$664,946 in federal funds for the federal indirect cost recovery for the federal awards the Chesapeake and Coastal Service administers on behalf of DNR. There is also an increase of \$555,000 in federal funds in the Forest Service for the costs associated with acquiring conservation easements on two parcels in Cecil County using various federal contracts. The parcels were acquired in fiscal 2019, but the expenditures are not expected until fiscal 2021.

There is an increase of \$372,095 for contractual FTEs, which increase by 4.22 FTEs in the fiscal 2021 allowance. The changes in contractual FTEs are reflected in **Exhibit 6**. The largest changes are an increase of 6.0 FTEs in NRP – Field Operations for 3 administrative officer II FTEs and 3 polygraph examiner FTEs to conduct background checks and polygraph examinations for NRP officer candidates and cadets and the reduction of 5.2 FTEs in the Forest Service reflecting contractual conversions and abolished FTEs.

Exhibit 6
Contractual Full-time Equivalents Changes
Fiscal 2020-2021

<u>Program</u>	<u>FTEs</u>	<u>Amount</u>	<u>Description</u>
Office of the Secretary – Finance and Administrative Service	-1.00	-\$54,308	Moved to Fishing and Boating Services.
Office of the Secretary – Human Resource Service	0.00	8,743	Reflects anticipated salary/classification.
Forest Service	-5.15	-23,271	Reflects contractual conversions and abolished FTEs.
Wildlife and Heritage Service	2.16	92,805	Added long-term contractual and seasonals to fulfill federal grants.
MPS – Statewide Operation	4.80	181,621	Reflects anticipated salary/classification.
Land Acquisition and Planning	0.00	-3,284	Reflects anticipated salary/classification.
Licensing and Registration Service	-0.60	-15,173	Reflects contractual conversion and abolished position.
NRP – General Direction	1.00	-28,455	Added administrator I funded with federal funds to supervise 4 hunter education coordinators.
NRP – Field Operations	6.00	125,975	Added 3 administrative officer II FTEs and 3 polygraph examiner FTEs to conduct background checks and polygraph examinations for NRP Officer Candidates and Cadets.
Engineering and Construction	-2.00	-77,988	Reduced FTEs due to unavailable funding.
Resource Assessment Service – Power Plant Assessment Program	3.00	198,091	Added 3 FTEs to assist processing of Certificate of Public Convenience and Necessity applications for Chapter 757.

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<u>Program</u>	<u>FTEs</u>	<u>Amount</u>	<u>Description</u>
Resource Assessment Service – Tidewater Ecosystem Assessment	-3.58	7,889	Reduced FTEs due to unavailable funding.
Resource Assessment Service – Maryland Geological Survey	0.00	3,324	Reflects anticipated salary/classification.
Maryland Environmental Trust	0.00	31	
Chesapeake and Coastal Service	-0.41	-57,918	Reduced FTEs associated with the Work2Live WELL skills training program.
Fishing and Boating Services	0.00	14,013	Reflects anticipated salary/classification.
Total	4.22	\$372,095	

FTE: full-time equivalent
MPS: Maryland Park Service
NRP: Natural Resources Police

Source: Department of Natural Resources

There is an increase of \$212,800 in federal funds in the Wildlife and Heritage Service. This funding will be used for two new research projects contracted with universities and to support the Breeding Bird Atlas Project started on January 1, 2020. The increases noted are offset partially by a decrease of \$535,082 in special funds for equipment in MPS in order to shift funding for covering mandatory personnel expenditures.

Personnel Data

	<u>FY 19</u> <u>Actual</u>	<u>FY 20</u> <u>Working</u>	<u>FY 21</u> <u>Allowance</u>	<u>FY 20-21</u> <u>Change</u>
Regular Positions	1,340.25	1,348.25	1,344.00	-4.25
Contractual FTEs	<u>332.37</u>	<u>403.15</u>	<u>407.37</u>	<u>4.22</u>
Total Personnel	1,672.62	1,751.40	1,751.37	-0.03

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	73.51	5.48%
Positions and Percentage Vacant as of 12/31/19	139.75	10.37%
Vacancies Above Turnover	66.24	

