

**K00A**  
**Department of Natural Resources**

*Operating Budget Data*

(\$ in Thousands)

	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 06-07</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	\$68,407	\$64,787	\$74,695	\$9,909	15.3%
Special Fund	63,861	67,701	73,301	5,600	8.3%
Federal Fund	22,081	23,838	21,225	-2,613	-11.0%
Reimbursable Fund	<u>5,362</u>	<u>5,093</u>	<u>5,148</u>	<u>56</u>	<u>1.1%</u>
<b>Total Funds</b>	<b>\$159,712</b>	<b>\$161,419</b>	<b>\$174,370</b>	<b>\$12,951</b>	<b>8.0%</b>

- The Department of Natural Resources' (DNR) fiscal 2007 allowance of \$174.4 million represents a \$13.0 million, or 8.0% increase from the fiscal 2006 working appropriation. This change is primarily due to significant increases in general and special funds for personnel-related costs.
- The \$9.9 million increase in general funds reflects personnel funding increases as well as the following program increases: \$990,000 for bay grass restoration efforts; \$451,295 in contractual funds for Corsica River restoration efforts; \$732,184 in contractual funds for another unidentified watershed restoration effort; \$374,000 for wetlands contracts associated with implementation of the State's Tributary Strategy implementation plan; \$458,334 to move part of the Maryland Geological Survey to DNR's headquarters building; \$300,000 for an urban tree canopy initiative; and \$200,000 for vehicle replacement.
- The \$5.6 million increase in special funds reflects a \$4.1 million increase in Forest and Park Reserve funds for park operations, \$1.4 million in new Waterway Improvement Fund revenue for capital project administration and Natural Resources Police field operations, and \$400,000 in anticipated matching funds from local jurisdictions for Maryland Environmental Trust land conservation efforts.
- The \$2.6 million decrease in federal funds is the result of a \$2.9 million reduction in federal grants for nonpoint source pollution due to the program transferring to the Maryland Department of the Environment, being offset by a \$678,047 increase in federal sport fish grant funds.

Note: Numbers may not sum to total due to rounding.

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## ***Personnel Data***

	<b><u>FY 05 Actual</u></b>	<b><u>FY 06 Working</u></b>	<b><u>FY 07 Allowance</u></b>	<b><u>FY 06-07 Change</u></b>
Regular Positions	1,416.00	1,366.50	1,371.50	5.00
Contractual FTEs	<u>356.19</u>	<u>341.63</u>	<u>432.32</u>	<u>90.69</u>
<b>Total Personnel</b>	<b>1,772.19</b>	<b>1,708.13</b>	<b>1,803.82</b>	<b>95.69</b>

### ***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	69.95	5.10%
Positions Vacant as of 12/31/05	114.25	8.36%

- DNR’s allowance reflects the addition of seven new regular positions, being offset by the abolishment of two regular positions. DNR eliminated administrative positions in the Human Resources and Natural Resources Police programs and is proposing the following new positions:
  - two biologists, one administrator, and one statistician to implement and coordinate Corsica River watershed restoration efforts;
  - one administrator to coordinate watershed restoration efforts at an unknown location; and
  - two biologists to implement bay grass restoration programs.
- The fiscal 2007 allowance provides for 90.7 additional contractual positions, primarily for seasonal operations in State parks.
- DNR’s projected fiscal 2007 turnover rate of 5.1% is 3.3% lower than the current vacancy rate. To achieve this turnover rate in fiscal 2007, it will be necessary for DNR to maintain 70 vacancies.

## *Analysis in Brief*

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### Issues

***DNR's Murky Bottled Water Venture:*** DNR recently developed a Chesapeake Bay Recovery Partnership (CBRP) with the not-for-profit Oyster Recovery Partnership. CBRP's goal is to raise funds for large scale Chesapeake Bay restoration projects. One of the partnership's first fundraising ventures is selling bottled water from a Howard County aquifer. **The Department of Legislative Services (DLS) recommends that DNR respond to several questions such as whether this private fundraising initiative is an appropriate role for State government.**

***Bay Health Struggling as Chesapeake 2000 Goals Loom:*** Dead zones in the Chesapeake Bay – areas with so little oxygen that fish can not live – grew to cover a record portion of the estuary last summer. A broad policy framework and numerous initiatives have been established to restore the Chesapeake Bay. However, in spite of many efforts, Maryland is not well positioned to achieve its Chesapeake Bay Agreement commitments. **DNR should be prepared to discuss what additional programmatic and financial resources would be required in fiscal 2007 through 2010 to meet the State's Chesapeake Bay Agreement goals and why this additional funding has not been requested.**

***The Corsica River Pilot Project:*** The long-term goal of the recently announced Corsica River Pilot Project is to remove this waterway from the U.S. Environmental Protection Agency's List of Impaired Waters. This project intends to reduce nutrient pollution and sediment runoff through urban, suburban, and agricultural best management practices and restore bay grass acreage and oyster habitat. The total estimated cost of the project is \$19.4 million over the next five years. **DLS recommends that DNR discuss the goals as well as the current and projected funding needs associated with this pilot project.**

***Overly Optimistic Fiscal 2007 State Forest and Park Reserve Fund Revenue Projections?:*** The State Forest and Park Reserve Fund (SFPRF) is a DNR special fund that receives revenue from visitation fees and timber sales and supports the management of State forests and parks. The fiscal 2007 allowance seeks to appropriate \$17.5 million in SFPRF revenue for DNR programs. However, this level of special fund revenue may not be available. **DLS recommends that DNR and the Department of Budget and Management discuss the latest fiscal 2006 and 2007 SFPRF revenue projections and how DNR would manage a funding shortfall if estimated revenues are not realized in fiscal 2006 and 2007. In addition, DLS recommends budget bill language restricting the use of new fiscal 2007 general funds for State forest and park operations.**

***Maryland Geological Survey Move Proposal:*** The Administration's fiscal 2007 allowance provides a total of \$575,000 in new general funds to move two-thirds of the Maryland Geological Survey from DNR to the Maryland Department of the Environment. There are several issues concerning this proposed move that merit attention. **DLS recommends deleting funding for this proposal and having DNR discuss the potential negative repercussions of not implementing the proposed move.**

**Recommended Actions**

	<u>Funds</u>	<u>Positions</u>
1. Add budget bill language concerning vehicle replacement funding.		
2. Add budget bill language restricting the use of funds for contractual positions at State forests and parks.		
3. Add budget bill language prohibiting the use of funds to move the Maryland Geological Survey.		
4. Add budget bill language authorizing the department to submit a fiscal 2007 budget amendment for up to \$500,000 in State Forest and Park Reserve Funds.		
5. Reduce State Park operating funds for contractual employees and local jurisdiction refunds.	\$ 1,000,000	
6. Delete funding for an urban tree canopy project.	300,000	
7. Delete funding for a grant to Mid-Atlantic Off-Road Enthusiasts.	125,000	
8. Delete new positions associated with implementation of the Corsica River watershed restoration effort.	109,978	3.0
9. Delete new positions and associated funding and reduce contractual and equipment funds for bay grass restoration.	440,631	2.0
10. Delete a new position and associated funding and reduce contractual funding for Corsica River watershed restoration efforts.	277,026	1.0
11. Delete a new position and associated funding and contractual funding for an unidentified watershed restoration initiative.	780,142	1.0
<b>Total Reductions</b>	<b>\$ 3,032,777</b>	<b>7.0</b>

## **Updates**

***Law Enforcement Consolidation Complete:*** DNR's efforts to consolidate the law enforcement functions of the State Forest and Park Service and the National Resources Police are described.

***DNR Vehicle Fleet Update:*** This update summarizes a recent report DNR and the Department of Budget and Management submitted outlining the current status of, and plans for, DNR's vehicle fleet.

***Adjustments to Long-term Lease with the Erickson Foundation:*** The adjustments DNR made to a long-term lease with the Erickson Foundation are described.

***Status of the Carter Library and Information Center:*** The current staffing and operation of DNR's Carter Library and Information Resource Center is described.

***Oyster Restoration Environmental Impact Statement Deferred Until June 2006:*** This update describes the status of efforts to develop an oyster restoration strategy for the Chesapeake Bay.



**K00A**  
**Department of Natural Resources**

*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, DNR is structured into the programmatic units described below.

- **Office of the Secretary:** Provides leadership, public outreach, customer service, legislative, 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 105,000 acres of State-owned lands classified as Wildlife Management Areas.
- **Park Service:** Manages natural, cultural, historic, and recreational resources in parks across the State, and provides related educational services.
- **Capital Grants and Loan Administration:** Administers diverse financial assistance programs that support public land and easement acquisitions, local grants, and waterway improvements.
- **Licensing and Registration Service:** Operates six regional service centers that assist the public with vessel titling and registration, off-road vehicle registration, commercial fishing licenses, and hunting and sport fishing licenses.
- **Natural Resources Police:** Preserves and protects Maryland's natural resources and its citizens through enforcement of conservation, boating, and criminal law.
- **Resource Planning:** Provides technical assistance to land managers in property acquisition, development, and management.
- **Engineering and Construction:** Provides engineering, project management, and in-house construction services.

