

**KA.00**  
**Department of Natural Resources**

***Operating Budget Data***

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(\$ in Thousands)

	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>		<b>% Change</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
General Fund	\$63,210	\$75,700	\$88,315	\$12,615	16.7%
Special Fund	61,394	63,902	65,601	1,699	2.7%
Federal Fund	23,698	26,036	23,364	(2,673)	(10.3%)
Reimbursable Fund	<u>5,795</u>	<u>7,315</u>	<u>9,207</u>	<u>1,892</u>	<u>25.9%</u>
<b>Total Funds</b>	<b>\$154,096</b>	<b>\$172,953</b>	<b>\$186,486</b>	<b>\$13,533</b>	<b>7.8%</b>

- The fiscal 2003 allowance contains a \$1 million federal fund deficiency to help finance the very high frequency (VHF) high band enhancement plan designed to modernize and upgrade the Department of Natural Resources' (DNR) public safety two-way radio system.
- The major general fund increases include: \$6.6 million in personnel increases; \$1.2 million in vehicle purchases; \$1.15 million for a park operating budget enhancement; \$400,000 to implement a wide area network program; \$808,000 to replace desktop personal computers; \$750,000 to substitute Waterway Improvement Funds for marine operations in the Natural Resources Police; and \$462,000 for a new blue crab initiative.
- The federal fund decrease is attributable to federal pass-through grants being terminated with DNR and granted directly to organizations receiving funding.

***Personnel Data***

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	<b>FY 01</b>	<b>FY 02</b>	<b>FY 03</b>	
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	1,582.70	1,626.20	1,638.20	12.00
Contractual FTEs	<u>322.23</u>	<u>416.25</u>	<u>489.31</u>	<u>73.06</u>
<b>Total Personnel</b>	<b>1,904.93</b>	<b>2,042.45</b>	<b>2,127.51</b>	<b>85.06</b>

***Vacancy Data: Regular Positions***

Budgeted Turnover: FY 03	78.47	4.79%
Positions Vacant as of 12/31/01	180.34	11.09%

Note: Numbers may not sum due to rounding.

For further information contact: Dawn Myers

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DNR received 12 new positions funded with general funds in the fiscal 2003 allowance for the following new initiatives:

- 3 positions for a blue crab initiative;
  - 3 positions for a submerged aquatic vegetation initiative;
  - 2 positions for green buildings;
  - 1 park technician position for the new facility at Fair Hill;
  - 1 position for a terrapin initiative; and
  - 2 positions for the Stream and Chesapeake Bay Monitoring Project.
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- DNR also receives 76 new contractual full-time equivalent employees (FTEs) in the allowance. Forty-six of the contractual employees are for seasonal help at State parks, and the rest are for various environmental initiatives. The new FTEs are offset by a decline of 2.94 contractual FTEs.

## Analysis in Brief

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### Issues

**Legislative Audit Findings:** The Office of Legislative Audits (OLA) recently issued its latest fiscal compliance audit report on DNR. The audit report dated February 6, 2002, contained 19 findings, including seven repeat findings. As a result, the auditors determined that DNR's accountability and compliance level was unsatisfactory, in accordance with the rating system established by the auditors in conformity with State law. **DNR should advise the budget committees of its efforts to address the audit issues.**

**Management of the Waterway Improvement Fund and Special Funds Should be Reviewed:** DNR has admitted that it has misinterpreted the statute and believes the statute should be amended to allow the agency to spend the Waterway Improvement Fund (WWIF) on administrative costs. The Department of Legislative Services (DLS), however, believes that just addressing WWIF issues ignores a larger problem within the agency. DNR is responsible for the management and collection of over 25 special funds. **DLS recommends that narrative be adopted to convene a workgroup to decide whether some of the 27 special funds for which the agency is responsible may be consolidated. Furthermore, the workgroup should decide on an appropriate level of administrative costs DNR may claim from its special fund sources.**

**Vehicle Replacement On Schedule But Maintenance Equipment and Machinery Still Problematic:** The *Joint Chairmen's Report* of 2001 required the Department of Budget and Management (DBM) and DNR to draft a plan detailing the vehicle replacement policy that DBM and DNR will undertake to have DNR restored to a replacement cycle that is on par with the rest of the State. DBM concluded that DNR's fleet could be brought up to date if the agency spent the funds appropriated for vehicles on vehicle purchases. The report, however, could not provide information on the condition of maintenance equipment and machinery as "there has been no inspection of these maintenance vehicles by the DNR Fleet Administrator and staff to date." **DLS recommends that budget bill language be placed on DNR that requires the agency to expend funds appropriated for vehicle purchases on vehicle purchases. Furthermore, budget bill language should be placed on the Office of the Secretary prohibiting certain expenditures until a complete status report is submitted to the budget committees for maintenance equipment and machinery.**

### Recommended Actions

**Funds      Positions**

1. Add language restricting funds in the Office of the Secretary until DNR submits a report updating the status of the department's vessels and maintenance equipment and machinery.
2. Add language restricting vehicle purchase funds to the purposes appropriated.