- DNR’s regular positions decrease by 4.25 between the fiscal 2020 working appropriation and the fiscal 2021 allowance. This reflects 6.75 abolished vacant positions that were not being utilized and the addition of 2.5 positions. The 0.5 new position in the fiscal 2020 deficiency is for implementing Chapter 757 and is reflected as \$10,901 in the Power Plant Assessment Program. The 2 new positions in fiscal 2020 are to help with technical assistance for nuisance flooding and the expanded role of the Smart Coast Council to address climate resiliency for State capital projects in the Chesapeake and Coastal Service.
- DNR’s contractual FTEs increase by 4.2 in the fiscal 2021 allowance. The largest changes are an increase of 6.00 FTEs in NRP – Field Operations for 3 administrative officer II FTEs and 3 polygraph examiner FTEs to conduct background checks and polygraph examinations for NRP officer candidates and cadets and the reduction of 5.15 FTEs in the Forest Service reflecting contractual conversions and abolished FTEs.
- DNR had 139.8 vacant positions as of December 31, 2019. Of these vacant positions, 30.0 have been vacant for longer than a year. DNR notes that a number of people retired before the December 31, 2019 deadline for State retiree prescription drug benefits established in Chapter 767 of 2019. In addition, DNR notes that an NRP academy began on February 12, 2020, and will likely fill up to 16.0 of these vacant positions.
- DNR’s turnover rate decreases from 5.55% in the fiscal 2020 working appropriation to 5.48% in the fiscal 2021 allowance, which reflects a decrease in the number of necessary vacancies to approximately 74. DNR has 140 vacancies as of December 31, 2019, which is 66 vacancies above turnover.

Issues

1. Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Allocation

Chapter 6 of the 2007 special session established the Chesapeake and Atlantic Coastal Bays 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. Fiscal 2021 revenue is estimated to be \$57,160,931 and is comprised of \$13,314,000 from the motor fuel tax and \$43,832,931 from the sales and use tax on short-term vehicle rentals.

The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund allocations for fiscal 2020 and the fiscal 2021 allowance are shown in **Exhibit 7**. Final decisions on allocations typically are made by the BayStat agencies after the final funding levels have been determined. Overall, the three largest allocations in fiscal 2021 are the \$25.5 million for the Competitive Grant Program to fund cost-effective nonpoint source nutrient and sediment reduction projects, \$11.3 million for the Cover Crop Program, and \$6.0 million for Natural Filters on Public Lands Program to fund nutrient and sediment reduction projects such as forested buffers and stream and floodplain restoration. The largest changes between fiscal 2020 and 2021 include increases of \$1.7 million for the Competitive Grant Program, \$1.6 million for agricultural technical assistance to fund 53 new soil conservation district positions in the Maryland Department of Agriculture’s budget, \$1.0 million for Grants to Farmers, and \$1.0 million for the Manure Transport Program. The reductions between fiscal 2020 and 2021 include \$1.6 million for manure management through proven technology and \$0.2 million for development of the Phosphorus Management Tool, but these allocations are being funded through grants to farmers and other nonpoint source pollution funding items.

Exhibit 7
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund
Planned Expenditures
Fiscal 2020-2021
(\$ in Millions)

<u>Category/Activity</u>	<u>2020 Current</u>	<u>2021 Request</u>	<u>Difference</u>
Accountability, Verification, and Management			
Strategic Monitoring and Assessment	\$0.4	\$0.4	\$0.0
Restoration Research Grant Program	0.3	0.3	\$0.0
Implementation Tracking	0.2	0.2	\$0.0
Administration and Management (1.5%)	0.8	0.9	\$0.1
Subtotal	\$1.7	\$1.8	\$0.1
Accelerating Restoration through Research and Development			
Innovative Technology Fund	\$1.0	\$1.0	\$0.0
Manure Management Through Proven Technology	1.6	0.0	-\$1.6
Subtotal	\$2.6	\$1.0	-\$1.6
Implementation Technical Assistance			
Agricultural Technical Assistance	\$3.3	\$4.9	\$1.6
Water Management Permit Expeditors	0.8	0.8	\$0.0
Field Restoration Specialists	0.8	0.8	\$0.0
Subtotal	\$4.8	\$6.4	\$1.6
Nonpoint Source Pollution Control Projects			
Cover Crop Program	\$11.3	\$11.3	\$0.0
Conservation Reserve Enhancement Program Bonus Payments	0.5	0.5	\$0.0
Grants to Farmers	2.0	3.0	\$1.0
Manure Transport Program	0.8	1.8	\$1.0
Development of the Phosphorus Management Tool	0.2	0.0	-\$0.2
Competitive Grant Program	23.8	25.5	\$1.7
Natural Filters on Public Lands	6.0	6.0	\$0.0
Subtotal	\$44.5	\$48.0	\$3.5
Total	\$53.6	\$57.2	\$3.5

Note: In fiscal 2021, the funding for Manure Management Through Proven Technology and Development of the Phosphorus Management Tool are funded through Grants to Farmers and other non-point source pollution funding items.

