

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

***Operating Budget Data***

(\$ in Thousands)

|                                      | <u>FY 10</u><br><u>Actual</u> | <u>FY 11</u><br><u>Working</u> | <u>FY 12</u><br><u>Allowance</u> | <u>FY 11-12</u><br><u>Change</u> | <u>% Change</u><br><u>Prior Year</u> |
|--------------------------------------|-------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| General Fund                         | \$45,250                      | \$43,569                       | \$45,450                         | \$1,881                          | 4.3%                                 |
| Contingent & Back of Bill Reductions | 0                             | 0                              | -2,966                           | -2,966                           |                                      |
| <b>Adjusted General Fund</b>         | <b>\$45,250</b>               | <b>\$43,569</b>                | <b>\$42,484</b>                  | <b>-\$1,085</b>                  | <b>-2.5%</b>                         |
| Special Fund                         | 95,085                        | 109,673                        | 148,277                          | 38,604                           | 35.2%                                |
| Contingent & Back of Bill Reductions | 0                             | 0                              | -18,012                          | -18,012                          |                                      |
| <b>Adjusted Special Fund</b>         | <b>\$95,085</b>               | <b>\$109,673</b>               | <b>\$130,265</b>                 | <b>\$20,593</b>                  | <b>18.8%</b>                         |
| Federal Fund                         | 28,383                        | 34,038                         | 31,553                           | -2,485                           | -7.3%                                |
| Contingent & Back of Bill Reductions | 0                             | 0                              | -82                              | -82                              |                                      |
| <b>Adjusted Federal Fund</b>         | <b>\$28,383</b>               | <b>\$34,038</b>                | <b>\$31,470</b>                  | <b>-\$2,568</b>                  | <b>-7.5%</b>                         |
| Reimbursable Fund                    | 9,610                         | 10,602                         | 8,954                            | -1,648                           | -15.5%                               |
| Contingent & Back of Bill Reductions | 0                             | 0                              | -30                              | -30                              |                                      |
| <b>Adjusted Reimbursable Fund</b>    | <b>\$9,610</b>                | <b>\$10,602</b>                | <b>\$8,924</b>                   | <b>-\$1,678</b>                  | <b>-15.8%</b>                        |
| <b>Adjusted Grand Total</b>          | <b>\$178,327</b>              | <b>\$197,882</b>               | <b>\$213,144</b>                 | <b>\$15,262</b>                  | <b>7.7%</b>                          |

- The Department of Natural Resources' (DNR) budget includes three fiscal 2011 deficiencies of \$0.7 million in special funds and \$2.3 million in federal funds. The funding would be used for homeland security information technology and operating expenses in the Natural Resources Police and wildlife restoration in Wildlife and Heritage Service.
- The overall adjusted change in the DNR budget is an increase of \$15.3 million, or 7.7%. The major change is a net increase of \$18.9 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund monies, reflecting a reduction of \$18.7 million contingent on a provision in the Budget Reconciliation and Financing Act of 2011 redistributing the revenue to the general fund. However, once the trust fund monies are allocated to the other agency recipients, DNR's fiscal 2012 budget will be level with the fiscal 2011 working appropriation.

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

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***Personnel Data***

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|                        | <b><u>FY 10<br/>Actual</u></b> | <b><u>FY 11<br/>Working</u></b> | <b><u>FY 12<br/>Allowance</u></b> | <b><u>FY 11-12<br/>Change</u></b> |
|------------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Regular Positions      | 1,287.00                       | 1,272.00                        | 1,272.00                          | 0.00                              |
| Contractual FTEs       | <u>393.73</u>                  | <u>371.78</u>                   | <u>400.36</u>                     | <u>28.58</u>                      |
| <b>Total Personnel</b> | <b>1,680.73</b>                | <b>1,643.78</b>                 | <b>1,672.36</b>                   | <b>28.58</b>                      |

***Vacancy Data: Regular Positions***

|   |       |       |
|---|-------|-------|
| Turnover and Necessary Vacancies, Excluding New Positions | 76.32 | 6.00% |
| Positions and Percentage Vacant as of 12/31/10            | 83.25 | 6.54% |

- Contractual full-time equivalent positions increase by a net of 28.6 in the fiscal 2012 allowance primarily for the Maryland Conservation Corps within the Maryland Park Service and forest sustainability certification within the Forest Service.
- DNR’s turnover rate is increased from 5.14 to 6.00%.

## *Analysis in Brief*

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### Major Trends

***Conservation Reserve Enhancement Program Acres Slowly Rising:*** The amount of annual acres of restored agricultural land decreased between fiscal 2003 and 2008. In fiscal 2009 and 2010, there was a net loss of restored agricultural land, which is anticipated to be reversed in fiscal 2011 and 2012.

***Homeland Security Sites Are Up/Number of Checks Are Down:*** Homeland Security checks per site are down. This may be explained by the increase in the number of designated sites and in the reduction in staffing.

***Oyster Habitat and Location Surveys Increase:*** The number of oyster habitat and oyster location surveys completed for fiscal 2010 increases due to oyster management regulatory changes.