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- **Chesapeake Bay Critical Areas Commission:** Promulgates criteria to minimize storm water runoff impact, conserve living resources and habitats, and establish land use policies that accommodate growth while addressing the environmental impact of development along sensitive shorelines.
- **Resource Assessment Service:** Evaluates and directs implementation of environmental restoration and protection policy for tidal and non-tidal ecosystems.
- **Maryland Environmental Trust:** Negotiates and accepts conservation easements over properties with environmental, scenic, historic, or cultural significance; provides grants, loans, and technical assistance to local land trusts.
- **Watershed Services:** Develops and supports watershed, greenway, and waterway management strategies for the restoration, protection, and economic vitality of Chesapeake and coastal ecosystems.
- **Fisheries Service:** Manages commercial and recreational harvests to maintain sustainable fisheries, enhance and restore fish species in decline, and promote fishery ethics and public involvement.

DNR's six primary goals are to achieve:

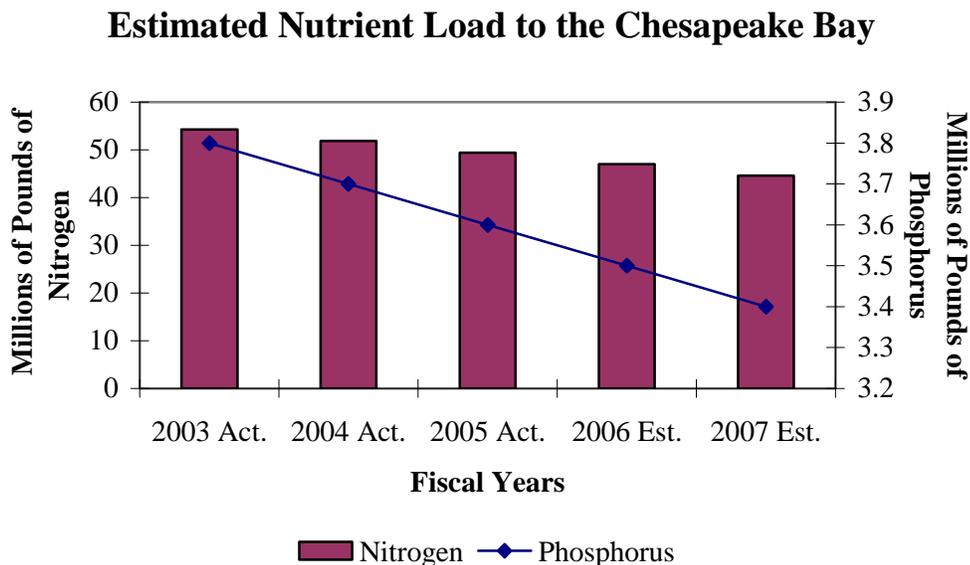
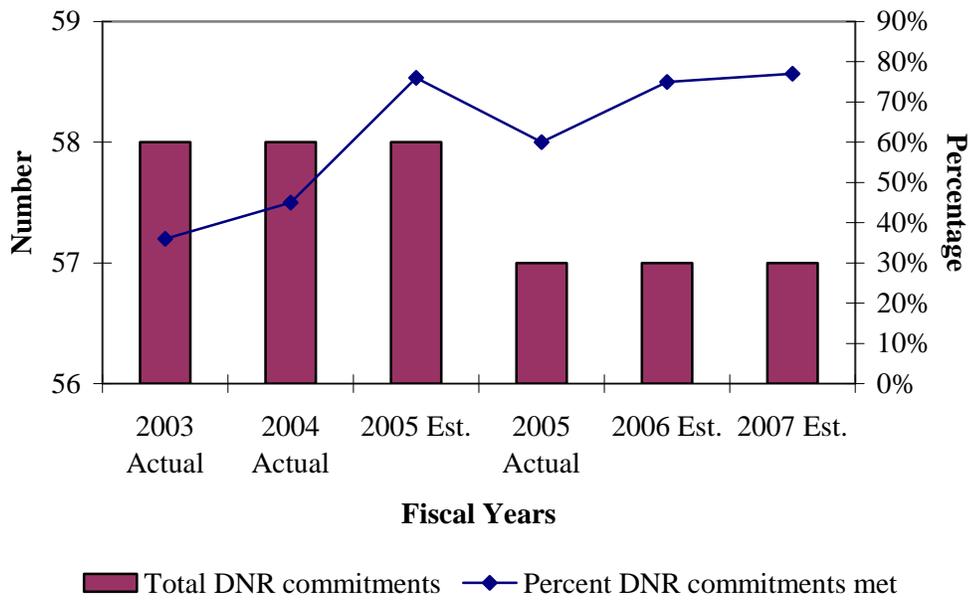
- sustainable populations of living resources and aquatic habitat in the mainstem of the Chesapeake Bay, tidal tributaries, and coastal bays;
- healthy Maryland watershed lands, streams, and non-tidal rivers;
- natural resources stewardship opportunities for Maryland's urban and rural citizens;
- a conserved and managed statewide network of ecologically valuable private and public lands;
- diverse outdoor recreation opportunities for Maryland citizens and visitors; and
- diverse workforce and efficient operations.

### **Performance Analysis: Managing for Results**

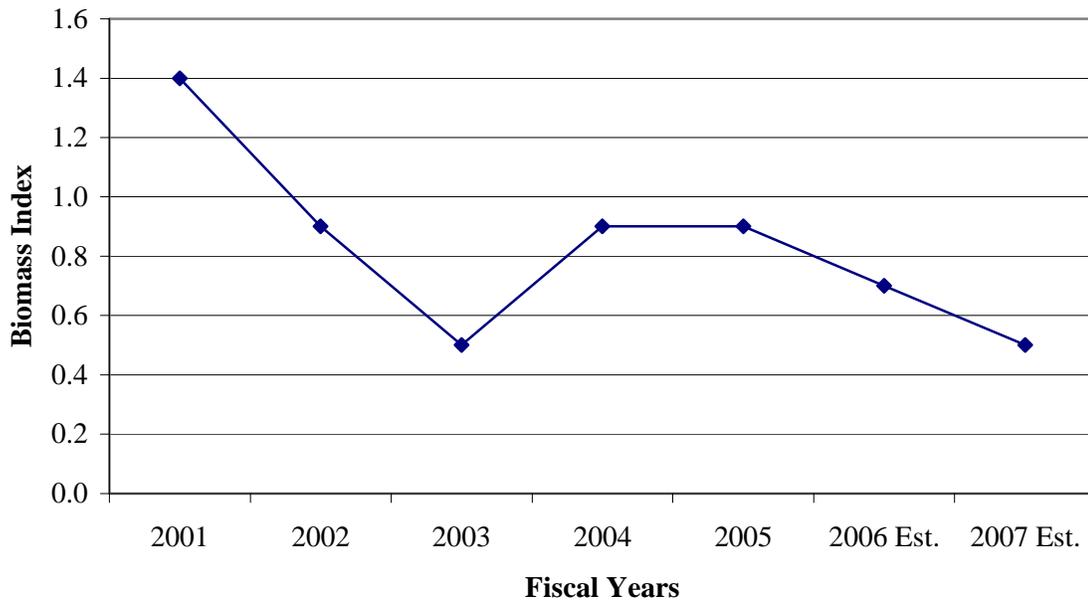
DNR's fiscal 2007 Managing for Results submission is structured around six primary departmental level goals with numerous subsequent objectives and performance measures. **Exhibit 1** illustrates DNR's progress toward several performance goals in key program areas. These charts indicate the following trends:

- continued progress toward meeting Maryland’s *Chesapeake 2000* commitments, though not as much progress in fiscal 2005 as anticipated;
- small steady reductions in nitrogen and phosphorus loading into the Chesapeake Bay; and
- a slight rebound in the oyster biomass index in fiscal 2004 and 2005, but a steady anticipated decline in fiscal 2006 and 2007.