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3.	Add language to reduce general fund travel expenditures to fiscal 2001 and fiscal 2002 working appropriation levels.		
4.	Adopt narrative creating a workgroup to examine the Department of Natural Resources' special funds.		
5.	Increase turnover rate to 7%.	\$ 2,182,101	
6.	Delete positions that have been vacant for more than one year.	483,498	12.0
7.	Reduce funds for a new information technology project request (ITPR).	472,000	
8.	Reduce special fund contractual positions.	900,728	
9.	Reduce contractual employees' payroll funded with general funds.	946,809	
10.	Delete funding for the Conservation Resource Enhancement Program bonus payments.	2,600,000	
11.	Delete three new positions and funding for new submerged aquatic vegetation restoration initiative.	213,999	3.0
12.	Delete two positions related to the Stream and Chesapeake Bay Monitoring Project.	66,021	2.0
13.	Delete three positions and funding associated with new blue crab initiative.	460,701	3.0
14.	Delete new position and funding associated with the new terrapin conservation initiative.	107,067	1.0
15.	Delete new Park Technician I position.	23,735	1.0
16.	Delete funds for wide area network (WAN) consistent with recommendation to delay implementation of WAN.	19,875	
17.	Delete two new green building positions and associated funding.	228,436	2.0
18.	Reduce general fund increase for management studies and consultants to fiscal 2001 actuals.	450,000	
	<b>Total Reductions</b>	<b>\$ 9,154,970</b>	<b>24.0</b>

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***Operating Budget Analysis***

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**Program Description**

The Department of Natural Resources (DNR) manages the protection, enhancement, and balanced use of the State's natural resources. To accomplish this mission, the department is structured into 12 programmatic units:

- Office of the Secretary;
- Forest, Wildlife, and Heritage Service;
- Forest and Park Service;
- Land and Water Conservation Service;
- Licensing and Registration Service;
- Natural Resources Police;
- Chesapeake Bay Critical Areas Commission;
- Resource Assessment Service;
- Maryland Environmental Trust;
- Chesapeake and Coastal Watershed Service;
- Chesapeake Conservation Education; and
- Fisheries Service.

**Fiscal 2002 Changes**

**Cost Containment**

The Department of Budget and Management required DNR to reduce general fund salary expenditures by \$2,619,000, general fund operating expenditures by \$349,000, special fund salary expenditures by \$793,000, and special fund operating expenditures \$20,000.

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### **Proposed Deficiency**

The fiscal 2003 allowance contains a \$1 million federal fund deficiency to help finance the very high frequency (VHF) high band enhancement plan designed to modernize and upgrade DNR's public safety two-way radio system. The federal funds are part of the homeland security grant given to the State to increase the capabilities of law enforcement.

### **Governor's Proposed Budget**

As shown in **Exhibit 1**, the Department of Natural Resources grows by 7.8% in the fiscal 2003 allowance. DNR has a 16.7% increase in general funds, a 2.7% increase in special funds, a 10.3% decrease in federal funds, and a 25.9% increase in reimbursable funds. The major general fund increases include:

- \$6.6 million in personnel increases;
- \$1.2 million in vehicle purchases;
- \$1.15 million for a park operating budget enhancement;
- \$800,000 to implement the wide area network program;
- \$808,000 to replace desktop personal computers;
- \$750,000 to substitute Waterway Improvement Funds for marine operations in the Natural Resources Police; and
- \$462,000 for a new blue crab initiative.

### **Cost Containment**

The Department of Budget and Management did not require DNR to make any operating reductions for fiscal 2003.

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**Exhibit 1**

**Governor's Proposed Budget  
Department of Natural Resources  
(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
2002 Working Appropriation	\$75,700	\$63,902	\$26,036	\$7,315	\$172,953
2003 Governor's Allowance	88,315	65,601	23,364	9,207	186,487
Amount Change	\$12,615	\$1,699	(\$2,672)	\$1,892	\$13,534
Percent Change	16.7%	2.7%	(10.3)%	25.9%	7.8%
<b>Where It Goes:</b>					
<b>Personnel Expenses</b>					
New positions .....					\$400
Fiscal 2003 increments .....					928
Turnover adjustment due to lack of fiscal 2003 cost containment .....					2,904
Annualize fiscal 2002 general salary increase .....					1,534
Employee and retiree health insurance cost increase .....					2,010
Retirement contribution cost increase .....					1,039
<b>Other Changes</b>					
Park operating fund enhancement .....					1,150
Natural Resources Police marine operations funds .....					750
Vehicle replacement .....					200
Green buildings initiative .....					230
Stream/Chesapeake Bay monitoring .....					200
Wide area network .....					400
House Bill 728-- implementation of Mute Swan program .....					208
Fire suppression equipment purchase .....					70
Purchase of mainframe computers .....					1,501
Other .....					530
<b>Total</b>					<b>\$13,534</b>

Note: Numbers may not sum due to rounding.