### Issues

***Forest Service Appears Understaffed:*** DNR's forest policy is moving forward on a number of tracks. DNR is working on dual certification of Western Maryland State Forest holdings and the difficult task of forest management on private lands. **The Department of Legislative Services (DLS) recommends that DNR comment on the Forest Service's capacity for handling forestry issues on public and private lands in Maryland and on the constraints associated with fiber supply agreements.**

***Marcellus Shale Debate More Than Hot Air:*** The discovery of natural gas in Appalachia's Marcellus Shale formation has led to a modern gold rush and the question of tradeoffs between water quality and rural economic development. **DLS recommends that DNR comment on how it views the balance of economic and environmental concerns in the issue of Marcellus Shale natural gas exploration and on the need for and possible structure of a statewide severance tax if drilling is allowed to go forward.**

***Are Organized Efforts to Circumvent Natural Resources Law Challenging Natural Resources Police Enforcement of Fisheries Laws?:*** Anecdotal evidence suggests that organized efforts to circumvent Natural Resources law are challenging Chesapeake Bay living resources protection efforts. Illegally placed gill nets holding 20,016 pounds of rockfish – striped bass – were found on January 31, 2011, and an additional 3,879 pounds of rockfish caught in gill nets were found on February 11, 2011. **DLS recommends that DNR comment on whether there is any concrete evidence of organized efforts to circumvent natural resources law behind the fisheries violations it has seen and, if so, what changes in its operations or State law will be needed to address this activity, and its impacts on Chesapeake Bay living resources.**

## **Recommended Actions**

1. Strike the Forest Service general fund appropriation language that reduces funds contingent upon the elimination of payment in lieu of taxes for park earnings to localities.
2. Modify the Watershed Services special fund appropriation reduction contingent upon the enactment of legislation to allocate Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenue to the general fund.
3. Add a section reducing park earnings, timber sales, and Deep Creek Lake revenue payments contingent upon budget reconciliation legislation.

## **Updates**

***Report on Promulgation of Deer Hunting Regulations:*** Two pieces of committee narrative in the 2010 *Joint Chairmen's Report* (JCR) expressed budget committee concern about deer hunting regulations. DNR notes that its regulatory authority is restricted by statute. Within this limitation, DNR has issued regulations that are consistent with and allow for hunting levels up to the limitations established in statute and is working on a Deer Management Permit with an extended reporting period of at least five years, which it expects to have in place for the Deer Management Period renewal period at the end of calendar 2011.

***Future of Maryland's Furbearer Management Program:*** In the 2010 JCR, the committees expressed concern that November 18, 2009 BPW actions eliminated the Furbearer Project Leader position, which would impact future State oversight and management of Maryland's furbearer populations. DNR notes that it has appointed the Game Mammal Section Leader to be the main contact with the Maryland Fur Trappers, Inc. and will continue to manage furbearers by dispersing responsibility within the Game Mammal Section.

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

***Operating Budget Analysis***

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**Program Description**

The Department of Natural Resources (DNR) preserves, protects, enhances, and restores the State's natural resources for the use and enjoyment of all citizens. To accomplish this mission, DNR is structured into the programmatic units described below.

- **Office of the Secretary:** Provides leadership, public outreach, customer service, legislative, financial, administrative, information technology (IT), 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 111,400 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.
- **Land Acquisition and Planning:** Administers diverse financial assistance programs that support public land and easement acquisitions, and local grants.
- **Licensing and Registration Service:** Operates seven 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.
- **Engineering and Construction:** Provides engineering, project management, and in-house construction services.
- **Chesapeake Bay Critical Areas Commission:** Implements the cooperative resource protection program between the State and local governments in the 1,000-foot wide Critical Area surrounding the Chesapeake Bay by reviewing local development proposals, providing technical planning assistance to local governments, approving amendments to local plans, and providing grants for the implementation of local critical area programs.

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- **Boating Services:** Coordinates the Clean Marina Program, oversees two State-owned marinas, funds public boating access facilities and navigation channel dredging, and places regulatory markers and navigation aids in support of sustainable development, use, and enjoyment of Maryland waterways for the general boating public.
- **Resource Assessment Service:** Evaluates and directs implementation of environmental restoration and protection policy for tidal and nontidal ecosystems, ensures electricity demands are met at reasonable costs while protecting natural resources, and provides scientific assessments and technical guidance for the management of geologic and hydrologic resources.
- **Maryland Environmental Trust:** Negotiates and accepts conservation easements over properties with environmental, scenic, historic, or cultural significance and provides grants, loans, and technical assistance to local land trusts.
- **Watershed Services:** Coordinates State efforts to restore and protect the Chesapeake and Atlantic Coastal Bays by providing financial and technical resources to local governments, State government agencies, nonprofit organizations, and private landowners.
- **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 nontidal 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
- a diverse workforce and efficient operations.

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

The Managing for Results (MFR) analysis reviews the recent decrease in the annual acres of restored agricultural land as part of the Conservation Reserve Enhancement Program (CREP), the

reduced number of homeland security checks per site that may be ameliorated by greater use of technology, and the increase in the number of oyster habitat and oyster location surveys completed as a result of the Administration’s new oyster restoration plan.

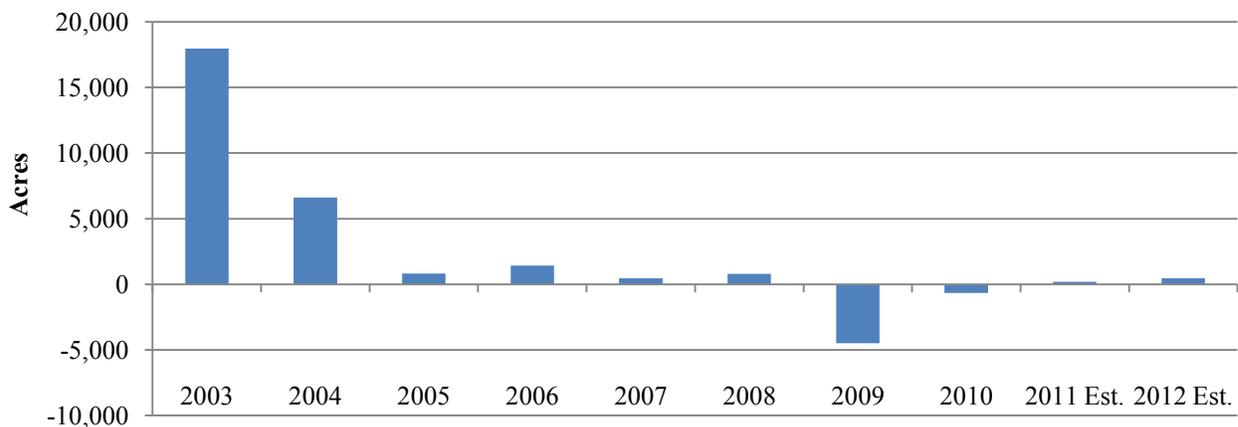
## CREP

CREP is a combined State and federal program. First, landowners sign a contract with the federal government to establish restoration practices. In return, landowners receive a cost-share payment for the installation of the restoration practices and an annual rental payment for 10 to 15 years. Second, the State purchases easements on properties in the federal CREP rental program in order to retain the conservation practices beyond the 10- to 15-year contract period. The State may purchase easements either during the period of the federal program or at the end of the program, but either way the intent is to retain restoration practices on riparian agricultural land in perpetuity.