**Exhibit 1**  
**Maryland’s Chesapeake Bay Agreement Commitments**



## Oyster Biomass Index



Source: Budget Books, Fiscal 2005, 2006, and 2007

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DNR's fiscal 2007 allowance includes significant funding increases for several large efforts, including restoration of the Corsica River watershed and other watersheds, as well as implementation of the State's Tributary Strategy. **DNR should be prepared to discuss how these significant funding increases would impact DNR's ability to achieve Maryland's Chesapeake 2000 goals.**

Planting of submerged aquatic vegetation (SAV) is a significant DNR priority, as evidenced by the nearly \$1.0 million in new funding for SAV in DNR's fiscal 2007 allowance. While this is a priority program area, DNR did not provide fiscal 2005 data for annual acres of SAV Maryland in its fiscal 2007 performance plan. In addition, the actual SAV acreage total for fiscal 2004 was listed as 51,232 acres last year and has been revised to 44,640 acres this year. **DNR should explain this change in the fiscal 2004 data, discuss the challenges associated with measuring SAV, and comment on how the new fiscal 2007 funding would impact DNR's SAV acreage goal.**

### Governor's Proposed Budget

As shown in **Exhibit 2**, the Governor's fiscal 2007 allowance of \$174.4 million is \$13.0 million, or 8.0% above DNR's fiscal 2006 working appropriation. This change reflects a \$9.9 million increase in general funds, \$5.6 million increase in special funds, and a \$2.6 million decrease in federal funds.

**Exhibit 2**  
**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>
2006 Working Appropriation	\$64,787	\$67,701	\$23,838	\$5,093	\$161,419
2007 Governor's Allowance	<u>74,695</u>	<u>73,301</u>	<u>21,225</u>	<u>5,148</u>	<u>174,370</u>
Amount Change	\$9,909	\$5,600	-\$2,613	\$56	\$12,951
Percent Change	15.3%	8.3%	-11.0%	1.1%	8.0%

**Where It Goes:**

**Personnel Expenses**

Seven new positions .....	\$294
Two abolished positions .....	-87
Employee and retiree health insurance .....	3,762
Turnover adjustments .....	1,733
Increments and other compensation .....	1,377
Employee retirement systems .....	1,183
Accrued leave payout.....	684
Social security contributions.....	166
Deferred compensation match .....	151
Other fringe benefit adjustments.....	42
Health insurance underfunding.....	348
Workers’ compensation/unemployment compensation .....	-173

**Natural Resources Protection and Restoration**

Additional funds for restoration of bay grasses .....	990
Increase for Corsica River watershed restoration contacts .....	451
Increase for watershed restoration contractual funds for an unknown river.....	732
Increase for wetland restoration contracts associated with the State’s Tributary Strategy .....	374
Grants to several urban jurisdictions for planting trees .....	300
Matching funds from local jurisdictions for Maryland Environmental Trust land conservation.....	400
Additional federal sport fish grant funds .....	678
Reduction in federal water pollution funds since the program transferred to the Maryland Department of the Environment .....	-2,925

**Land Management for Wise Use and Public Enjoyment**

New seasonal contractual workers at the State parks, due in large part to additional State Forest and Park Reserve Funds.....	1,936
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**Other**

Additional general funds for vehicle replacement.....	200
Expenses associated with proposed Maryland Geological Survey move .....	458
Other adjustments .....	84

<b>Total</b>	<b>\$12,951</b>
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Note: Numbers may not sum to total due to rounding.

## **2007 Personnel Funding**

Of the \$13.0 million in funding provided in fiscal 2007 above the fiscal 2006 working appropriation, \$9.3 million or 72% is due to increases in salaries and wages and \$1.9 million or 15% is due to increases in contractual personnel. The largest personnel cost increases may be attributed to health insurance (\$3.8 million), turnover adjustments (\$1.7 million), increments (\$1.4 million), and retirement system payments (\$1.2 million) for 1,371.5 positions.

As part of the Department of Budget and Management (DBM) annual salary review adjustments, all law enforcement classifications in the State, including DNR police, receive in the allowance a 2% market adjustment agreed to in negotiation with the State Law Enforcement Officer Alliance in addition to the 2% general salary increase.

## **2007 Program Funding**

The \$9.9 million increase in general funds reflects personnel funding increases as well as the following program increases: \$990,000 for bay grass restoration efforts; \$451,295 in contractual funds for Corsica River restoration efforts; \$732,184 in contractual funds for another unidentified watershed restoration effort; \$374,000 for wetland restoration contracts associated with implementation of the State's Tributary Strategy implementation plan; \$458,334 to move part of the Maryland Geological Survey from Baltimore City to DNR's headquarters building; \$300,000 for an urban tree canopy initiative; and \$200,000 for vehicle replacement.

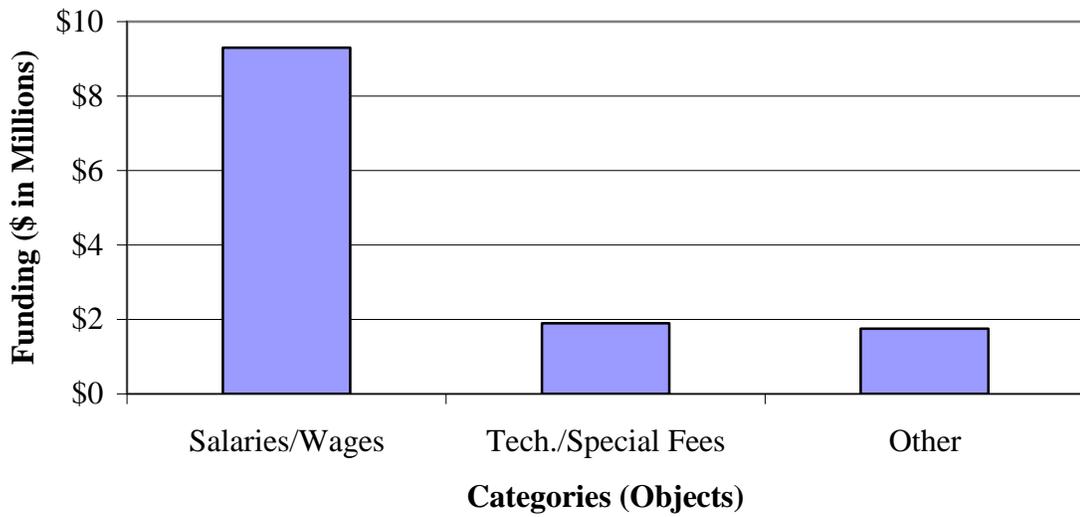
The \$5.6 million increase in special funds reflects a \$4.1 million increase in Forest and Park Reserve funds for park operations, \$1.4 million in new Waterway Improvement Fund revenue for capital project administration and Natural Resources Police field operations, and \$400,000 in anticipated matching funds from local jurisdictions for Maryland Environmental Trust land conservation efforts.

The \$2.6 million decrease in federal funds is the result of a \$2.9 million reduction in federal grants for nonpoint source pollution project, due to the program transferring to the Maryland Department of the Environment, being offset by a \$678,047 increase in federal sport fish grant funds.

As illustrated in **Exhibit 3**, the majority of the increase in the fiscal 2007 allowance occurs within the following categories:

- salaries and wages (object 1) increase by \$9.3 million, or 9.7%;
- technical and special fees (object 2) increase by \$1.9 million, or 24.5%; and
- remaining object categories increase by a total of \$1.75 million.

**Exhibit 3**  
**Major Categories of Fiscal 2007 Funding Changes as Compared to Fiscal 2006**



Source: Department of Legislative Services

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## *Issues*

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### **1. DNR’s Murky Bottled Water Venture**

In September 2005, Governor Robert L. Ehrlich, Jr. announced the formation of the Chesapeake Bay Recovery Partnership (CBRP), a new public-private partnership between the not-for-profit Oyster Recovery Partnership (ORP) and the State. CBRP was created to raise funds from public and private sources and to facilitate and oversee large-scale, integrated Chesapeake Bay restoration projects including oyster restoration, bay grass replenishment, planting of forest buffers and cover crops, and implementation of nutrient and sediment reduction techniques. CBRP’s initial fundraising effort is the sale of a premium bottled water product, Maryland Natural Spring Water, from the Brick House Spring in Ellicott City.

Through this effort, ORP will receive and administer the public funds and work with DNR to determine how the funds will be spent. A committee comprised of environmental and educational groups and bay-related business leaders will review and recommend projects. Upon approval of a project, DNR and ORP will act as co-project managers and undertake project implementation. As of February 2006, approximately \$113,000 had been donated by several sources. Grants have been provided by the Campbell Foundation (\$5,000), a private fundraiser (\$5,000), and the Chesapeake Bay Trust (\$100,000). Furthermore, \$3,000 in bottled water sales profit has been realized. CBRP hopes to raise an additional \$1.3 million in fiscal 2006 and approximately \$700,000 in fiscal 2007.

This public-private partnership idea is not new. During recent legislative sessions, bills were introduced, unsuccessfully, that sought to augment existing funding sources for bay restoration activities by encouraging private investment. For example, legislation during the 2004 session sought to create a Chesapeake Bay Recovery Fund (HB 288/SB 184) for large scale bay restoration efforts.