Source: Department of Natural Resources

DNR notes that there is an opening balance, presumably for fiscal 2020, of \$12.1 million, which includes revenue overattainment and balances from projects that closed out under budget. A portion of this balance has been identified and selected for Competitive Grant Program local projects through a funding solicitation. In fiscal 2019 and 2020, the largest recipient of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding by number of projects funded was the Maryland Forestry Foundation for its Healthy Forests, Healthy Waters Initiative.

The Department of Legislative Services (DLS) recommends that DNR comment on what the Maryland Forestry Foundation’s Healthy Forests, Healthy Waters Initiative entails. DLS also recommends that \$200,000 in special fund appropriation be restricted pending the submission of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund annual work plan with the fiscal 2022 budget submission. DLS further recommends the addition of committee narrative to request that the Administration continue to publish the overall Chesapeake Bay restoration data in the Governor’s Budget Books and provide the electronic data separately.

2. Overhead Rate Change Proposed for Office of the Secretary

DNR’s fiscal 2021 allowance reflects a change in the overhead rate methodology for funding charged to its special funds for the use of the Office of the Secretary. The change in methodology amounts to a \$3.2 million reduction in special fund allocation to the Office of the Secretary and an overall increase of \$4.8 million of which \$3.8 million is designated as replacement funding for the special funds, and the remainder is allocated for increased salary costs.

As shown in **Exhibit 8**, the special fund reductions are not uniform but appear to be targeted to particular funds. For instance, the Forest and Park Reserve Fund allocation decreases by \$1.8 million, and the Environmental Trust Fund allocation decreases by \$0.9 million. The Forest and Park Reserve Fund is one of the main sources of revenue supporting MPS, so it is understandable that there would be interest in reducing the overhead charged to this fund. Similarly, the Environmental Trust Fund is one of the main sources of revenue supporting the Power Plant Assessment Program. Both of these programs have had funding challenges in recent years. In contrast, the allocations increase by \$226,230 for the State Boat Act, which supports NRP and the Licensing and Registration Service; and by \$118,082 for the Fisheries Management and Protection Fund and \$116,985 for the Fisheries Research and Development Fund, both of which support Fishing and Boating Services.

Exhibit 8
Special Fund Overhead Rate Changes in the Office of the Secretary
Fiscal 2020-2021

<u>Special Fund</u>	<u>2020</u>	<u>2021</u>	<u>Difference</u>
Forest and Park Reserve Fund	\$1,834,365	\$0	-\$1,834,365
Environmental Trust Fund	900,899	0	-900,899
Forest and Park Concession Fund	290,718	0	-290,718
Program Open Space Administrative Fee	986,616	700,000	-286,616
Deep Creek Lake Management and Protection Fund	125,078	0	-125,078
Natural Resources Property Maintenance Fund	80,047	0	-80,047
Fair Hill Improvement Fund	74,814	0	-74,814
Wildlife Management and Protection Fund	748,555	724,964	-23,591
Waterway Improvement Fund	765,483	750,000	-15,483
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	145,270	135,000	-10,270
Migratory Wild Waterfowl Stamp	70,850	60,861	-9,989
Offroad Vehicle Account	1,881	0	-1,881
Forest and Park Reserve Fund – Forestry	485,661	484,865	-796
Upland Wildlife Habitat Fund	107	0	-107
Oyster Tax Fund	0	0	0
Deer Stamp Account	14,831	15,956	1,125
Woodlands Incentive Fund	23,718	25,718	2,000
Chesapeake Bay Endangered Species Fund	64,471	69,784	5,313
Shore Erosion Control Revolving Loan Fund	135,949	146,889	10,940
Fisheries Research and Development Fund	943,626	1,060,611	116,985
Fisheries Management and Protection Fund	343,754	461,836	118,082
State Boat Act	280,916	507,146	226,230
Total	\$8,317,609	\$5,143,630	-\$3,173,979

Source: Department of Budget and Management

DNR notes that the additional general funds are provided in the fiscal 2021 budget in the Office of the Secretary in order to allow the units to use their special fund revenues. DNR further notes that the funds were chosen based on the units with the greatest need and that the funds that continue to support the Office of the Secretary are proportional to the fiscal 2020 rates. DNR intends to make the agencywide overhead rates equitable for all units as part of a multi-year plan, with up to \$2.7 million in additional general funds provided in fiscal 2022, and notes that the overhead rate for federal and reimbursable funds was comparable between fiscal 2020 and fiscal 2021.