As shown in **Exhibit 1**, the rate of annual acres of restored agricultural land decreased between fiscal 2003 and 2008. In fiscal 2009 and 2010, there was a net loss of restored agricultural land. DNR explains that the total acres enrolled in CREP, which went down in fiscal 2009 and 2010, reflect a national and regional trend that is due to changes in land ownership, landowner goals, and prices of agricultural commodities, fuel, and fertilizer. In addition, DNR notes that Maryland experienced a smaller decline relative to other states and that it is working with the Maryland Department of Agriculture (MDA) on ways to make the program more attractive to farmers. **The Department of Legislative Services (DLS) recommends that DNR comment on the ways it intends to make the CREP program more attractive to farmers.**

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**Exhibit 1**  
**Net Annual Change in Acres of Restored Agricultural Land**  
**Fiscal 2003-2012**



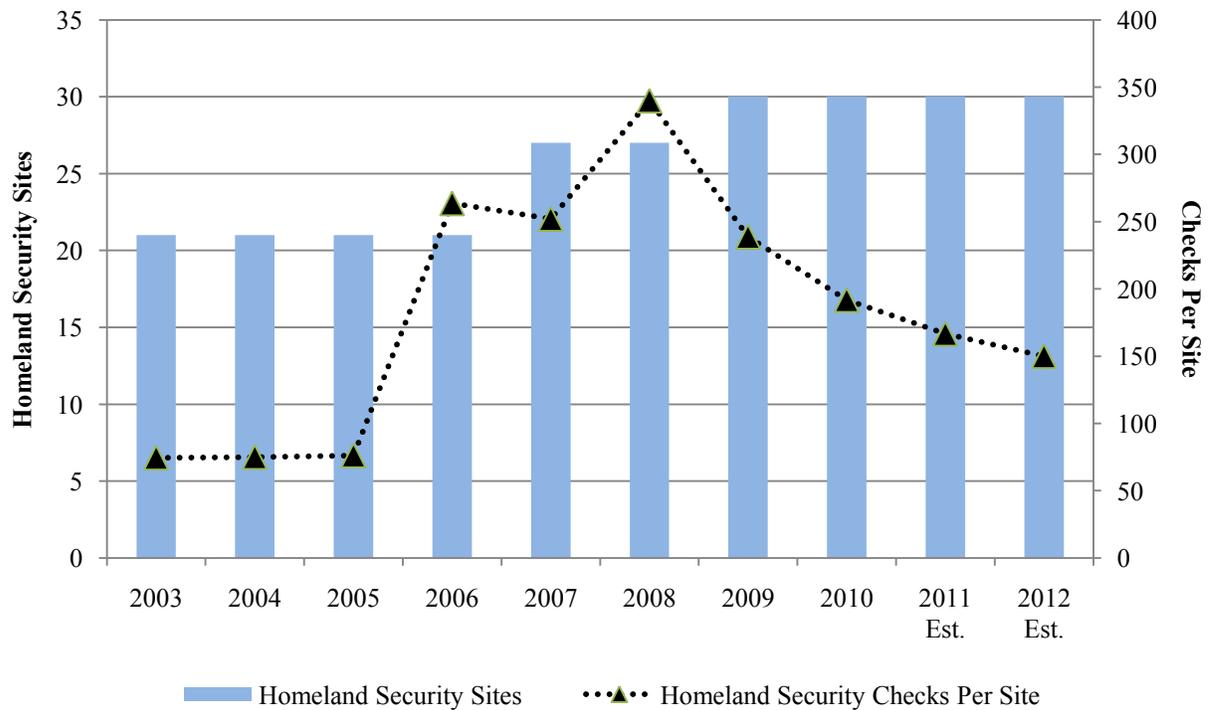
Source: Governor’s Budget Books, fiscal 2006-2012

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## Homeland Security

One of DNR’s objectives is to develop and implement comprehensive maritime homeland security strategies and programs designed to ensure a safe and secure environment for Maryland citizens and visitors. In order to accomplish this, the Natural Resources Police – the State’s designated lead on maritime homeland security – patrols the 30 homeland security sites, including the Chesapeake Bay Bridge, Calvert Cliffs Nuclear Power Plant, Cove Point Liquid Natural Gas Plant, and the Baltimore Harbor. However, the Natural Resources Police staffing has declined from 280 authorized officers in fiscal 2008 to 247 in fiscal 2010. In addition, the Natural Resources Police’s responsibilities have increased over time making it more difficult to maintain the number of homeland security checks per site. This is shown in **Exhibit 2**.