**The Department of Legislative Services (DLS) recommends that DNR respond to the following questions:**

- **Is this private fundraising initiative an appropriate role for State government?**
- **Since many existing nonprofits have the structure and potential capacity to support large-scale restoration efforts, is this effort duplicative?**
- **Will donors be able to dictate what projects their gifts will be used for? If so, how does DNR intend to ensure that funds are used in a strategic manner?**

### **2. Bay Health Struggling as Chesapeake 2000 Goals Loom**

Dead zones in the Chesapeake Bay – areas with so little oxygen that fish can not live – grew to cover a record portion of the estuary last summer. In the summer of 2005, an average of 5% of the bay suffocated oysters and drove fish and crabs to water where they could breathe; an average of 30%

of the bay lacked the oxygen necessary for healthy growth and reproduction of fish, crabs, and oysters. The dead zones are a result of farm fertilizer, wastewater treatment plant effluent, and other pollution, which breeds algae and oxygen-devouring bacteria.

A broad policy framework and numerous initiatives have been established to restore the Chesapeake Bay. In 2000, the bay states, the District of Columbia, the Chesapeake Bay Commission, and the federal government negotiated the Chesapeake Bay 2000 Agreement (C2K), which laid out a revised framework of bold restoration goals. As part of C2K, specific pollution reduction goals have been allocated to the various bay states. Maryland's reduction goals and progress are summarized in **Exhibit 4**. In 2003, Maryland's contribution to the total pollutant load entering the bay watershed was 21% of the nitrogen loads and 20% of the phosphorous and sediment loads. As shown in **Exhibit 5**, the largest source of Maryland's nutrient and sediment pollution is agriculture, followed by point sources, and then urban/suburban lands.

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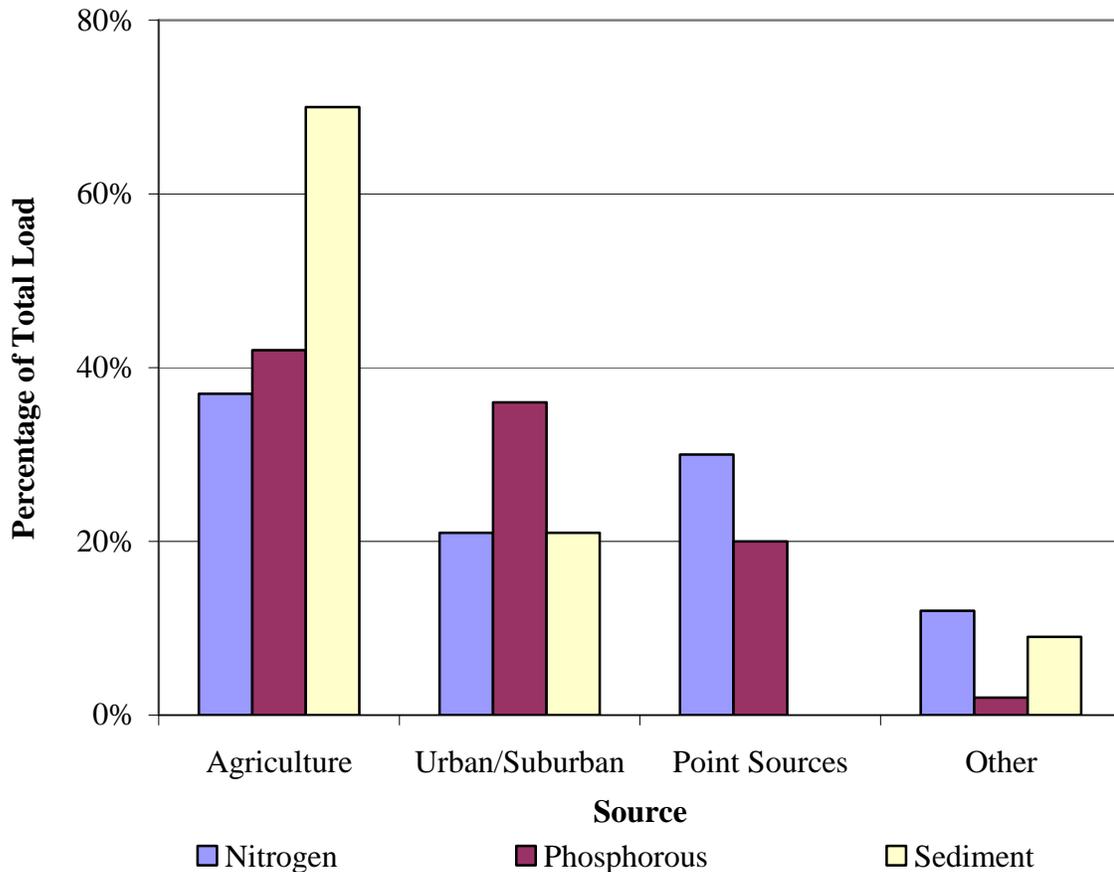
**Exhibit 4**  
**Maryland's Chesapeake Bay Pollution Reduction Goals**

<u>Pollutant</u>	<u>1985 Loads</u>	<u>2003 Loads</u>	<u>2010 Goal</u>
Nitrogen (million lbs/year)	82.4	57.7	37.3
Phosphorus (million lbs/year)	6.8	3.8	2.9
Sediment (million tons/year)	1.3	1.0	0.7

Source: U.S. EPA's Chesapeake Bay Program

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**Exhibit 5**  
**Maryland’s Chesapeake Bay Pollution Loads and Sources**



Source: U.S. EPA’s Chesapeake Bay Program

**Recent Efforts**

Some of the specific recent initiatives aimed at restoring the bay include:

- **Maryland’s Tributary Strategy** – Maryland’s statewide tributary strategy was developed by 10 regional teams in order to achieve and maintain Maryland’s nutrient reduction goals and remove the bay and its tributaries from the federal list of impaired waters. Tributary strategy implementation is estimated to cost \$10 billion, including \$590 million in ongoing operations and maintenance costs. A final Tributary Strategy implementation plan is expected in late February 2006.

- **Bay Restoration Fund** – The Bay Restoration Fund was created in 2004 (Chapter 428, Acts of 2004) to provide grants for upgrades at the State’s 66 major wastewater treatment plants.
- **Chesapeake Bay Regional Financing Authority** – In October 2004, the Chesapeake Bay Watershed Blue Ribbon Finance Panel called on bay states and the federal government to make a six-year, \$15 billion investment in the creation of a regional finance authority to prioritize and distribute restoration funds throughout the watershed. In July 2005, a potential organizational framework for the financing authority and implementation meetings were recommended.
- **Corsica River Pilot Project** – This effort seeks to remove this waterway from the EPA’s List of Impaired Waters by funneling an estimated \$19.4 million over the next five years to urban, suburban, and agricultural best management practices and restoring bay grasses and oyster habitat.
- **Chesapeake Bay Recovery Partnership** – As described earlier, this effort seeks to raise funds for large scale bay restoration projects; and the first fundraising venture is selling bottled water.
- **New Federal Grant Funds for the Bay** – The U.S. EPA and National Fish and Wildlife Foundation will be allocating \$8 million in federal grant funds to projects that demonstrate innovative, sustainable, and cost-effective strategies for reducing nutrient loading into the bay.

In spite of all these efforts, Maryland is not well positioned to achieve its C2K commitments. According to a Tributary Strategy funding analysis, Maryland’s existing funding sources will cover only an estimated 40% of the estimated \$10 billion needed to implement the State’s strategy through 2010. Also, several of the recent strategies described above may not have an impact for several years, and others could end up costing more than originally anticipated. While some important progress has been made, a significant increase in resources, coupled with the implementation of more cost-effective, high-impact bay restoration strategies could steer the State closer to meeting its C2K goals.

**DNR should be prepared to discuss what additional programmatic and financial resources would be required in fiscal 2007 through 2010 to meet the State’s C2K goals and why this additional funding has not been requested.**

### **3. The Corsica River Pilot Project**

In September 2005, Governor Robert L. Ehrlich, Jr. announced a State partnership effort called the Corsica River Pilot Project. The long-term goal of this project is to remove the Corsica River in Queen Anne’s County from the EPA List of Impaired Waters. The Corsica project will initially focus on reducing nutrient pollution and sediment runoff through a proven set of urban, suburban, and agricultural best management practices and by restoring bay grass acreage and oyster

habitat. The total cost of the project is expected to be \$19.4 million over the next five years. As illustrated in **Exhibit 6**, the fiscal 2007 allowance provides \$815,149 in new general funds for the four participating State agencies.