**Performance Analysis: Managing for Results**

**Exhibit 2**

**Program Measurement Data  
Department of Natural Resources  
Fiscal 1999 through 2003**

	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Actual 2001</u>	<u>Est. 2002</u>	<u>Est. 2003</u>	<u>Ann. Chg. 99-01</u>	<u>Ann. Chg. 01-03</u>
Number of submerged aquatic vegetation (SAV) data sets collected per year	n/a	7,400	n/a	7,400	7,400	7,400	n/a	0.0%
Number of school classes participating in BayGrasses in Classes Program	120	120	120	170	200	250	19.0%	21.3%
Acres of SAV in Maryland	n/a	34,199	n/a	35,671	n/a	n/a	n/a	-100.0%
Blue crab harvest projections (millions of pounds)	25	32	35	30	30	30	9.5%	0.0%
Blue crab fishing mortality rate (percentage)	45	55	40	48	45	43	3.3%	-5.4%
Acres participating in the Conservation Reserve Enhancement Program enrolled in permanent easements	n/a	25	n/a	2,081	3,900	3,900	n/a	36.9%

Source: Governor's fiscal 2002 and 2003 budget books

Generally, DNR does a very good job of economically providing goals, objectives, and performance measures that are indicative of the agency's whole performance without overwhelming the reader with hundreds of measures. However, in some cases, DNR does not provide performance measures that adequately capture the agency's efforts to achieve its goals. For instance, the first three indicators in **Exhibit 2** show DNR's progress towards meeting its goal of 66,649 acres of submerged aquatic vegetation by 2005. From the indicators, it is hard to understand how DNR intends to reach its goal. None of the

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indicators include any substantive departmental efforts to increase bay grasses. Additionally, DNR does not estimate how many acres of submerged aquatic vegetation (SAV) will be added in the out-years. Considering the department received two positions and over \$250,000 in general funds, the impact of this initiative should be included in the agency's Managing for Results (MFR) submission.

Exhibit 2 also includes two indicators for DNR's goal of maintaining a sustainable blue crab stock by achieving management targets. First, data for one of the indicators is inconsistent. For fiscal 2002, the Governor's budget book indicates that the actual blue crab fishing mortality rate for fiscal 2000 was 40%. In the fiscal 2003 budget book, the actual blue crab fishing mortality rate for fiscal 2000 is listed as 55%. The agency also should explain why it believes the mortality rate will decline in fiscal 2002 and 2003.

Another problem is the lack of sufficient measures related to the Conservation Resource Enhancement Program (CREP). Despite a push by the Governor to increase the number of acres in the program, the indicators make no mention of DNR's efforts. DNR has a bonus payment program, works with the Maryland Department of Agriculture (MDA) to encourage farmers to participate, and has effective printed materials on the program available, yet the performance measures are silent as to these efforts. **DNR should ensure that actual results are accurate and add performance measures that accurately reflect the agency's efforts in meeting its goals.**

## ***Issues***

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### **1. Legislative Audit Findings**

The Office of Legislative Audits recently issued its latest fiscal compliance audit report on DNR. The audit report, dated February 6, 2002, contained 19 findings, including seven repeat findings. As a result, the auditors determined that DNR's accountability and compliance level was unsatisfactory in accordance with the rating system established by the auditors in conformity with State law. DNR agreed with most of the findings and recommendations, but a few issues need to be resolved.

### **Major Findings**

There were significant deficiencies in DNR's budgetary and accounting practices. DNR did not always comply with State budgetary law and accounting policies for recording expenditure and revenue transactions. Additionally, the agency used State funds without proper authorization. Specifically:

- DNR violated certain provisions of State law by processing payments to disburse funds from the State Treasury for goods and services totaling \$1.1 million and \$1.2 million without available appropriations for fiscal 2000 and 1999, respectively. After payments were made, accounting adjustments were processed to roll the charges forward to the subsequent years' appropriations. A significant portion of these expenditures was applicable to general funds.
- DNR spent a \$164,000 fiscal 2000 general fund deficiency appropriation for purposes other than the specific project designated in the budget. Specifically, DNR's Engineering and Construction program used the deficiency appropriation to fund its operating budget instead of the capital project for which it had been designated.
- DNR improperly transferred fiscal 2000 expenditures of \$2.8 million between programs to cover funding shortfalls.
- DNR received a \$187,000 check from a vendor, which represented an unintentional overpayment authorized by the State Treasurer under the State's master equipment lease agreement. DNR improperly spent these funds, which were borrowed from a lender, rather than returning them to the State Treasurer so that they could be used to subsequently repay the lender. DNR's subsequent years' appropriations were eventually charged for the full amount that was borrowed, including the overpayment.
- DNR incorrectly credited revenues totaling \$881,140 to the Ocean Beach Replenishment Fund during fiscal 1997, 1998, and 1999 rather than the general fund. Although the DNR internal auditor discovered the error in April 1999, DNR had not transferred these revenues to the general fund as of May 2001 (two years later).