**Exhibit 2**  
**Homeland Security Checks**  
**Fiscal 2003-2012**



Source: Governor’s Budget Books, Fiscal 2006-2012

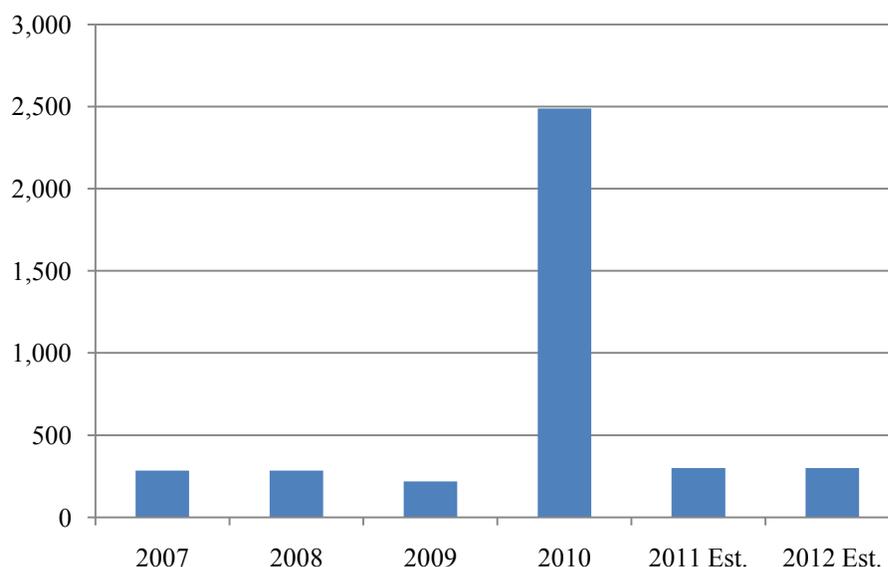
While the number of checks per site has gone down, this may be partially explained by the increase in the number of designated homeland security sites over time and may be ameliorated by DNR’s work on the Maritime Law Enforcement Information Network (MLEIN) IT project. MLEIN will consist of a combination of real-time radar and long-distance camera feeds that will allow anyone with an authorized laptop computer to access information about homeland security sites without necessarily being at the site. Therefore, it is assumed that the number of checks per homeland security site may continue to decline without a commensurate decrease in overall security. **DLS recommends that DNR comment on what MFR measure is appropriate for capturing the oversight homeland security sites are receiving now that there is anticipated to be a greater reliance on MLEIN.**

### **Oyster Aquaculture Groundwork**

A substantial amount of work is being conducted in the oyster aquaculture policy area. In addition to the outreach provided by MDA, there is a loan fund being implemented by the Maryland Agricultural and Resource-Based Industry Development Corporation for new oyster aquaculture businesses, and DNR’s Fisheries Service is providing technical assistance for new operations. On the infrastructure side, DNR has ramped up the number of oyster habitat and oyster location surveys it has completed for fiscal 2010, as shown in **Exhibit 3**.

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**Exhibit 3**  
**Oyster Habitat and Oyster Location Surveys Completed**  
**Fiscal 2007-2012**



Source: Governor’s Budget Books, Fiscal 2010-2012

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A number of new regulations have come into effect requiring the additional survey work shown. These regulations cover the following oyster policy areas:

- expanded oyster sanctuary network;
- public shellfish areas;
- leasing and aquaculture; and
- power dredge study areas.

**DLS recommends that DNR comment on the out-year expectations for the number of oyster habitat and oyster location surveys completed given the substantial increase in fiscal 2010.**

## **Fiscal 2011 Actions**

### **Proposed Deficiency**

The Governor has submitted three deficiency appropriations for the fiscal 2011 operating budget, which would increase DNR's special fund appropriation by \$686,260, and federal fund appropriation by \$2,337,525. The appropriation increases are as follows:

- \$356,460 in special funds and \$1,069,379 in federal funds for the Natural Resources Police to fund the Maritime Law Enforcement Information Network, Tac-Stack Radio Interoperability among port partners, and patrol boat purchases;
- \$234,100 in special funds and \$793,333 in federal funds for operations funding in the Natural Resources Police from the U.S. Department of Justice and National Oceanic and Atmospheric Administration; and
- \$95,700 in special funds and \$474,813 in federal funds for a Wildlife Restoration grant agreement with the U.S. Fish and Wildlife Service in Wildlife and Heritage Service.

### **Impact of Cost Containment**

Section 44 of the fiscal 2011 budget bill required the Governor to abolish 500 positions in the Executive Branch as of June 30, 2011. The positions and the funds associated with them have been removed from the fiscal 2011 working appropriation. DNR's share of the reduction was 12 full-time equivalent (FTE) positions and \$262,149 in fiscal 2011, which represents an ongoing annualized

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savings of \$721,552 for employee salary and fringe benefit expenditures. The impact of the loss of these positions, noted in parentheses, is expected to entail reductions in DNR functions as follows:

- Maryland Park Service (4) – administrative, technical, maintenance, and interpretive services;
- Fisheries (2) – administrative and fiscal oversight and analysis of land use threats and impacts on aquatic resources;
- Resource Assessment (2) – administrative support and geological expertise;
- Watershed Services (1) – geographic information system targeting;
- Forest Service (1) – tree planting initiatives;
- Human Resources (1) – training and staff development; and
- Finance and Administrative Services (1) – budget functions.

## **Budget Reconciliation and Financing Act (BRFA) of 2011**

### **Proposed Revenue Redistribution**

An action in the BRFA of 2011 would redistribute \$18.7 million of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues to the general fund in fiscal 2012. The Chesapeake and the Atlantic Coastal Bays 2010 Trust Fund’s revenues come from a portion of the motor fuel tax and the short-term vehicle rental sales and use tax and are focused on nonpoint source pollution control. With the contingent \$18.7 million revenue redistribution, there is \$25.0 million available for nonpoint source nutrient pollution reduction projects to help restore the Chesapeake Bay. **DLS recommends an additional \$3.0 million reduction to the fund in fiscal 2012 and setting specified annual amounts for the fund each year. These would phase upward by \$1.0 million annually to \$25.0 million by fiscal 2015. The risk for over or under attainment would be assumed by the general fund.**

### **Proposed Fund Balance Transfer**

An action in Section 7 of the BRFA of 2011 would transfer fund balance from one of DNR’s operating budget special funds to the general fund in fiscal 2011. The \$256,000 proposed transfer is shown in **Exhibit 4**.