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**Exhibit 6**  
**New Funds for the Corsica River Pilot Project**  
**Proposed Fiscal 2007 General Funds**

<u>State Department</u>	<u>Programs</u>	<u>Proposed FY 2007 General Fund Increase</u>
Maryland Dept. of Planning	• 1 new position and contractual funds to support local planning	\$66,400
DNR	• 4 new positions and contractual funds for natural resources monitoring	613,299
Maryland Dept. of Agriculture	• 2 new coordination positions and cover crop grant funding	5,450
Maryland Dept. of the Environment	• 2 new coordination positions and grants for water quality projects	130,000
	<b>Total</b>	<b>\$815,149</b>

Note: Reflects funding amounts listed within the Corsica I subprogram within each department's fiscal 2007 allowance.

Source: Department of Legislative Services

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The Corsica River was chosen after a review of watersheds throughout Maryland was conducted by DNR, and the Maryland Departments of the Environment, Agriculture, and Planning. Factors considered during the selection process included the size of the watershed; potential to reduce nutrient loadings; the potential to restore bay grasses, oysters, and streams; the presence of a Watershed Restoration Act Strategy; existing impairments listed in the List of Impaired Waters; and the presence of willing local partners.

According to DNR, the new funding proposed in the fiscal 2007 allowance will supplement several State departments ongoing work in the Corsica River watershed. Recent restoration efforts the State has undertaken in the area include planting approximately five million oyster spat in September 2005 on two Corsica oyster bars; restoring bay grasses to the Corsica by researching the best river planting methods; encouraging farmers in the Corsica watershed to sign up with the Maryland Agricultural Cost Share Program; and prompting farmers in the watershed to plant an estimated 2,000 acres of cover crops.

DLS recommends that DNR discuss the goals as well as the current and projected funding needs associated with this pilot project.

#### 4. Overly Optimistic Fiscal 2007 State Forest and Park Reserve Fund Revenue Projections?

The State Forest and Park Reserve Fund (SFPRF) is a DNR special fund that receives revenue from cabin and camping fees, concessions, rentals, public sales, and a variety of other fees levied at State parks, forests, and other natural resources areas. These funds are used to support the management of State forests and parks. Annual SFPRF revenue has fluctuated somewhat over the past few years; however, it has averaged \$13.2 million annually, as illustrated in **Exhibit 7**.

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#### Exhibit 7 State Forest and Park Reserve Fund Annual Revenues

<u>Fiscal Year</u>	<u>Revenue (\$ in Millions)</u>
2003	\$12.3
2004	12.8
2005*	14.6

\*DNR advises that there were record revenues in fiscal 2005 due to extremely favorable weather and timber sales.

Source: Department of Natural Resources

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The fiscal 2007 allowance seeks to appropriate \$17.5 million in SFPRF revenue for DNR programs. However, this level of special fund revenue may not be available. DNR intends to spend reserve balances to cover the employee costs necessary to maintain operations. DNR does not intend to increase entrance or camping fees in fiscal 2007, as the Maryland Park Service already charges some of the highest fees in the country. As illustrated in **Exhibit 8**, while the SFPRF has a healthy balance, insufficient SFPRF may be available for park and forest operations if robust revenues are not realized in fiscal 2006 and 2007 as projected. If only slightly less revenue than projected is realized, DNR will be required to secure other funding in fiscal 2008 to maintain the current level of operations.

**Exhibit 8**  
**State Forest and Park Reserve Fund**  
**Revenue and Expenditure Projections**

	<u>FY 2005 Act.</u>	<u>Fall 2005 Estimate</u>		<u>December 2005 Estimate</u>	
		<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2007</u>
Beg. Balance	\$3.3	\$4.1	\$3.0	\$4.1	\$5.3
Income	14.6	12.3	13.9	14.6	14.5
Total Revenue	17.9	16.4	16.8	18.7	19.8
Total Expend.	13.8	13.4	17.5	13.4	17.5
<b>End Balance</b>	<b>\$4.1</b>	<b>\$3.0</b>	<b>-\$0.7</b>	<b>\$5.3</b>	<b>\$2.3</b>

Source: Department of Natural Resources

DLS recommends that DNR and DBM discuss the latest fiscal 2006 and 2007 SFPRF revenue projections and how DNR would manage a funding shortfall if estimated revenues are not realized in fiscal 2006 and 2007. In addition, DLS recommends budget bill language restricting the use of new fiscal 2007 general funds for State forest and park operations.

## 5. Maryland Geological Survey Move Proposal

### Background

The mission of DNR's Maryland Geological Survey (MGS) is primarily scientific-investigative with authorization to conduct topographic, geologic, hydrographic, and geophysical surveys; to prepare topographic, geologic, and other types of maps to meet specific needs; to prepare reports on the extent and character of the geology, minerals, and water resources of the State; and to engage in, sponsor, and coordinate archeological research in Maryland. Since 1972, MGS has carried out its mission through three programs:

- **Hydrogeology and Hydrology** conducts hydrogeologic studies, geophysical surveys, and test drilling; assesses streams, springs, and aquifers and their interactions; forecasts the potential effects of water demand and land use; and maintains a statewide water data network in cooperation with the U.S. Geological Survey.
- **Environmental Geology and Mineral Resources** conducts geological investigations and mapping and disseminates earth science information about Maryland.

- **Coastal and Estuarine Geology** investigates and determines the geologic framework of the State’s coastal environments by mapping and evaluating the natural resources and providing earth science information for resource management.

MGS is currently located in the Kenneth N. Weaver Building and annex located on St. Paul Street in Baltimore City.

### **Move to MDE**

As illustrated in **Exhibit 9**, the fiscal 2007 allowance includes funding to move two-thirds of MGS from DNR to the Maryland Department of the Environment (MDE). The Administration proposes to move all MGS programs except Coastal and Estuarine Geology to MDE’s Montgomery Park headquarters in Baltimore City. The Coastal and Estuarine Geology program would relocate to DNR’s Tawes headquarters in Annapolis. The fiscal 2007 allowance includes \$575,000 in general funds to implement this move, with \$458,334 in DNR’s allowance and \$116,666 in MDE’s allowance. This proposal assumes that 16 regular positions and 2 contractual positions would move from DNR to MDE and the 9 Coastal and Estuarine Geology program positions would remain within DNR. An executive order or legislation effecting this organizational change is anticipated during the 2006 session; however, new fiscal 2007 funding would be required for implementation to take place.

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### **Exhibit 9 Proposed Allocation of MGS Resources**

	<u><b>DNR</b></u>	<u><b>MDE</b></u>
Programs	Coastal and Estuarine Geology	Hydrogeology and Hydrology Environmental Geology
Regular positions	9	16 and 2 contractual
Program funding allocation	\$1.1 million (estimated)	\$1.6 million (estimated)
Proposed fiscal 2007 move funds	\$458,334	\$116,666

Sources: Maryland Department of the Environment; Department of Natural Resources

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The rationale for the proposed reorganization is twofold. First, since MGS provides a significant amount of support to MDE’s Public Water Supply and Mining programs, this reorganization would help ensure that both activities and budgets are better aligned with State priorities. Secondly, since MDE requires geology-related support for a variety of programs, MDE may be able to achieve greater workload efficiency with the addition of these new geologists.

There are several practical and fiscal concerns about this proposed move that merit attention. Some of the potential issues are described below.

- ***MGS Workload Would Remain Split Between DNR and MDE:*** MGS currently provides DNR with a significant amount of assistance. The two MGS programs that would transfer to MDE would still be required to provide DNR with groundwater and stream gauging network, mineral resources assessment, and mapping services. Since MGS serves both MDE and DNR, and it does not provide an overwhelming portion of its services to MDE programs, the need for this move appears weak.
- ***Inefficient to Duplicate Existing Offices:*** Since the Weaver Building and annex are already outfitted with the equipment and facilities MGS staff require, it appears duplicative and unnecessary to dedicate limited State resources to outfitting two new work and lab spaces at the MDE and DNR headquarters buildings.
- ***Unknown Future for DNR's Weaver Building and Annex:*** If this reorganization is implemented, the future need for and/or use of the Weaver Building and annex is not clear. DNR advises that the Weaver Building would be declared surplus and transferred to the Department of General Services for disposition.
- ***Detrimental Impact on Coastal and Estuarine Geology Program:*** Splitting off the Coastal and Estuarine Geology Program could result in a loss of efficiencies and synergy among the three current MGS programs.

**DLS recommends against funding this proposal and having DNR discuss the potential negative repercussions of not implementing the proposed move.**

## ***Recommended Actions***

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1. Add the following language:

Provided that the \$1,243,512 in general funds and \$655,959 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 State General Fund. Unexpended special fund appropriations will be cancelled.