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- Reimbursement requests for federal funds were not submitted on a timely basis. The auditor's tests identified delays of up to six months, resulting in approximately \$196,000 in lost interest income. This has been an ongoing problem since 1988.
- DNR did not have effective controls over disbursement transactions. Also, DNR made 33 duplicate vendor payments totaling \$154,000, which were returned by the vendors.
- Exemptions from commuting charges for many of the vehicles assigned to DNR employees were not properly approved and were not supported. Of the 470 DNR vehicles, commuting charges were being collected from only 11 employees.

**DNR should advise the budget committees of its efforts to address the audit findings.**

**2. Management of the Waterway Improvement Fund and Special Funds Should be Reviewed**

**Background**

DNR does not have much discretion when it comes to expending funds from the Waterway Improvement Fund (WWIF). The specified uses can be found in §§ 8-707 and 8-909 of the Natural Resources Article. Most of the uses specified in the statute are for capital projects related to waterway improvements. The WWIF statute does allow for \$1.45 million to be spent on noncapital expenditures. Below is a breakdown of DNR's spending of the Waterway Improvement Fund.

<b>Budget Uses</b>	<b><u>Fiscal 2000</u></b>	<b><u>Fiscal 2001</u></b>	<b><u>Fiscal 2002</u></b>	<b><u>Fiscal 2003</u></b>
Operating	\$15,275,132	\$14,688,706	\$15,175,955	\$14,194,518
Capital	4,500,000	9,750,000	10,450,000	11,200,000
<b>Total</b>	<b>\$19,775,132</b>	<b>\$24,438,706</b>	<b>\$25,625,955</b>	<b>\$25,394,518</b>

The department has taken a liberal reading of the statute's permitted uses, and it funds many operating programs with the WWIF. For instance, the WWIF funds 22% of the Office of the Secretary, 23% of Finance and Administrative Services (the budget program of the department), 17% of the Attorney General's Office, 20% of the Public Affairs Office, and 75% of the Licensing and Registration Service. Furthermore, the WWIF funds \$4.13 million of the Natural Resources Police.

## **Special Fund Consolidation**

DNR has admitted that it has misinterpreted the statute and believes the statute should be amended the statute to allow the agency to spend WWIF on administrative costs. The Department of Legislative Services (DLS), however, believes that just addressing WWIF issues ignores a larger problem within the agency. DNR is responsible for the management and collection of over 25 special funds. Many of these funds' uses are restricted by law. DNR is not a collections agency. DNR's primary purpose is to oversee the management and use of the State's living and natural resources for the current and future enjoyment of the State's citizens. Yet an enormous collections burden is placed on the agency and the use of the funds collected is tightly regulated by statute. As the audit indicates, the agency may not be up to the task.

**Therefore, DLS recommends that narrative be adopted to convene a workgroup to decide whether some of the 27 special funds for which the agency is responsible may be consolidated. Furthermore, the workgroup should decide on an appropriate level of administrative costs which DNR may claim from its special fund sources.**

**DLS also recommends the following change to the WWIF statute, which can be placed in the Budget Reconciliation Act of 2002, to allow DNR to continue to spend WWIFs for operating purposes until the workgroup can consider the special fund issues:**

§8-709 of the Natural Resources Article:

(a) The Department shall include in its annual budget request an itemized list of requests for the use of any available money from the Waterway Improvement Fund for the projects under § 8-707 of this subtitle. The Department's list shall include a brief description of each project, an estimate of its cost, and the benefits to be derived from it. The list shall designate which projects are financed solely by the Waterway Improvement Fund, which are matching fund projects, and which are interest-free loan projects.

(b) Notwithstanding the provisions of subsection (a) of this section, in any fiscal year the Department may expend from the Waterway Improvement Fund without legislative approval a total sum of not more than \$225,000. Of this amount, a sum of not more than \$125,000 may be expended for small projects under § 8-707(3) and (4) of this subtitle, subject to the limitation that a single project of this kind may not exceed \$5,000 in cost to the Waterway Improvement Fund, and a sum of not more than \$100,000 may be expended for boating safety and education.

(c) Notwithstanding the provisions of subsection (a) of this section, the Department may propose in its annual budget, beginning with the fiscal 1994 budget, an appropriation of not more than \$1,000,000 from the Waterway Improvement Fund to support marine operations in the Natural Resources Police.