**Exhibit 4  
Proposed Fiscal 2011 Special Fund Balance Transfer**

| <u>Fund</u>                 | <u>Revenue Source</u>  | <u>Purpose</u>  | <u>Original<br/>2011<br/>Closing<br/>Balance</u> | <u>Contingent<br/>Transfer</u> | <u>Contingent<br/>2011 Closing<br/>Fund Balance</u> |
|-----------------------------|--|---|--|--------------------------------|---|
| Forest or Park Reserve Fund | Park facility fees and sales, timber and forest product sales, royalties, concession commissions, rent, tree expert licenses, roadside tree permits, fines | Purchase and manage State lands and annual payments to counties | \$4,747,631                                      | \$256,000                      | \$4,491,631   |

Note: The closing balance does not reflect interest transfers. Transfers that impact Department of Natural Resources’s (DNR) pay-as-you-go capital program are not included here. DNR reports that \$668,125 in special fund balance was transferred to the general fund as part of the Budget Reconciliation and Financing Act of 2010 which allowed for special fund furlough savings to be transferred. This number is reflected in the numbers above.

Source: Department of Legislative Services

**Proposed Reduction**

The budget reduces \$2.4 million in general funds contingent on a provision in the BRFA of 2011 permanently eliminating payment-in-lieu-of-taxes payments for park earnings, timber sales, and Deep Creek Lake revenues. The park earnings are a revenue to the Forest or Park Reserve Fund and Forest and Park Concession Account. Timber sales revenues also are credited to the Forest or Park Reserve Fund. Deep Creek Lake revenues are credited to the Deep Creek Lake Recreation Maintenance and Management Fund. Authorization is provided to process a budget amendment to backfill the general fund reduction with the special funds no longer being granted to local jurisdictions.

This provision in effect extends and expands upon a provision of the BRFA of 2009, which temporarily eliminated the payment of parks earnings to local jurisdictions for fiscal 2010 and 2011 only as shown in **Exhibit 5**. Since Exhibit 5 reflects current law – the BRFA of 2011 has not been enacted – the payments are reflected for fiscal 2012 and onward. If the BRFA provision is adopted, then the payments reflected from fiscal 2012 onward would not be made to localities and instead would be retained by DNR.

**Exhibit 5**  
**Payments to Counties from the Forest or Park Reserve Fund, Forest and Park Concession Account, and the Deep Creek Lake Recreation Maintenance and Management Fund Under Current Law**  
**Fiscal 2009 to 2016**

| <u>Fiscal</u> | <u>Park Service</u> | <u>Park Service Concessions</u> | <u>Forest Service</u> | <u>Deep Creek Lake</u> | <u>Total</u> |
|---------------|---------------------|---------------------------------|-----------------------|------------------------|--------------|
| 2009          | \$1,523,794         | \$122,245                       | \$393,117             | \$223,203              | \$2,262,359  |
| 2010          | 0                   | 0                               | 271,516               | 218,249                | 489,765      |
| 2011 est.     | 0                   | 0                               | 430,077               | 235,000                | 665,077      |
| 2012 est.     | 1,600,000           | 140,000                         | 399,852               | 235,000                | 2,374,852    |
| 2013 est.     | 1,600,000           | 140,000                         | 399,852               | 235,000                | 2,374,852    |
| 2014 est.     | 1,600,000           | 140,000                         | 399,852               | 235,000                | 2,374,852    |
| 2015 est.     | 1,600,000           | 140,000                         | 399,852               | 235,000                | 2,374,852    |
| 2016 est.     | 1,600,000           | 140,000                         | 399,852               | 235,000                | 2,374,852    |

Note: For fiscal 2010 and 2011 only, Chapter 487 of 2009 eliminated the payments to counties for non-timber harvest revenue from State forests and parks; thus, county payments in these years are based only on revenues generated from the sale of timber from forests and from Deep Creek Lake activities. As a result of Chapter 487, the Department of Natural Resources retained \$1.9 million in fiscal 2010 and an estimated \$2.0 million in fiscal 2011 that otherwise would have been paid to counties from park-related revenue.

Source: Department of Natural Resources; Department of Legislative Services

## Proposed Budget

DNR’s fiscal 2012 allowance increases by \$15.3 million, or 7.7%, relative to the fiscal 2011 working appropriation, as shown in **Exhibit 6**. However, when the allocation of Chesapeake and Atlantic Coastal Bay’s 2010 trust fund monies to other agencies is taken into account, DNR’s budget is level with the fiscal 2011 working appropriation. The changes by fund in Exhibit 6 reflect a \$1.1 million decrease in general funds, an increase of \$20.6 million in special funds, a decrease of \$2.6 million in federal funds, and a decrease of \$1.7 million in reimbursable funds. Personnel changes are discussed first, followed by operating expenditures, and a discussion of fiscal 2012 cost containment actions, which include across-the-board actions that are contingent on the BRFA of 2011.

**Exhibit 6**  
**Proposed Budget**  
**Department of Natural Resources**  
**(\$ in Thousands)**

| <b>How Much It Grows:</b>  | <b>General<br/>Fund</b> | <b>Special<br/>Fund</b> | <b>Federal<br/>Fund</b> | <b>Reimburs<br/>able<br/>Fund</b> | <b>Total</b>   |
|----------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|----------------|
| 2011 Working Appropriation | \$43,569                | \$109,673               | \$34,038                | \$10,602                          | \$197,882      |
| 2012 Allowance             | <u>45,450</u>           | <u>148,277</u>          | <u>31,553</u>           | <u>8,954</u>                      | <u>234,234</u> |
| Amount Change              | \$1,881                 | \$38,604                | -\$2,485                | -\$1,648                          | \$36,352       |
| Percent Change             | 4.3%                    | 35.2%                   | -7.3%                   | -15.5%                            | 18.4%          |
| <br>Contingent Reduction   | <br>-\$2,966            | <br>-\$18,012           | <br>-\$82               | <br>-\$30                         | <br>-\$21,090  |
| Adjusted Change            | -\$1,085                | \$20,593                | -\$2,568                | -\$1,678                          | \$15,262       |
| Adjusted Percent Change    | -2.5%                   | 18.8%                   | -7.5%                   | -15.8%                            | 7.7%           |