**Explanation:** In the past, the Department of Natural Resources (DNR) has not made vehicle purchases a priority. Consequently, the vehicle fleet fell into disrepair. This language requires DNR to spend funds appropriated for vehicle purchases only on vehicle purchases or to revert or cancel the funds.

2. Add the following language to the general fund appropriation:

, provided that \$458,334 of these funds may only be used by the Department of Natural Resources for contractual positions at the State forests and parks.

**Explanation:** This budget bill language restricts the use of \$458,334 in fiscal 2007 general funds for contractual positions at the State forests and parks. These funds will provide a buffer to uncertainties about the availability of State Forest and Park Reserve special funds in fiscal 2007.

3. Add the following language:

Further provided, no funds may be expended to move the Maryland Geological Survey from the Kenneth Weaver Building and annex in Baltimore City.

**Explanation:** This language prohibits the use of funds to move the Maryland Geological Survey from the Kenneth Weaver Building and annex in Baltimore City.

4. Add the following language:

Further provided, the Department of Natural Resources may submit a fiscal 2007 budget amendment for up to \$500,000 in State Forest and Park Reserve Funds for the State Park Service.

**Explanation:** This language authorizes the Department of Natural Resources to submit a fiscal 2007 budget amendment for up to \$500,000 in State Forest and Park Reserve Fund revenue for the State Park Service.

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	<u>Amount Reduction</u>		<u>Position Reduction</u>
5. Reduce State Park operating funds for contractual employees (\$850,000) and local jurisdiction refunds (\$150,000). This reduction reflects the likelihood that sufficient State Forest and Park Reserve Fund revenue will not be available for these costs in fiscal 2007.	\$ 1,000,000	SF	
6. Delete funding for an urban tree canopy project. These funds would be used to provide grants to several jurisdictions for tree planting. Funding for this type of activity is available through the Chesapeake Bay Trust.	300,000	GF	
7. Delete funding for a grant to Mid-Atlantic Off-Road Enthusiasts. These funds would be used for trail projects and educational seminars about trail construction, design, and maintenance. This grant is not essential or necessarily consistent with the department's priorities.	125,000	GF	
8. Delete new positions associated with implementation of the Corsica River watershed restoration effort. These positions would manage water quality monitoring efforts. The proposed addition of these positions is not consistent with the Spending Affordability Committee's recommended position limit for fiscal 2007.	109,978	GF	3.0
9. Delete two new positions and associated funding and reduce contractual and equipment funds for bay grass restoration. This action deletes funding for two new biologists (\$90,631) and reduces funding for contracts (\$150,000) and equipment (\$200,000) associated with restoring bay grasses. The proposed addition of these two positions is not consistent with the Spending Affordability Committee's recommended position limit for fiscal 2007. With this reduction, \$549,613 in new funds would still be provided for this bay grass restoration effort.	440,631	GF	2.0
10. Delete a new position and associated funding (\$45,720) and overhead (\$6,306), and reduce contractual costs (\$225,000) associated with Corsica	277,026	GF	1.0

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River watershed restoration efforts. The new position would direct the pilot project, and the contractual funds would be used for restoration projects, data collection, and monitoring efforts. The proposed addition of this new position is not consistent with the Spending Affordability Committee’s recommended position limit for fiscal 2007.

11.	Delete a new position and associated funding and contractual funding for an unidentified watershed restoration initiative. This action deletes funding for one new position (\$47,958) to manage this effort and \$732,184 in contractual funding to develop wetlands, establish a forested riparian buffer, and restore streams. Funding for this effort in fiscal 2007 is premature since a specific watershed has not been identified. Furthermore, the proposed addition of this new position is not consistent with the Spending Affordability Committee’s recommended position limit for fiscal 2007.	780,142	GF	1.0
<b>Total Reductions</b>		<b>\$ 3,032,777</b>		<b>7.0</b>
<b>Total General Fund Reductions</b>		<b>\$ 2,032,777</b>		
<b>Total Special Fund Reductions</b>		<b>\$ 1,000,000</b>		

## Updates

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### 1. Law Enforcement Consolidation Complete

DNR has been working to consolidate the law enforcement functions of the Maryland Park Service (MPS) and the National Resources Police (NRP) for the past two years. The consolidation was officially completed as of December 2005. As of January 2006, 91 law enforcement officers (LEOs) had transferred from MPS to NRP and cross training of NRP and Ranger law enforcement personnel had occurred. In addition, 31 new civilians have been hired in fiscal 2006 to perform park responsibilities no longer performed by the forest and park LEOs. DNR anticipates three additional civilian vacancies being filled prior to the end of fiscal 2006.

Concerns about future promotional opportunities for the remaining MPS LEOs have been addressed through 2005 legislation as well as DNR policy. In accordance with Chapter 602, Acts of 2005, (HB 1353) LEOs of the Forest and Park Service "...shall be eligible and considered for any promotional opportunities for positions in the Forest and Park Service, and if selected for a position, shall assume the appropriate law enforcement officer classification title and rank of the officer who most recently held that position." DNR advises that if a MPS LEO is selected for the promotion, they will be reclassified to the higher ranking position, keeping their LEO commission, benefits, and protections. This new process recently resulted in the promotion of two LEOs to higher level opportunities.

While DNR can determine the short-term costs associated with the merger, a determination of the long-term cost savings is more difficult. DNR estimates that the short-term cost of the merger was \$327,500, which includes training, estimated additional salary costs, equipment, and supplies. DNR advises that the long-term savings will not be realized until law enforcement managers in MPS retire. The estimated \$2.9 million in potential long-term cost savings is shown in **Exhibit 10**. This chart compares average salaries and benefits for existing LEOs with entry level salaries and benefits of replacement civilian personnel once they are hired.

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#### Exhibit 10 Estimated Long-Term Savings of the Law Enforcement Merger

<u>Number of LEOs</u>	<u>LEO Class</u>	<u>Est. Total Savings</u>
1	Park Ranger Colonel	\$50,182
7	Park Ranger Major	489,022
9	Park Ranger Captain	600,361
12	Park Ranger 1 <sup>st</sup> Lt.	750,616
10	Park Ranger 2 <sup>nd</sup> Lt.	570,549
8	Park Ranger Sgt.	428,888
<b>47</b>		<b>\$2,889,618</b>

Source: Department of Natural Resources

## **2. DNR Vehicle Fleet Update**

In response to narrative in the 2005 *Joint Chairmen's Report*, DNR submitted a report outlining the current status of, and plans for, its vehicle fleet. This report indicates that while DNR is still working to update its vehicle fleet, recent progress has been made. Specifically, the report notes that 20% of DNR's vehicle fleet has over 100,000 miles, and 9% of the vehicles are more than 10 years old. Last year, 45% of the DNR fleet had over 100,000 miles, and 33% of the vehicles were more than 10 years old. The vast majority of DNR vehicles are used by the State Park Service, Forest Service, and Natural Resources Police.

The report asserts that adequate funds should be available to eliminate the vehicle replacement backlog by fiscal 2010, assuming the fiscal 2006 funding level of \$1.6 million continues until fiscal 2010. DNR's fiscal 2007 allowance provides \$1.9 million in general and special funds for vehicle replacement. Other findings and trends in the report are summarized below.

- Due to changes in the utilization of large vessels, DNR intends to work with a consultant to develop a revised vessel replacement plan that seeks to ensure the most efficient allocation of resources.
- Although the useful life of most heavy equipment is approximately 12 years, 62% of DNR's heavy equipment was purchased prior to 1990.
- In fiscal 2002 through 2005, DNR's actual vehicle replacement cycle of 7.3 years was more aggressive than the statewide average of 9.6 years.

## **3. Adjustments to Long-term Lease with the Erickson Foundation**

In September 2002, the State entered into an 80-year lease (with two 10-year renewal options) with the Erickson Foundation for the exclusive use of 98 acres (as well as the nonexclusive use of an additional 353 acres) at Elk Neck State Park in Cecil County. In lieu of rent, the Erickson Foundation agreed to develop and construct a youth environmental education and recreation center at the site. This lease was the result of an unsolicited proposal submitted by the Erickson Foundation and ultimately approved by the Board of Public Works (BPW).

In a February 2005 DNR audit report, the Office of Legislative Audits (OLA) noted that the availability of this land for development was not publicly advertised and was not subject to legislative review. OLA found that while there was no specific requirement to obtain legislative approval for such a lease, State law did require that the "sale" of any State-owned land valued at more than \$100,000 be subject to legislative review and comment. Ultimately, OLA recommended that DNR:

- modify the lease agreement to include a formal commitment from the lessee as to the financial investment that will be made in the facility and any other relevant provisions; and

- monitor the project to ensure that the lessee adheres to the terms of the lease and that the facility remains financially viable.