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**(D) NOTWITHSTANDING THE PROVISIONS OF SUBSECTION (A) OF THIS SECTION, FOR EACH OF FISCAL YEARS 2003 AND 2004, AS PROVIDED IN THE STATE BUDGET, THE DEPARTMENT MAY USE UP TO 50% OF THE MONEYS IN THE WATERWAY IMPROVEMENT FUND FOR ADMINISTRATIVE EXPENSES DIRECTLY RELATING TO IMPLEMENTING THE PURPOSES OF THE WATERWAY IMPROVEMENT FUND.**

### **3. Vehicle Replacement On Schedule But Maintenance Equipment and Machinery Still Problematic**

#### **Vehicle Replacement Report Submitted**

During the last session, the budget committees expressed concern about the state of DNR's vehicle fleet. The *Joint Chairmen's Report (JCR)* of 2001 required the Department of Business and Management (DBM) and DNR to draft a plan detailing the vehicle replacement policy that DBM and DNR will undertake to have DNR restored to a replacement cycle that is on par with the rest of the State. While the report lacked an answer to the problem, DBM concluded that DNR's fleet could be brought up to date if the agency spent the funds appropriated for vehicles on vehicle purchases. DBM also believed that an additional \$200,000 in general fund support was necessary to implement the plan. Lastly, DNR had to budget vehicle purchases in the budget of the program that was actually purchasing the vehicle. Previously, DNR was using a vehicle pool system and budgeting vehicle purchases through the program that contained the vehicle pool.

The budget committees asked DNR to commit in writing to spending funds appropriated for vehicle purchases on vehicle purchases. DNR did not respond. DNR has budgeted \$2.75 million in vehicle purchases, of which over \$1 million is general funds. Furthermore, DNR indicates that it will now replace vehicles based on overall condition, not based on use of the vehicle.

#### **Maintenance Vehicles**

One part of the *JCR* submission was not complete, however. The committees asked for "a report detailing the status of each of DNR's maintenance vehicles including vehicle condition, hours used, mileage (if applicable), and age." The response stated that DNR has 979 pieces of maintenance equipment and machinery, with an estimated value of \$8,663,141. However, the report provided no information on the condition of these vehicles as "there has been no inspection of these maintenance vehicles by the DNR fleet administrator and staff to date." Therefore DNR cannot report the status of \$8.5 million worth of equipment. It is unclear how DNR replaces equipment without information on the condition of the equipment being replaced.

**DLS recommends budget bill language that requires DNR to expend funds appropriated for vehicle purchases only for that purpose. Also, budget bill language should require the Office of the Secretary to prohibit certain expenditures until a complete status report is submitted to the budget committees for maintenance equipment and machinery. Furthermore, DLS recommends that DNR consult with the Maryland Department of Transportation to improve its inventory, maintenance, and inspection of maintenance equipment and machinery practices.**

## ***Recommended Actions***

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1. Add the following language:

Provided that \$1,000,000 of the general fund appropriation for the Office of the Secretary may not be expended until the Department of Natural Resources submits a report updating the status of the department's vessels and maintenance equipment and machinery.

**Explanation:** The Department of Natural Resources (DNR) has not reported on the current condition of its fleet of vessels and maintenance equipment and machinery. The language prohibits the Office of the Secretary from expending \$1,000,000 in general funds until DNR submits a report updating the status of the department's vessels and maintenance equipment and machinery. DNR should use the Maryland Department of Transportation's expertise in maintaining and inventorying its fleet of maintenance equipment and machinery to create a more appropriate system of fleet maintenance.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Vessel and Maintenance Equipment and Machinery Status Report	DNR	As needed

2. Add the following language:

Provided that the \$2,352,190 in general funds and \$402,401 in special funds appropriated for vehicle purchases in the Department of Natural Resources may only be expended for vehicle purchases. General funds unexpended at the end of the fiscal year shall revert to the general fund. Unexpended special fund appropriations will be cancelled.

**Explanation:** In the past, the Department of Natural Resources has not made vehicle replacement a priority. Consequently, the vehicle fleet has fallen into a 20-year replacement cycle. This language requires the department to spend funds appropriated for vehicle purchases on vehicle purchases or to revert or cancel the funds.

3. Add the following language:

Provided that \$100,000 of general funds that were earmarked for travel expenses are deleted from the budget of the Department of Natural Resources.

**Explanation:** This language reduces the Department's appropriation for travel expenses by \$100,000 in general funds. This reduction brings DNR back in line with fiscal 2001 actual expenditures and the fiscal 2002 working appropriation. As this reduction spans many subprograms in the department, placing this language on DNR's appropriation is the most efficient way to implement the reduction.

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4. Adopt the following narrative:

**Consolidation of Special Funds:** The budget committees are concerned that the Department of Natural Resources (DNR) administers an excessive number of special funds, creating confusion as to the appropriate use of such funds within DNR. The committees request the creation of a workgroup during the 2002 interim to review the special funds administered and used by DNR and to study the potential consolidation of some or all of the special funds. The workgroup should include: two members of the Senate, appointed by the President of the Senate; two members of the House of Delegates, appointed by the Speaker of the House; the Secretary of DNR, or the Secretary's designee; and the Secretary of the Department of Budget and Management, or the Secretary's designee. The workgroup should be staffed by the Department of Legislative Services. The workgroup should carefully consider the fact that the department has 27 special funds, all of which have specific requirements, and consider the possibility of consolidating some or all of the special funds. In addition, the workgroup should consider the appropriate allocation of funds between programmatic and administrative expenditures. The workgroup should report on its recommendations to the House Committee on Appropriations and Senate Budget and Taxation Committee and provide draft legislation, as necessary, by December 1, 2002, to allow for consideration during the 2003 legislative session.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Report on DNR Special Fund Consolidation and Draft Legislation	Workgroup to Study DNR's Special Funds	December 1, 2002