If DNR intends to change the special fund allocation for the Office of the Secretary, then it may want to consider the possibility of raising fees. DNR notes that it does not believe increasing fees would

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improve its overall revenue picture for special funds. DNR may also want to consider the equitability of reimbursable fund arrangements between DNR's other units. As shown in **Exhibit 9**, there is \$3.7 million in funding, excluding the \$6.0 million one-time funding for the J. Millard Tawes ice breaking buoy tender vessel replacement, which is budgeted in one DNR unit but is actually used in another unit. **DLS recommends that committee narrative be added requesting a report on DNR's multi-year special fund overhead replacement plan, including an analysis of the possibility of raising fees in order to address shortfalls, and the equitableness of its reimbursable fund arrangements between units.**

Exhibit 9
Reimbursable Fund Appropriations
Fiscal 2021 Allowance

<u>Receiving Program</u>	Sending Program								<u>Total</u>
	<u>Reimbursement For Boat Rental</u>	<u>Forest Service</u>	<u>Wildlife and Heritage Service</u>	<u>Maryland Park Service</u>	<u>Land Acquisition/ Planning</u>	<u>Resource Assessment Service</u>	<u>Chesapeake/ Coastal Service</u>	<u>Fishing/ Boating Services</u>	
Forest Service	\$0	\$0	\$0	\$0	\$0	\$0	\$398,813	\$0	\$398,813
Engineering and Construction	0	0	0	0	0	0	1,000,000	500,000	1,500,000
Resource Assessment Service – Power Plant Assessment Program	0	8,500	0	0	0	0	12,000	0	20,500
Resource Assessment Service – Monitoring and Ecosystem Assessment	225,000	0	89,000	93,700	0	0	667,598	17,000	1,092,298
Resource Assessment Service – Maryland Geological Survey	0	0	0	40,000	0	18,000	0	208,041	266,041
Maryland Environmental Trust	0	0	0	0	133,000	0	127,747	0	260,747
Chesapeake and Coastal Service	0	0	0	0	173,195	0	0	0	173,195
Fishing and Boating Services	0	0	0	0	0	0	6,000,000	0	6,000,000
Total	\$225,000	\$8,500	\$89,000	\$133,700	\$306,195	\$18,000	\$8,206,158	\$725,041	\$9,711,594

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Note: The \$6.0 million reflected as sent from the Chesapeake and Coastal Service to Fishing and Boating Services reflects the funding for the J. Millard Tawes ice breaking buoy tender vessel replacement. The \$225,000 reflected as Reimbursement for Boat Rental funding was erroneously included as reimbursable funds. It should actually be reflected as special funds.

Source: Department of Budget and Management

3. Forest Service and MPS Funding Changes

A number of general fund and special fund changes affect the Forest Service and MPS in fiscal 2020 and 2021, including a funding shortfall, programmatic fiscal 2020 deficiencies, transfer tax repayment, and a special fund shift. However, the total budget change for the Forest Service and MPS is minimal. The overall impact of these four funding changes is an increase of \$727,525 in general funds and a decrease of \$469,522 in special funds across the two units, or a net increase of \$258,003. The funding changes are reflected in **Exhibit 10** and are as follows.

- **Funding Shortfall:** There is a funding shortfall in fiscal 2020 for MPS. This is as a result of the Administration’s decision to not release the \$3,999,576 in general funds in the DPA. There has been at least one report of a service change that appears to be related to the shortfall – the closing of a Cunningham Falls State Park campground loop. The shortfall is addressed by a fiscal 2020 \$1,400,000 general fund deficiency.
- **Programmatic Fiscal 2020 Deficiencies:** The Forest Service and MPS both receive fiscal 2020 deficiencies of \$375,000 in special funds from the Off-Highway Recreational Trail Fund for recreational trail creation and maintenance. This funding carries over to fiscal 2021.
- **Transfer Tax Repayment:** The Forest Service receives \$3,500,000 and MPS receives \$2,190,501 for the transfer tax repayment funding in fiscal 2021. This funding is reflected as both general funds received by the units and special funds being spent. As a result, the funding is double budgeted, which complicates year-to-year funding comparisons.
- **Special Fund Shift:** Transfer tax special funds allocated through the transfer tax allocation formula may be used by either the Forest Service or MPS. Between fiscal 2020 and 2021, there is a \$1,963,701 increase in the transfer tax allocation for MPS and a corresponding decrease of \$1,600,853 for the Forest Service. This appears to require the need for additional general funds in the Forest Service to make up for the reduction in transfer tax special funds allocated to it.