In response to this audit finding, the General Assembly included bill language in the fiscal 2006 operating and capital budgets that restricts funds until DNR implements OLA's recommendation and submits a report to the budget committees detailing how the lease was modified.

In January 2006, BPW approved an amendment to the long-term lease with the Erickson Foundation. Among other things, the amendment provides for a more vigorous review of the Erickson Foundation's financial records and clarifies the public benefits that would be realized as a result of this lease. DNR and the Erickson Foundation are currently developing a Memorandum of Understanding to further clarify the use of earnings from the camp, appropriate camp guests, Maryland State Department of Education oversight, and the camp's fee setting policy.

#### **4. Status of the Carter Library and Information Center**

The fiscal 2006 allowance deleted funding for a librarian position in DNR's Carter Library and Information Resource Center. However, the General Assembly added fiscal 2006 budget bill language that:

- restricted fiscal 2006 funding and authorized DNR to reclassify a vacant position as a librarian position, fund this new librarian position, and continue center operations; and
- expressed the General Assembly's intent that funding be included for a librarian position in DNR's fiscal 2007 allowance.

In response to this budget language, DNR hired a student librarian, on a contractual basis, to operate the center four days per week for four hours daily during the July 2005 – January 2006 period, and two days per week for four hours daily during the January – May 2006 period. DNR estimates that only \$12,000 will be dedicated to center operations in fiscal 2006. However, the fiscal 2007 allowance proposes to provide \$88,000 and one full-time permanent position for the center. DNR advises that recruitment for this new position is expected to begin in April 2006. Prior to fiscal 2006, the center was staffed by a full-time professional librarian five days per week.

#### **5. Oyster Restoration Environmental Impact Statement Deferred Until June 2006**

Over the past two years, Maryland and Virginia, and the U.S. Army Corps of Engineers have been developing a voluntarily Environmental Impact Statement (EIS) to evaluate the environmental, social, and economic issues surrounding eight potential oyster restoration alternatives, including the potential introduction of a non-native Asian Oyster into the Chesapeake Bay. In November 2005, the EIS Executive Committee agreed to defer the EIS and established a June 2006 checkpoint to evaluate

the status of the report. This new timeline should allow for the completion of the remaining elements of the EIS, which include the predictive models for larvae transport, demographic restoration of oysters over time, and an ecological risk assessment.

DNR has dedicated a significant amount of funding to evaluation of various oyster restoration alternatives, as illustrated in **Exhibit 11**. Since the EIS may be completed this summer, DNR may require an entirely new programmatic and funding framework to guide its oyster restoration programs and priorities in the future.

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**Exhibit 11**  
**Funding for Oyster Restoration Alternatives Evaluation**

<u>Fiscal Year</u>	<u>Amount</u>
2004 Actual	\$1,454,249
2005 Actual	1,706,321
2006 Working	1,642,908
2007 Allowance	1,567,372
<b>Total</b>	<b>\$6,370,850</b>

Source: Department of Natural Resources

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## *Current and Prior Year Budgets*

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$67,746	\$67,362	\$23,323	\$5,577	\$164,008
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	799	3,746	1,802	1,080	7,427
Reversions and Cancellations	-138	-7,247	-3,044	-1,295	-11,724
<b>Actual Expenditures</b>	<b>\$68,407</b>	<b>\$63,861</b>	<b>\$22,081</b>	<b>\$5,362</b>	<b>\$159,711</b>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$64,097	\$66,401	\$23,838	\$5,071	\$159,407
Budget Amendments	690	1,300	0	22	2,012
<b>Working Appropriation</b>	<b>\$64,787</b>	<b>\$67,701</b>	<b>\$23,838</b>	<b>\$5,093</b>	<b>\$161,419</b>

Note: Numbers may not sum to total due to rounding.

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## **Fiscal 2005**

DNR's general fund appropriation increased by a net \$660,998, due to allocation of the cost-of-living adjustment general fund appropriation (\$798,844) as authorized in the fiscal 2005 budget bill (Budget Amendment 006-05) offset by the reversion of \$137,846.

Special funds dedicated to operating functions decreased by \$3.5 million. The following funds were brought in via budget amendment:

- \$800,000 for grants to counties to comply with the statutory requirement that counties receive 15 – 25% of the total revenue collected at State forests and parks;
- \$560,000 for higher than anticipated utility expenses, motor vehicle fuel costs, and maintenance-related contractual services at numerous State parks;
- \$350,000 for salary costs in the Wildlife and Heritage Service;
- \$250,000 for salary costs due to unrealized turnover and benefit increases in the Forestry Service;
- \$217,350 for contractual services, equipment, supplies, and other fees associated with implementing watershed restoration activities at Carroll Creek, Parish Creek, the Lower Monocacy River, the Magothy River, Lake Linganore, and the Triadelphia and Rocky Gorge Reservoirs;
- \$216,000 to replace a crane aboard the motorized vessel J.M. Tawes, as well as a large truck used for loading and transporting buoys and related supplies statewide;
- \$143,000 for fees, travel, supplies, and contractual services involved with developing new technologies for large scale collection, processing, and distribution of submerged aquatic vegetation seeds;
- \$128,534 for salaries in the Licensing and Registration Service;
- \$67,000 for fees, equipment, and contractual services associated with surveying and maintaining the Somers Cove Marina property;
- \$96,163 for salary costs, contractual services, and supplies in Natural Resources Police (NRP) Field Operations;
- \$91,161 to create a geographic information system-based, water quality mapping tool for use in estuarine and coastal areas;

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- \$82,181 for radio equipment and contractual services associated with a safe boating educators conference;
- \$80,000 for a grant payment to Garrett County, to comply with a statutory requirement that 25% of the total revenue collected at Deep Creek Lake Natural Resource Management Area be allocated to the county;
- \$77,300 for contractual services, a motorized vessel, and technical fees for the Licensing and Registration Service;
- \$74,500 for fees, vehicles, contractual services, equipment, and supplies at the State forests and parks;
- \$60,600 for costs associated with timber harvests at Potomac Garrett, Savage River, and Pocomoke State Forests;
- \$54,000 for supplies and materials associated with the Conservation Reserve Enhancement Program;
- \$50,000 for increased fuel costs associated with the operation of State vehicles;
- \$50,000 for salary costs in Waterway Management Services;
- \$47,250 for production of the Maryland bay game, an interactive game that children can play while traveling to the eastern parts of the State;
- \$46,000 to develop technically sound techniques for targeting sites for large-scale submerged aquatic vegetation restoration efforts; and
- \$40,000 for contractual services involving mapping and analyzing oil and gas fields, saline aquifers, and coal seams in Garrett, Allegany, Somerset, Wicomico, and Worcester counties.

These special fund budget amendments were off-set by \$7.2 million in cancellations. The majority of the cancellations took place in the following programs: \$1.2 million in the State Forest and Park Service, \$1.1 million in Resource Assessment Service, \$1.0 million in the Fisheries Service, \$696,660 in the Natural Resources Police, \$688,929 in the Maryland Environmental Trust, \$552,515 in Watershed Services, \$520,527 in the Office of the Secretary, \$417,542 in Wildlife and Heritage Service, \$264,759 in Resource Planning, and \$175,311 in the Forestry Service.

Federal funds dedicated to operating functions decreased by a net of \$1.2 million. The following funds were brought in via budget amendment:

- \$330,731 for conservation, law enforcement, and Homeland Security related activities;

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- \$330,178 for salaries, training, and equipment costs associated with federal/State marine fisheries protection and enforcement efforts;
- \$325,360 for contractual services, equipment, supplies, and grants associated with implementation of several projects that seek to enhance the Chesapeake Bay watershed, provide fire assistance, address timber harvesting best management practices, upgrade a weather station, and develop wildlife related software;
- \$300,000 for a variety of wildlife conservation and protection programs;
- \$110,000 for a Chesapeake Bay finfish and habitat research project;
- \$75,000 for a research project addressing Chesapeake Bay oyster sanctuary construction using alternative materials;
- \$53,571 for salaries and supplies associated with monitoring Maryland’s white-tailed deer for Chronic Wasting Disease;
- \$50,000 for a blue crab fisheries disaster assistance project;
- \$43,701 for NRP salaries, vehicle, and equipment costs;
- \$36,350 for an offshore sand resources study; and
- \$34,655 for contractual services, grants, and equipment associated with hunter safety programs and law enforcement.

These federal fund budget amendments were off-set by \$3.0 million in cancellations. The majority of the cancellations took place in the following programs: \$1.1 million in Watershed Services, \$550,288 in the Fisheries Service, \$438,741 in the Resource Assessment Service, \$329,500 in the Forestry Service, \$302,703 in the Natural Resources Police, and \$211,028 in the State Forest and Park Service.