	<b><u>Amount Reduction</u></b>		<b><u>Position Reduction</u></b>
5. The Department of Natural Resources (DNR) is not participating in any meaningful and direct way in cost containment for fiscal 2003 in their operating budget. The reduction increases the fiscal 2003 turnover rate from 4.79% to 7%. The last time DNR was below a 7% vacancy rate was July 2000. DNR's current vacancy rate is 11.09%, so this increase in turnover is not putting an additional burden on DNR to maintain more vacancies. DNR should equitably distribute this increase in turnover across the agency.	\$ 1,718,366	GF	
	\$ 463,735	SF	
6. Delete positions that have been vacant for more than one year. The following PINs should be deleted: 014088, 075298, 075293, 075279, 075288, 013925, 049422, 013812, 014774, 073471, 051140, and 013694. The funding for the positions should also be deleted to allow	388335.00	GF	12.0
	95163.00	SF	

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the department to equitably participate in cost containment along with other agencies throughout the State.

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|-----|--|-----------|----|-----|
| 7.  | Reduce funds for a new information technology project request (ITPR). The program puts the Department of Natural Resources on a three-year schedule for computer replacement. DNR should fund this large computer purchase through the Treasurer's lease-purchase program. By so doing, the cost of the program may be spread over three years, but all of the computer equipment can be purchased in year one.  | 472,000   | GF |     |
| 8.  | Reduce special fund contractual positions. The hiring freeze on regular and contractual positions extends through fiscal 2003, thus the positions cannot be filled absent an exemption from the Governor. Furthermore, this reduction brings DNR's contractual employee special fund expenditures in line with its fiscal 2002 working appropriation. DNR may allocate the reduction across its programs.  | 900,728   | SF |     |
| 9.  | Reduce contractual employees' payroll funded with general funds. The reduction brings DNR back in line with the fiscal 2002 working appropriation. The agency may allocate the reduction across its programs.  | 946,809   | GF |     |
| 10. | Delete funding for the Conservation Resource Enhancement Program (CREP) bonus payments. This program is designed to encourage farmers to participate in the CREP program by giving participants a one-time \$100-an-acre bonus payment for each acre enrolled in CREP. The bonus payments are in addition to recent federal changes to the program, which DNR reports make the program more attractive. CREP pays rent to farmers for 15 years on acres enrolled in the program and pays for the best management practices to be planned and installed on the land. Additionally, DNR purchases conservation easements on CREP enrolled property from farmers. Lastly, the department failed to spend \$1.6 million of the \$2.5 million budgeted for fiscal 2002. | 2,600,000 | GF |     |
| 11. | Delete three new positions and funding for new submerged aquatic vegetation restoration initiative. The three positions (NEW002, NEW003, and NEW004) do not meet the criteria set by the Spending Affordability Committee for new positions and therefore should be deleted. Associated funding for the new initiative is:   | 213,999   | GF | 3.0 |

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\$111,506 in contractual employees, \$1,000 in communications, \$5,000 for in-state travel, \$8,000 in vehicle costs, \$50,000 in management studies, \$2,500 in supplies, \$1,372 in office equipment, and \$3,984 in computer workstations.

- |     |  |                        |          |     |
|-----|--|------------------------|----------|-----|
| 12. | Delete two positions related to the Stream and Chesapeake Bay Monitoring Project. These positions (NEW010 and NEW020) will be used to maintain the statewide long-term monitoring networks for monitoring water chemistry, living resources, and flows in streams, rivers, and the Chesapeake Bay. As these positions do not meet the criteria set by the Spending Affordability Committee for new positions, they should be deleted.  | 66,021                 | GF       | 2.0 |
| 13. | Delete three positions (NEW006, NEW007, and NEW008) and funding associated with the new blue crab initiative. As the positions do not meet the criteria set out by the Spending Affordability Committee, the positions should be deleted. The funding associated with this initiative is \$353,832 in general funds for contractual services related to the blue crab initiative. As the agency did not request these funds for fiscal 2003 and this is a new initiative, these funds should be deleted as well. | 353832.00<br>106869.00 | GF<br>SF | 3.0 |
| 14. | Delete new position and funding associated with the new terrapin conservation initiative. This position (NEW005) does not meet the criteria set by the Spending Affordability Committee for new positions; therefore, the position should be deleted. Other funding associated with this new initiative is for \$71,444 in contractual services.   | 107,067                | GF       | 1.0 |
| 15. | Delete new Park Technician I position (NEW001). As this position does not meet the guidelines set by the Spending Affordability Committee for new positions, the position should be deleted. Additionally, the department has nearly 200 vacancies and if this position is needed, the department can reclassify an existing vacancy.  | 23,735                 | GF       | 1.0 |
| 16. | Delete funds for wide area network (WAN) consistent with recommendation to delay implementation of WAN. These funds were budgeted in the wrong budget code and should have been included in program KA01.07, not KA01.05.  | 19,875                 | GF       |     |
| 17. | Delete two new green building positions and associated funding. The new positions (NEW011 and NEW009) do   | 228,436                | GF       | 2.0 |