**Where It Goes:**

**Personnel Expenses**

|   |         |
|---|---------|
| Salaries and wages increase due to restoration of furloughs.....  | \$1,441 |
| Retirement contribution net of contingent reductions.....   | 690     |
| Employee and retiree health insurance pay-as-you-go costs net of contingent and across-the-board reductions ..... | 687     |
| Workers' compensation .....   | 348     |
| Natural Resources Police Retirement System.....   | 151     |
| Social Security contributions .....   | 97      |
| Accrued leave payout.....   | 30      |
| Other fringe benefit adjustments.....   | 14      |
| Increase turnover on existing positions.....  | -929    |

**Other Changes**

***Budget Reconciliation and Financing Act Items***

|  |         |
|--|---------|
| Chesapeake and Atlantic Coastal Bays 2010 Trust Fund full allocation .....         | 37,569  |
| Contingent reduction of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund ..... | -18,669 |
| Payment-in-lieu-of-taxes included for park earnings.....                           | 1,600   |
| Contingent reduction of payment-in-lieu-of-taxes.....                              | -2,375  |

***Programmatic***

|  |       |
|--|-------|
| Oyster bar rehabilitation and shell reclamation grant award initiation ..... | 2,000 |
|--|-------|

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**Where It Goes:**

|   |                 |
|---|-----------------|
| Blue crab disaster grant award completion .....                                       | -3,784          |
| Forest Brigade activities completion.....   | -702            |
| Watershed Services contracts for stream assessments and compensatory mitigation.....  | -433            |
| U.S. Fish and Wildlife Service finfish grant funding.....                             | -201            |
| Aquatic survey and assessment work contracts .....                                    | -171            |
| Brook trout contract .....  | -163            |
| <b>Information Technology</b>   |                 |
| Maryland Law Enforcement Information Network .....                                    | 740             |
| CAD/RMS information technology project.....   | -700            |
| COMPASS information technology project .....  | -200            |
| <b>Operations</b>   |                 |
| Net increase of 28.58 contractual full-time equivalents.....                          | 752             |
| Uniforms, materials, and boat fuel sale decreases .....                               | -585            |
| Motor vehicles cost containment .....   | -559            |
| Program Open Space administrative expenses decrease due to reduced transfer tax ..... | -340            |
| U.S. Geological Survey Maintenance Contract .....                                     | -225            |
| Civic Justice Corps bus and van rental .....  | -200            |
| Other changes.....  | -591            |
| <b>Total</b>  | <b>\$15,292</b> |

CAD/RMS: Computer Aided Dispatch/Records Management System

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

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**Personnel**

DNR’s overall personnel expenditures increase by \$2.5 million. The majority of the increase, \$1.4 million, is due to the restoration of salaries and wages funding that were reduced by the fiscal 2011 furlough. The remainder of the increase is comprised of the following.

- **Retirement Contributions Net of Contingent Reductions** – \$690,000.
- **Employee and Retiree Health Insurance Pay-as-you-go (PAYGO) Costs Net of Contingent and Across-the-board Reductions** – \$687,000.
- **Workers’ Compensation** – \$348,000.
- **Natural Resources Police Retirement System** – An increase of \$151,000 is due to changes to the retirement system rates made by the State Retirement Agency.

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- ***Social Security Contributions*** – Social Security contributions increase by \$97,000 as a result of salary increases.
- ***Accrued Leave Payout*** – The Natural Resources Police’s DROP program provides for leave payouts for employees who leave State service. The accrued leave payout for this program increases by \$30,000.
- ***Increase Turnover on Existing Positions*** – An increased turnover rate on existing positions from 5.14% to 6.00% results in a decrease of \$929,000.

### **Other Changes**

Overall, the nonpersonnel portion of the fiscal 2012 allowance increases \$12,733,000. The areas of change include BRFA items, programmatic, IT, and operations expenditures. The biggest change is a net increase of \$18,900,000 for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund allocation, once the contingent reduction is taken into account. Absent the contingent reduction, the fund would have received an increase of \$37.6 million. The BayStat agencies anticipate bringing in a special fund budget amendment to transfer the funding to other agencies after the legislative appropriation has been determined, which would leave DNR with an appropriation of \$9.5 million, or a \$3.4 million increase from the fiscal 2011 funding level.

### **BRFA Items**

The changes related to the BRFA are as follows.

- ***Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Full Allocation*** – There is an increase of \$37,569,000 over the fiscal 2011 working appropriation of \$6,100,000. Total funding would be \$43,669,000 but is reduced by \$18,669,000 contingent upon enactment of a provision in the BRFA of 2011 transferring the funding to the general fund.
- ***Payment-in-Lieu-of-Taxes Included for Park Earnings*** – The provision in the BRFA of 2009 eliminating payments to counties for park earnings ends at the close of fiscal 2011. Therefore, a \$1,600,000 funding increase is reflected in the budget for these payments to local jurisdictions.
- ***Contingent Reduction of Payment-in-Lieu-of-Taxes*** – The fiscal 2012 allowance includes a contingent reduction of \$2,375,000 in general funds contingent upon enactment of a provision in the BRFA of 2011 permanently eliminating payments to counties for park earnings, timber sales, and Deep Creek Lake revenues. The Administration plans to backfill the general fund reduction with the special funds that are no longer needed for payments to counties.

## **Programmatic**

A number of programmatic changes are reflected in DNR's fiscal 2012 allowance as follows.