## **Fiscal 2006**

General funds increase due to allocation of the cost-of-living adjustment general fund appropriation (\$690,171) to State agencies as authorized in the fiscal 2006 budget bill (Budget Amendment 004-06). Funds were allocated in DBM and subsequently distributed to each agency.

Special funds increase by \$1.3 million due to the General Assembly approving the use of additional property transfer tax revenue for State park operations via budget reconciliation legislation.

## ***Audit Findings***

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Audit Period for Last Audit:	January 18, 2001 – January 6, 2004
Issue Date:	February 24, 2005
Number of Findings:	16
Number of Repeat Findings:	5
% of Repeat Findings:	31%
Rating: (if applicable)	n/a

- Finding 1:*** A long-term lease was executed with a private entity for development of State park land without publicly advertising or submitting the lease for legislative review.
- Finding 2:*** Controls over DNR public land leases were not adequate.
- Finding 3:*** DNR did not adequately account for certain special funds to ensure that funds were used in accordance with enabling laws.
- Finding 4:*** DNR improperly distributed \$874,000 from a clearing account to various DNR special funds.
- Finding 5:*** DNR did not prepare and/or retain adequate documentation supporting adjusting entries.
- Finding 6:*** A DNR police officer had been assigned to another State agency to perform an administrative function for the past four years while remaining on DNR's payroll.
- Finding 7:*** A DNR employee monitored a contract for a company where the employee's spouse was employed.
- Finding 8:*** Adequate documentation was not obtained to support contractor billings.
- Finding 9:*** DNR employees established a nonprofit entity and a related bank account to process State funds outside of the State's accounting system.
- Finding 10:*** **Adequate controls were not established over cash receipts.**
- Finding 11:*** Interagency agreements were not disclosed to the budget committees as required.
- Finding 12:*** **Proper internal controls were not established over the processing of purchasing and disbursement transactions.**

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**Finding 13: Sufficient controls were not established over corporate purchasing cards.**

**Finding 14: Federal asset forfeiture funds were not spent in accordance with federal requirements.**

**Finding 15: Adequate controls were not maintained over equipment.**

**Finding 16: DNR did not adequately restrict access to the Customer Oriented Information Network System.**

\* Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report  
Department of Natural Resources**

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1416.00	1366.50	1371.50	5.00	0.4%
02 Contractual	356.19	341.63	432.32	90.69	26.5%
<b>Total Positions</b>	<b>1772.19</b>	<b>1708.13</b>	<b>1803.82</b>	<b>95.69</b>	<b>5.6%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 95,018,885	\$ 95,385,633	\$ 104,658,984	\$ 9,273,351	9.7%
02 Technical & Spec Fees	8,046,513	7,902,428	9,838,240	1,935,812	24.5%
03 Communication	2,164,711	2,221,066	2,175,063	-46,003	-2.1%
04 Travel	476,556	611,994	682,418	70,424	11.5%
05 Food	350	0	0	0	0.0%
06 Fuel & Utilities	3,409,430	3,319,786	3,902,030	582,244	17.5%
07 Motor Vehicles	7,215,574	6,256,258	6,986,743	730,485	11.7%
08 Contractual Services	27,747,847	30,576,330	28,631,113	-1,945,217	-6.4%
09 Supplies & Materials	5,805,781	5,556,254	5,646,404	90,150	1.6%
10 Equip - Replacement	1,535,861	1,306,647	1,309,489	2,842	0.2%
11 Equip - Additional	1,135,403	861,857	1,358,325	496,468	57.6%
12 Grants, Subsidies, and Contributions	4,105,810	4,482,103	5,223,890	741,787	16.5%
13 Fixed Charges	2,474,963	2,455,215	2,411,734	-43,481	-1.8%
14 Land & Structures	574,288	483,187	1,545,072	1,061,885	219.8%
<b>Total Objects</b>	<b>\$ 159,711,972</b>	<b>\$ 161,418,758</b>	<b>\$ 174,369,505</b>	<b>\$ 12,950,747</b>	<b>8.0%</b>
<b>Funds</b>					
01 General Fund	\$ 68,407,417	\$ 64,786,745	\$ 74,695,489	\$ 9,908,744	15.3%
03 Special Fund	63,861,277	67,700,959	73,300,597	5,599,638	8.3%
05 Federal Fund	22,081,446	23,838,142	21,224,922	-2,613,220	-11.0%
09 Reimbursable Fund	5,361,832	5,092,912	5,148,497	55,585	1.1%
<b>Total Funds</b>	<b>\$ 159,711,972</b>	<b>\$ 161,418,758</b>	<b>\$ 174,369,505</b>	<b>\$ 12,950,747</b>	<b>8.0%</b>

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

**Fiscal Summary  
Department of Natural Resources**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Secretariat	\$ 2,285,817	\$ 2,203,459	\$ 2,133,493	-\$ 69,966	-3.2%
02 Office of the Attorney General	1,122,228	1,089,180	1,183,307	94,127	8.6%
03 Finance and Administrative Service	3,894,245	3,849,468	4,500,134	650,666	16.9%
04 Human Resource Service	882,300	1,036,563	1,132,190	95,627	9.2%
05 Information Technology Service	3,587,766	3,593,679	3,755,525	161,846	4.5%
06 Public Affairs Office	1,103,691	1,109,081	1,200,098	91,017	8.2%
09 Forestry Program	9,331,652	10,086,351	11,521,483	1,435,132	14.2%
01 Wildlife and Heritage Service	9,018,758	8,630,149	9,220,077	589,928	6.8%
01 Statewide Operation	29,517,813	28,419,951	32,328,902	3,908,951	13.8%
06 Revenue Operations	1,313,090	1,398,934	1,299,545	-99,389	-7.1%
05 Operations	4,443,417	4,165,107	4,848,355	683,248	16.4%
01 General Direction	3,665,934	3,712,306	3,943,569	231,263	6.2%
01 General Direction	7,084,825	7,000,511	7,863,020	862,509	12.3%
04 Field Operations	27,763,445	26,333,090	28,610,567	2,277,477	8.6%
05 Waterway Management Services	2,045,784	2,094,460	2,286,721	192,261	9.2%
01 General Direction	1,247,273	1,315,142	1,319,332	4,190	0.3%
01 General Direction	4,472,012	5,114,430	5,777,576	663,146	13.0%
01 Chesapeake Bay Critical Area Commission	1,906,021	2,087,755	2,136,010	48,255	2.3%
01 Support Services	446,660	545,274	598,896	53,622	9.8%
04 Monitoring And Non-tidal Assessment	3,239,015	3,147,276	3,652,345	505,069	16.0%
05 Power Plant Assessment Program	5,911,921	5,966,767	6,198,679	231,912	3.9%
06 Tidewater Ecosystem Assessment	4,550,468	4,435,951	4,993,532	557,581	12.6%
07 Maryland Geological Survey	2,838,286	2,774,142	2,813,641	39,499	1.4%
01 General Direction	980,677	984,950	1,463,381	478,431	48.6%
01 General Direction	490,575	670,543	631,666	-38,877	-5.8%
02 Geographic Information Service	5,041,648	5,392,393	6,960,146	1,567,753	29.1%
05 Coastal Zone Management	7,342,932	8,801,844	5,638,061	-3,163,783	-35.9%
01 General Direction	4,062,689	4,785,738	5,049,903	264,165	5.5%
06 Restoration and Enhancement	3,987,573	4,250,834	4,593,880	343,046	8.1%
08 Resource Management	3,443,419	3,916,290	4,180,492	264,202	6.7%
11 Shellfish Restoration and Management	2,690,038	2,507,140	2,534,979	27,839	1.1%
<b>Total Expenditures</b>	<b>\$ 159,711,972</b>	<b>\$ 161,418,758</b>	<b>\$ 174,369,505</b>	<b>\$ 12,950,747</b>	<b>8.0%</b>

General Fund	\$ 68,407,417	\$ 64,786,745	\$ 74,695,489	\$ 9,908,744	15.3%
Special Fund	63,861,277	67,700,959	73,300,597	5,599,638	8.3%
Federal Fund	22,081,446	23,838,142	21,224,922	-2,613,220	-11.0%
<b>Total Appropriations</b>	<b>\$ 154,350,140</b>	<b>\$ 156,325,846</b>	<b>\$ 169,221,008</b>	<b>\$ 12,895,162</b>	<b>8.2%</b>
Reimbursable Fund	\$ 5,361,832	\$ 5,092,912	\$ 5,148,497	\$ 55,585	1.1%
<b>Total Funds</b>	<b>\$ 159,711,972</b>	<b>\$ 161,418,758</b>	<b>\$ 174,369,505</b>	<b>\$ 12,950,747</b>	<b>8.0%</b>

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.