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not meet the criteria set by the Spending Affordability Committee for new positions. Additionally, as the Green Building Council resides in the department of General Services, DNR seems to be an inappropriate place for this initiative. The funding for this initiative in the department was deleted during the 2001 session by the General Assembly.

18. Reduce general fund increase for management studies and consultants to fiscal 2001 actuals. DNR has a \$21,422,425 budget for management studies and consultants and another \$11,304,028 for other contractual services not related to data processing. This general fund reduction reduces the amount of general funds spent on management studies and consultants to the fiscal 2001 actuals. DNR should equitably distribute this reduction throughout its programs.

450,000 GF

<b>Total Reductions</b>	<b>\$ 9,154,970</b>	<b>24.0</b>
<b>Total General Fund Reductions</b>	<b>\$ 7,588,475</b>	
<b>Total Special Fund Reductions</b>	<b>\$ 1,566,495</b>	

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Department of Natural Resources (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2001</b>					
Legislative Appropriation	\$62,770	\$61,610	\$25,672	\$5,433	\$155,485
Deficiency Appropriation	181	0	0	0	181
Budget Amendments	311	2,422	1,412	2,326	6,471
Reversions and Cancellations	(52)	(2,639)	(3,386)	(1,964)	(8,041)
<b>Actual Expenditures</b>	<b>\$63,210</b>	<b>\$61,393</b>	<b>\$23,698</b>	<b>\$5,795</b>	<b>\$154,096</b>
<b>Fiscal 2002</b>					
Legislative Appropriation	\$78,632	\$64,715	\$26,036	\$7,320	\$176,703
Budget Amendments	(2,932)	(813)	0	(5)	(3,750)
<b>Working Appropriation</b>	<b>\$75,700</b>	<b>\$63,902</b>	<b>\$26,036</b>	<b>\$7,315</b>	<b>\$172,953</b>

Note: Numbers may not sum due to rounding.

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## **Fiscal 2001 Budget Changes**

There were no significant changes in DNR's fiscal 2001 budget. The amendments and reversions generally represent large numbers of very small transactions. The following represent the largest additions for fiscal 2001:

### **Special Funds**

- \$470,491 from the Fisheries Research and Development Fund was used to correct a budgeting error. After DNR submitted its budget, there was a computer error that reduced the appropriation for employee health insurance in program 17- Fisheries. This amendment restored funding for employee health benefits in the Fisheries program.
- \$400,000 from the Environmental Trust Fund was used to cover increased power plant licensing activity and new activity including the examination of alternative energies (poultry litter gasifiers, scrap rubber facilities, and the utilization of landfill gas).

### **Federal Funds**

- Several federally funded contracts, purchase orders, and agreements that were not completed in fiscal 2000 are being moved forward to fiscal 2001. Therefore, \$402,162 from the United States Department of the Interior's Sport Fish Restoration fund was appropriated to cover the fiscal 2001 expenditures for work funded by the federal grant.
- \$1,080,236 from the Americorps Program was cancelled because DNR inadvertently budgeted this item when no federal funds were available. This was the only significant reversion for fiscal 2001.

## **Fiscal 2002**

DNR made \$3.5 million worth of adjustments for fiscal 2003, which are attributable, in large part, to cost containment measures required by DBM. The cost containment measures are discussed earlier in this analysis.