- ***Oyster Bar Rehabilitation and Shell Reclamation Grant Award Initiation*** – DNR has received a new \$2,000,000 federal grant award from the National Oceanic and Atmospheric Administration for oyster bar rehabilitation and shell reclamation.
- ***Blue Crab Disaster Grant Award Completion*** – A decrease of \$3,784,000 reflects the final installment of funding of the federal Blue Crab Disaster Grant Award in fiscal 2012. The overall \$15,000,000 award was declared after the Maryland and Virginia soft and peeler blue crab fishery landing values had decreased by 41% and was used primarily for a blue crab license buy-back program.
- ***Forest Brigade Activities Completion*** – Fiscal 2011 marks the end of the Forest Brigade program goal of planting 1,000,000 trees on State lands. The goal will be met in spring 2011. Therefore, funding decreases by \$702,000.
- ***Watershed Services Contracts for Stream Assessments and Compensatory Mitigation*** – Funding is reduced by \$433,000 for a pilot compensatory mitigation program being conducted by the Maryland Port Administration and Watershed Services program contracts for stream corridor assessments in Prince George's County.
- ***U.S. Fish and Wildlife Service Finfish Grant Funding*** – Reductions in funding for a recreational angler survey and for an ecosystem survey reflect a reduction of \$201,000 in U.S. Fish and Wildlife Service grant funding for Chesapeake Bay finfish.
- ***Aquatic Survey and Assessment Work Contracts*** – The reduction of \$171,000 primarily is due to reduced funding for a fishery survey, coastal assessment, and coastal bays survey contracts in the Monitoring and Ecosystem Assessment program.
- ***Brook Trout Contract*** – There are contract reductions for brook trout surveying administrative support and life history study totaling \$163,000.

## **Information Technology**

The fiscal 2012 allowance reflects a couple of changes in DNR's IT projects as follows.

- ***MLEIN*** – MLEIN is intended to be a comprehensive radar and visual observation system for homeland security, boating safety, and general law enforcement oversight on the Chesapeake Bay. Fiscal 2012 funding increases by \$740,000 since there already is \$100,000 in the appropriation in fiscal 2011. MLEIN is discussed in the Major IT Projects (**Appendix 2**) section of this analysis.

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- ***Computer Aided Dispatch/Records Management System (CAD/RMS) IT Project*** – The allowance decreases by \$700,000 to reflect reduced appropriation needs for the CAD/RMS IT project. A fiscal 2011 budget amendment transferred this amount from the Major IT Development Fund to DNR.
- ***Maryland Outdoor Customer Service Delivery System (COMPASS) IT Project*** – COMPASS funding decreases from \$750,000 to \$550,000 in the allowance for a reduction of \$200,000. COMPASS is discussed in the Major IT Projects (**Appendix 3**) section of this analysis.

### **Operations**

In terms of DNR operations, there is a \$1,217,000 decrease for State transfer tax administrative expenses funding not included in the fiscal 2012 allowance. The operating expenses support was provided as a provision of the BRFA of 2009, which allocated transfer tax funding from DNR's PAYGO Program Open Space (POS) State land acquisition funding to be used for operating expenses. There needs to be a BRFA provision similar to the provision in the BRFA of 2009 to allow DNR to use State transfer tax money for operating expenses. The Administration's plan anticipates reduced funding for POS and partial replacement with general obligation bonds but leaves \$1.2 million for operating expenses. **DLS recommends that a provision be provided to allow DNR to use State transfer tax money for operating expenses.**

The other DNR operation funding changes that occurred between the fiscal 2011 working appropriation and the fiscal 2012 allowance are as follows.

- ***Net Increase of 28.58 Contractual Full-time Equivalents*** – Overall contractual FTE funding increases \$752,000, reflecting a net increase of 28.58 contractual FTEs. The primary increases are in the Maryland Conservation Corps Year Round Grant due to a federal funding increase to support 9 FTEs and in the Forest Service for 6.4 FTEs to collect field data in support of third-party forest sustainability certification and for the operation and maintenance of trails. Watershed Services FTEs increase by 4.3 for CREP work and for monitoring and sampling work. The single largest decrease is 5.8 FTEs in Fisheries Service due to a contractual conversion and reduced funding availability.
- ***Uniforms, Materials, and Boat Fuel Sale Decreases*** – A reduction of \$585,000 reflects less funding for supplies such as in-house construction materials, Natural Resources Police and Maryland Park Service employee uniforms, and a reduction in boat fuel (gasoline) sales at marinas run by the State due to the effects of high gasoline prices on the amount of boat traffic.
- ***Motor Vehicles Cost Containment*** – There are agencywide decreases in motor vehicle spending due to cost containment for a total reduction of \$559,000.

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- ***POS Administrative Expenses Decrease Due to Reduced Transfer Tax*** – The recent decline in State transfer tax revenue has reduced the amount of administrative expenses revenue available. The reduction of \$340,000 means reduced funding for the Administration’s iMap and BayStat initiatives for targeting POS funding for land preservation.
- ***U.S. Geological Survey Maintenance Contract*** – A \$225,000 reduction in fiscal 2012 reflects reduced costs for a maintenance contract with the U.S. Geological Survey in Baltimore.
- ***Civic Justice Corps Bus and Van Rental*** – DNR operates a summer youth work experience in State parks called the Civic Justice Corps. Bus and van rental costs for this program are anticipated to decrease by \$200,000 in fiscal 2012.

### **Fiscal 2012 Cost Containment**

The fiscal 2012 budget reflects several across-the-board actions. In fiscal 2012, DNR’s share of the reduction is \$142,349 in general funds, \$210,634 in special funds, \$31,075 in federal funds, and \$11,255 in reimbursable funds for changes in employee health insurance. Reductions contingent upon statutory changes include \$235,645 in general funds, \$348,619 in special funds, \$51,420 in federal funds, and \$18,626 in reimbursable funds for retiree prescription drug benefits and \$212,719 in general funds for retirement benefits. DNR has 18 positions abolished under the Voluntary Separation Program for a total savings of \$1,129,988.