Exhibit 10
Forest Service and MPS Funding Changes
Fiscal 2020-2021

<u>Program/Fund Type</u>	<u>2020</u>	<u>Deficiencies</u> <u>2020</u>	<u>Adjusted</u> <u>2020</u>	<u>2021</u>	<u>Difference</u> <u>2020 Adjusted</u> <u>and 2021</u>
Forest Service					
General Funds					
Allowance	\$1,033,687	\$0	\$1,033,687	\$6,611,491	\$5,577,804
Double Counted Funds	0	0	0	-3,500,000	-3,500,000
Subtotal	\$1,033,687	\$0	\$1,033,687	\$3,111,491	\$2,077,804
Special Funds					
Transfer Tax Special Funds	\$5,100,853	\$0	\$5,100,853	\$3,500,000	-\$1,600,853
Forest or Park Reserve Fund – Forestry	3,062,644	0	3,062,644	2,673,403	-389,241
Off-Highway Recreational Trail Fund	0	375,000	375,000	375,000	0
Other	709,974	0	709,974	467,887	-242,087
Subtotal	\$8,873,471	\$375,000	\$9,248,471	\$7,016,290	-\$2,232,181
Total	\$9,907,158	\$375,000	\$10,282,158	\$10,127,781	-\$154,377
Maryland Park Service – Statewide Operations					
General Funds					
Allowance	\$3,543,430	\$1,400,000	\$4,943,430	\$5,783,652	\$840,222
Double Counted Funds	0	0	0	-2,190,501	-2,190,501
Subtotal	\$3,543,430	\$1,400,000	\$4,943,430	\$3,593,151	-\$1,350,279
Special Funds					
Transfer Tax Special Funds	\$28,793,228	\$0	\$28,793,228	\$30,756,929	\$1,963,701
Forest or Park Reserve Fund	13,535,835	0	13,535,835	13,152,135	-383,700
Off-Highway Recreational Trail Fund	0	375,000	375,000	375,000	0
Other	2,242,342	0	2,242,342	2,425,000	182,658
Subtotal	\$44,571,405	\$375,000	\$44,946,405	\$46,709,064	\$1,762,659
Total	\$48,114,835	\$1,775,000	\$49,889,835	\$50,302,215	\$412,380
Grand Total	\$58,021,993	\$2,150,000	\$60,171,993	\$60,429,996	\$258,003
Summary					
General Funds	\$4,577,117	\$1,400,000	\$5,977,117	\$6,704,642	\$727,525
Special Funds	53,444,876	750,000	54,194,876	53,725,354	-469,522
Grand Total	\$58,021,993	\$2,150,000	\$60,171,993	\$60,429,996	\$258,003

MPS: Maryland Park Service

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

Operating Budget Recommended Actions

1. Adopt the following narrative:

Multi-year Special Fund Overhead Replacement Plan: The budget committees are concerned that insufficient information has been provided about the scope of the Department of Natural Resources’ (DNR) multi-year plan to replace the special fund overhead charged to the Office of the Secretary with general funds. In addition, the budget committees are concerned that DNR appears to be shifting from a funding model of self-sustaining special funds to a funding model making greater use of general funds. Therefore, the budget committees request that DNR submit a report on its multi-year special fund overhead replacement plan with additional information about its special funds and interunit reimbursable fund arrangements. The report shall be submitted by October 1, 2020. The additional information about DNR’s special funds and interunit reimbursable fund arrangements shall include an analysis of the following:

- the relative burden to be shared by the general public and the user community for the work funded by each special fund;
- the revenue goals, expenditure plans, and desired fund balance levels for each special fund and explanations for these determinations;
- the fee structure history for each special fund;
- scenarios for future fee increase, expenditure reductions, or both in order to address the revenue goals, expenditure plans, and desired fund balance for each special fund;
- the source of the reimbursable funds supporting DNR’s interunit reimbursable fund arrangements by fund and fund type; and
- the equitableness of DNR’s reimbursable fund arrangements.