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Appendix 2

Object/Fund Difference Report  
Department of Natural Resources

Object/Fund	FY02		FY03 Allowance	FY02 - FY03 Amount Change	Percent Change
	FY01 Actual	Working Appropriation			
<b>Positions</b>					
01 Regular	1582.70	1626.20	1638.20	12.00	0.7%
02 Contractual	322.23	416.25	489.31	73.06	17.6%
<b>Total Positions</b>	<b>1904.93</b>	<b>2042.45</b>	<b>2127.51</b>	<b>85.06</b>	<b>4.2%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 90,280,626	\$ 97,741,357	\$ 106,557,626	\$ 8,816,269	9.0%
02 Technical & Spec Fees	6,382,995	8,573,864	10,369,016	1,795,152	20.9%
03 Communication	2,269,886	2,343,194	2,728,244	385,050	16.4%
04 Travel	565,989	583,879	769,414	185,535	31.8%
05 Food	8,110	0	4,000	4,000	N/A
06 Fuel & Utilities	2,909,974	3,015,699	3,440,315	424,616	14.1%
07 Motor Vehicles	3,765,698	7,131,200	7,354,712	223,512	3.1%
08 Contractual Services	29,658,366	35,355,617	35,974,076	618,459	1.7%
09 Supplies & Materials	5,254,300	5,487,880	6,189,663	701,783	12.8%
10 Equip - Replacement	1,226,343	1,498,757	1,931,687	432,930	28.9%
11 Equip - Additional	1,276,020	840,693	1,445,902	605,209	72.0%
12 Grants, Subsidies, Contr	8,076,979	7,753,768	7,670,633	(83,135)	(1.1%)
13 Fixed Charges	1,723,036	1,907,029	1,781,599	(125,430)	(6.6%)
14 Land & Structures	698,107	720,024	269,125	(450,899)	(62.6%)
<b>Total Objects</b>	<b>\$ 154,096,429</b>	<b>\$ 172,952,961</b>	<b>\$ 186,486,012</b>	<b>\$ 13,533,051</b>	<b>7.8%</b>
<b>Funds</b>					
01 General Fund	\$ 63,209,903	\$ 75,699,735	\$ 88,314,549	\$ 12,614,814	16.7%
03 Special Fund	61,393,743	63,902,108	65,600,993	1,698,885	2.7%
05 Federal Fund	23,698,007	26,036,336	23,363,570	(2,672,766)	(10.3%)
09 Reimbursable Fund	5,794,776	7,314,782	9,206,900	1,892,118	25.9%
<b>Total Funds</b>	<b>\$ 154,096,429</b>	<b>\$ 172,952,961</b>	<b>\$ 186,486,012</b>	<b>\$ 13,533,051</b>	<b>7.8%</b>

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

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Appendix 3

Fiscal Summary  
Department of Natural Resources

Unit/Program	FY01	FY02	FY02	FY01 - FY02	FY03	FY02 - FY03
	Actual	Legislative Appropriation	Working Appropriation	% Change	Allowance	% Change
01 Secretariat	\$ 10,014,171	\$ 11,076,561	\$ 11,061,035	10.5%	\$ 14,056,511	27.1%
02 Forest, Wildlife And Heritage Service	18,688,501	20,356,576	19,628,127	5.0%	21,426,992	9.2%
04 State Forest And Park Service	36,835,882	43,005,833	42,580,644	15.6%	45,744,053	7.4%
05 Land And Water Conservation Service	3,352,394	5,012,830	5,012,830	49.5%	4,604,930	(8.1%)
06 Licensing And Registration Service	3,540,615	3,447,232	3,421,957	(3.4%)	3,749,769	9.6%
07 Natural Resources Police	24,664,007	27,937,163	27,164,234	10.1%	29,259,757	7.7%
08 Water Resources Administration	1,760,228	1,998,316	1,877,873	6.7%	2,015,627	7.3%
09 Maryland Environmental Service	4,213,571	4,440,371	4,440,371	5.4%	4,548,221	2.4%
10 Chesapeake Bay Critical Area Commission	2,192,613	1,987,155	1,960,905	(10.6%)	2,064,500	5.3%
12 Resource Assessment Service	16,592,779	17,822,538	17,568,398	5.9%	18,494,807	5.3%
13 Maryland Environmental Trust	839,506	915,275	860,154	2.5%	1,402,020	63.0%
14 Chesapeake And Coastal Watershed Service	14,158,303	18,527,345	18,163,638	28.3%	18,683,464	2.9%
15 Chesapeake Conservation Education	1,741,995	2,099,376	2,018,012	15.8%	2,324,388	15.2%
17 Fisheries Service	15,501,864	18,076,435	17,194,783	10.9%	18,110,973	5.3%
<b>Total Expenditures</b>	<b>\$ 154,096,429</b>	<b>\$ 176,703,006</b>	<b>\$ 172,952,961</b>	<b>12.2%</b>	<b>\$ 186,486,012</b>	<b>7.8%</b>
General Fund	\$ 63,209,903	\$ 78,631,780	\$ 75,699,735	19.8%	\$ 88,314,549	16.7%
Special Fund	61,393,743	64,715,108	63,902,108	4.1%	65,600,993	2.7%
Federal Fund	23,698,007	26,036,336	26,036,336	9.9%	23,363,570	(10.3%)
<b>Total Appropriations</b>	<b>\$ 148,301,653</b>	<b>\$ 169,383,224</b>	<b>\$ 165,638,179</b>	<b>11.7%</b>	<b>\$ 177,279,112</b>	<b>7.0%</b>
Reimbursable Fund	\$ 5,794,776	\$ 7,319,782	\$ 7,314,782	26.2%	\$ 9,206,900	25.9%
<b>Total Funds</b>	<b>\$ 154,096,429</b>	<b>\$ 176,703,006</b>	<b>\$ 172,952,961</b>	<b>12.2%</b>	<b>\$ 186,486,012</b>	<b>7.8%</b>