Information Request	Author	Due Date
Multi-year special fund overhead replacement plan	DNR	October 1, 2020

	<u>Amount Reduction</u>	<u>Position Reduction</u>
2. Abolish vacant positions in the Wildlife and Heritage Service. PINs 013561 and 013799 have been vacant for more than a year.	\$ 96,136 SF \$ 45,015 FF	2.0

3. Add the following language to the special fund appropriation:

. provided that \$200,000 of this appropriation made for the purpose of administration may not be expended until the Department of Natural Resources submits the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund annual work and expenditure plans as required by Natural Resources Article § 8-2A-03. The work plan shall identify the planned work to be funded with money from the Trust Fund for fiscal 2022, including annual nutrient and sediment reduction targets, performance measures, and accountability criteria. The expenditure plan shall identify planned expenditures for the work plan and include an accounting of all moneys distributed from the Trust Fund in fiscal 2020. The report shall be submitted with the fiscal 2022 budget submission, and the budget committees shall have 45 days to review and comment following the receipt of the report. Funds restricted pending the receipt of the report may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled if the report is not submitted.

Explanation: This language restricts funding in the Department of Natural Resources (DNR) pending the submission of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund annual work and expenditure plans as required by Natural Resources Article § 8-2A-03.

Information Request	Author	Due Date	Amount Reduction	Position Reduction
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund annual work and expenditure plans	DNR	Fiscal 2022 budget submission		
4. Abolish vacant positions in the Chesapeake and Coastal Service. PINs 013562 and 224528 have been vacant for more than a year.			123,539 SF	2.0

5. Adopt the following narrative:

Summary of Chesapeake Bay Restoration Spending: The budget committees request that that the Department of Budget and Management (DBM), the Department of Natural Resources (DNR), and the Maryland Department of the Environment (MDE) provide a report on Chesapeake Bay restoration spending. The report shall be drafted subject to the concurrence of the Department of Legislative Services (DLS) in terms of both electronic format to be used and data to be included. The scope of the report is as follows: Chesapeake Bay restoration operating and capital expenditures by agency, fund type, and particular fund source based on programs that have over 50% of their activities directly related to Chesapeake Bay restoration for the

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fiscal 2020 actual, fiscal 2021 working appropriation, and fiscal 2022 allowance to be included as an appendix in the fiscal 2022 budget volumes and submitted electronically in disaggregated form to DLS.

Information Request	Authors	Due Date	
Summary of Chesapeake Bay restoration spending for programs that have over 50% of their activities directly related to Chesapeake Bay restoration	DBM DNR MDE	Fiscal 2022 budget submission	
Total Reductions		\$ 264,690	4.0
Total Special Fund Reductions		\$ 219,675	
Total Federal Fund Reductions		\$ 45,015	

Updates

1. Critical Maintenance Program Report

The budget committees were concerned about the growing backlog of deferred, critical maintenance projects on public lands managed by DNR. The total backlog of projects and associated costs had increased from an estimated \$44 million and 602 projects in February 2018 to a new total estimated at \$52.6 million and 634 projects in February 2019. In addition, the growing backlog was exacerbated by the increased emphasis in DNR’s capital plan on new park facilities as compared to critical maintenance. The budget committees were concerned that the growing backlog created public safety and health issues for staff and the millions of citizens and tourists who recreate on the State’s public lands and increasingly diminishes the public’s experiences when visiting the State’s public lands and that if new, innovative, and expeditious solutions and funding are not developed and implemented, it is expected that visitation to the State’s public lands will gradually diminish, compounding the situation. Therefore, the committees requested that DNR, in coordination with DBM and the Department of General Services (DGS), submit a Critical Maintenance Program report to the committees and the Governor by October 15, 2019.

The submitted report reflects the following responses to the information requested:

- ***An Update of MPS’s 2016 Strategic Park Investment Plan Summarizing the Best Practices of Comparable Federal, State, and Local Park Systems as well as Private-sector Systems and Recommendations of Any Practices That Should Be Adapted and Implemented on DNR’s Public Lands:*** Noted that MPS was nominated for the National Gold Medal Award from the National Recreation and Park Association, although ultimately it was not chosen for the award, and provided a plan for capital projects, including prioritizing critical maintenance projects, restoring the North Point State Park waterfront, improving the Greenbrier State Park contact station, replacing the Assateague State Park camper registration building, renovating the Mt. Airy Mansion, and investing in State park water and sewer improvements.
- ***A Discussion of Ways to Expedite the Completion of Critical Maintenance Projects, Including the Delegation of Additional Procurement Authority to DNR from DGS:*** Provided a plan that would increase its procurement authority from \$50,000 to \$100,000 to address construction cost escalation and that would increase DNR’s workload from 44 to 80 projects, allowing DGS to focus on the remaining 70%, or \$9,097,000, of the Critical Maintenance Program budget.
- ***A Comparative Analysis of Adding Maintenance Technicians at Parks and Other Public Lands with Large Acreage or High Visitation or Both and Recommendations for Establishing Construction Crews in Each Region:*** Considering the establishment of four regional construction crews and noted that the deployment of a new park technician position at popular parks would improve its work but that it is not possible given funding constraints.

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- ***An Assessment of the Costs and Benefits of Enhancing DNR’s Asset Management System in Order to Track the Useful Life of Critical Maintenance and Park Improvement Projects and Forecast When Preventive Maintenance or Replacements Are Due to Be Made:*** Working with DGS on the possibility of using its new Computerized Maintenance Management System and serving on DGS’ Facilities Workgroup to identify Statewide facilities issues and develop recommended solutions.
- ***A Discussion of Ways to Enhance Funding to Achieve a Greater Reduction in the Growing Backlog of Maintenance Projects and to Maintain a Much Lower Backlog Thereafter:*** Exploring ways to leverage existing resources through public-private partnerships and working the Maryland Historical Trust on using the Historic Revitalization Tax Credit Program for curatorships of DNR-owned historic structures.

Appendix 1
2019 Joint Chairmen’s Report Responses from Agency

The 2019 *Joint Chairmen’s Report* (JCR) requested that the Department of Natural Resources (DNR) prepare one report. An electronic copy of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Critical Maintenance Program Report:*** The 2019 JCR included the request that DNR, in coordination with the Department of Budget and Management and the Department of General Services, submit a Critical Maintenance Program report to the committees and the Governor by October 15, 2019. The budget committees were concerned about the growing backlog of deferred, critical maintenance projects on public lands managed by DNR. Further discussion of this data can be found in Update 1 of this analysis.

Appendix 2
Major Information Technology Project
Department of Natural Resources
Modernization and OneStop Integration

New/Ongoing: New								
Start Date: July 2020					Est. Completion Date: Estimated June 2023			
Implementation Strategy: Agile								
(\$ in Millions)	Prior Year	2020	2021	2022	2023	2024	Remainder	Total
GF	\$0.000	\$0.000	\$6.500	\$5.500	\$4.500	\$0.000	\$0.000	\$16.500
Total	\$0.000	\$0.000	\$6.500	\$5.500	\$4.500	\$0.000	\$0.000	\$16.500

- Project Summary:** The project would replace the current COMPASS web-based licensing and registration system. The goals for the project are to integrate with the Maryland OneStop platform; reduce inefficiencies and redundancies; create a return on investment to ensure increased revenue; decrease monthly and annual operational costs; and increase customer satisfaction.
- Need:** COMPASS can no longer meet current reporting requirements and is anticipated to become even less functional; the COMPASS contract expires in August 2020. For instance, COMPASS cannot integrate with the Maryland Park Service’s parks reservation system or shop the Department of Natural Resources’ (DNR) point of sale system. A new system could increase the retention of fishing and hunting license holders through autorenewal, which is not available with COMPASS.
- Observations and Milestones:** DNR is in the user needs assessment stage. A key measure of the success of the project is the addition of all recreational and commercial hunting and fishing licenses as well as vessel registrations to the Maryland OneStop platform within the first 18 months of the project.
- Concerns:** Funding is a concern because of the relatively high cost of the project, which is estimated to be \$16.5 million in general funds. Another concern is the interoperability with other systems such as those operated by the State Board of Elections, the Interstate Wildlife Violator Compact, the Maryland Child Support Administration, the Maryland Department of Transportation, the Maryland State Police, the Federal Duck Stamp, and the Natural Resources Police.

Appendix 3
Object/Fund Difference Report
Department of Natural Resources

<u>Object/Fund</u>	<u>FY 19</u> <u>Actual</u>	<u>FY 20</u> <u>Working</u> <u>Appropriation</u>	<u>FY 21</u> <u>Allowance</u>	<u>FY 20 - FY 21</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	1,340.25	1,348.25	1,344.00	-4.25	-0.3%
02 Contractual	332.37	403.15	407.37	4.22	1.0%
Total Positions	1,672.62	1,751.40	1,751.37	-0.03	0%
Objects					
01 Salaries and Wages	\$ 125,783,179	\$ 132,392,789	\$ 134,671,905	\$ 2,279,116	1.7%
02 Technical and Special Fees	12,375,442	13,658,290	14,030,385	372,095	2.7%
03 Communication	3,270,369	2,869,509	3,678,444	808,935	28.2%
04 Travel	718,133	642,317	770,108	127,791	19.9%
06 Fuel and Utilities	5,717,536	5,848,968	5,612,444	-236,524	-4.0%
07 Motor Vehicles	9,965,331	10,721,208	10,781,095	59,887	0.6%
08 Contractual Services	28,428,775	37,738,803	45,301,965	7,563,162	20.0%
09 Supplies and Materials	7,700,017	10,695,582	10,838,941	143,359	1.3%
10 Equipment – Replacement	2,251,923	1,644,767	1,591,311	-53,456	-3.3%
11 Equipment – Additional	1,876,897	2,566,916	2,143,018	-423,898	-16.5%
12 Grants, Subsidies, and Contributions	66,496,370	65,932,989	74,384,824	8,451,835	12.8%
13 Fixed Charges	3,197,679	3,389,915	3,464,182	74,267	2.2%
14 Land and Structures	141,745	119,503	674,503	555,000	464.4%
Total Objects	\$ 267,923,396	\$ 288,221,556	\$ 307,943,125	\$ 19,721,569	6.8%
Funds					
01 General Fund	\$ 65,356,262	\$ 74,700,248	\$ 87,220,745	\$ 12,520,497	16.8%
03 Special Fund	164,417,215	172,930,255	173,299,091	368,836	0.2%
05 Federal Fund	28,264,530	28,862,183	31,661,434	2,799,251	9.7%
09 Reimbursable Fund	9,885,389	11,728,870	15,761,855	4,032,985	34.4%
Total Funds	\$ 267,923,396	\$ 288,221,556	\$ 307,943,125	\$ 19,721,569	6.8%

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.

**Appendix 4
Fiscal Summary
Department of Natural Resources**

<u>Program/Unit</u>	<u>FY 19 Actual</u>	<u>FY 20 Wrk Approp</u>	<u>FY 21 Allowance</u>	<u>Change</u>	<u>FY 20 - FY 21 % Change</u>
01 Office of the Secretary	\$ 15,523,724	\$ 20,744,567	\$ 22,472,249	\$ 1,727,682	8.3%
02 Forestry Service	12,459,699	12,629,262	17,055,757	4,426,495	35.0%
03 Wildlife and Heritage Service	10,484,364	11,309,314	11,292,650	-16,664	-0.1%
04 Maryland Park Service	52,080,828	51,323,835	55,701,716	4,377,881	8.5%
05 Capital Grants and Loan Administration	5,198,835	5,698,546	5,465,020	-233,526	-4.1%
06 Licensing and Registration Service	3,553,462	4,221,740	4,243,908	22,168	0.5%
07 Natural Resources Police	46,430,797	52,582,225	52,429,436	-152,789	-0.3%
09 Engineering and Construction	7,481,822	7,335,200	6,873,827	-461,373	-6.3%
10 Chesapeake Bay Critical Area Commission	2,024,517	2,140,463	2,175,293	34,830	1.6%
12 Resource Assessment Service	17,064,101	20,764,093	21,276,307	512,214	2.5%
13 Maryland Environmental Trust	1,359,185	1,315,742	1,057,524	-258,218	-19.6%
14 Watershed Services	68,624,210	68,782,834	72,679,221	3,896,387	5.7%
17 Fisheries Service	25,637,852	29,373,735	35,220,217	5,846,482	19.9%
Total Expenditures	\$ 267,923,396	\$ 288,221,556	\$ 307,943,125	\$ 19,721,569	6.8%
General Fund	\$ 65,356,262	\$ 74,700,248	\$ 87,220,745	\$ 12,520,497	16.8%
Special Fund	164,417,215	172,930,255	173,299,091	368,836	0.2%
Federal Fund	28,264,530	28,862,183	31,661,434	2,799,251	9.7%
Total Appropriations	\$ 258,038,007	\$ 276,492,686	\$ 292,181,270	\$ 15,688,584	5.7%
Reimbursable Fund	\$ 9,885,389	\$ 11,728,870	\$ 15,761,855	\$ 4,032,985	34.4%
Total Funds	\$ 267,923,396	\$ 288,221,556	\$ 307,943,125	\$ 19,721,569	6.8%

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.