The fiscal 2012 budget bill as introduced includes in Section 26 a reduction of \$1.13 million in general funds contingent upon enactment of separate legislation consolidating aquaculture and land preservation functions in DNR. Two bills have been introduced in the 2011 session as follows:

- ***HB 1053/SB 847 (Natural Resources – Aquaculture)*** – Transfers responsibility for the employment of the State’s Aquaculture Coordinator from MDA to DNR, alters the membership of the Aquaculture Review Board, and authorizes DNR to issue water column leases instead of the Maryland Department of the Environment (MDE) under specified circumstances; and
- ***HB 1025/SB 849 (Natural Resources – Land Acquisitions)*** – Requires DNR to negotiate land acquisitions under specified circumstances instead of the Department of General Services (DGS), requires DNR to obtain two independent appraisals of a property before acquiring it, requires specified land acquisition contracts to be approved by the Board of Public Works (BPW), and transfers the responsibility for lead preparation of the Maryland Land Preservation and Recreation Plan from the Maryland Department of Planning (MDP) to DNR.

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DNR advises that the cost savings is now estimated to be \$100,000 and not \$1.13 million. The revised reduction will be reflected in a supplemental budget. According to DNR, specifics about the budgeted savings will be determined at a later time, and the agencies affected are DNR, MDE, MDA, MDP, and DGS. **DLS recommends that DNR comment on the specifics of the efficiencies to be achieved by the consolidations and on why the contingent reduction is anticipated to be reduced.**

## ***Issues***

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### **1. Forest Service Appears Understaffed**

DNR's forest policy is moving forward on a number of tracks. DNR is working on dual certification of Western Maryland State Forest holdings and the difficult task of forest management on private lands. In support of this activity, Chapter 175 of 2009 (Sustainable Forestry Act of 2009) created the Sustainable Forestry Council, which will help develop a no net loss of forests policy.

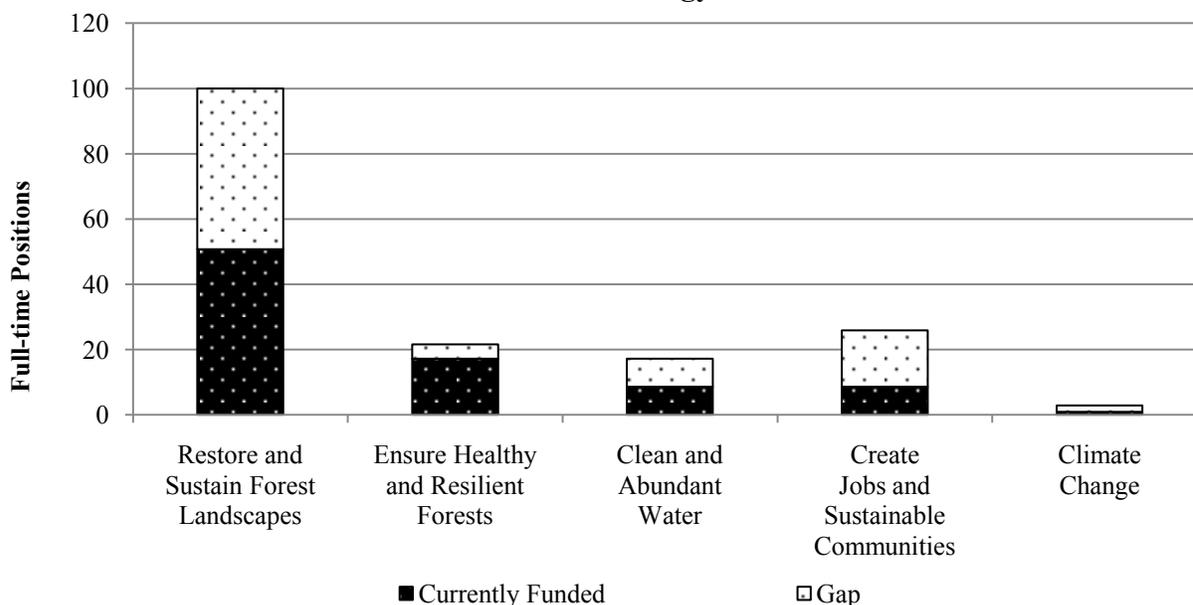
#### **Staffing Concerns**

The Forest Service's workforce has declined in recent years from 127.5 authorized positions in fiscal 2002 to 85.0 in the fiscal 2012 allowance. DNR indicates that at one time, there were 2.0 foresters and 3.0 rangers per county. Now there is 1.0 forester and 1.0 ranger for every two counties. While there is a substantial amount of financial assistance available, for instance, from the U.S. Department of Agriculture's Natural Resources Conservation Service (NRCS), there is limited technical assistance since the Forest Service's workforce is constrained.

The Forest Service reports that it is not able to use all of the available federal funding through NRCS because there is insufficient staff to write Forest Stewardship Plans for homeowners. Therefore, these homeowners cannot apply for the tax breaks, conservation easement sales, and cost-share funding available. The cost-share funding, in turn, would allow for tree planting and other forest improvement techniques. However, DNR is concerned about advertising the available funding because there are not enough Forest Service employees to provide the technical assistance that would be needed to handle the demand for funding that would be created.

**Exhibit 7** shows the Forest Service funding needs for five policy areas as shown in the "Forest Resource Strategy 2010-2015."

**Exhibit 7  
Forest Service Funding Needs  
Forest Resource Strategy 2010-2015**



Source: Department of Natural Resources

**Dual Certification**

DNR is pursuing dual certification of all three Western Maryland State Forests, which may be complete as early as April 2011. Forest certification is a system for identifying forestland that is managed in a sustainable manner and is conducted by accredited third-part certifying organizations. The benefit of certification is the ability to meet current market demands for wood managed in a sustainable manner. The dual certifications will be done with the Sustainable Forestry Board and the Forest Stewardship Council. In order to complete the audit, the Forest Service has assembled \$400,000 in order to hire contractors, since there is still a general hiring freeze, to gather the field data necessary for the audit. The certifications involve an annual maintenance audit and a major audit every five years involving third party auditors.

Right now there is no premium from forest certification. Instead, big paper buyers are requiring that paper have a chain of custody that includes sustainable forest certification. Therefore, forest certification has become a cost-of-doing-business and not an additional boost to profits. For instance, the private paper manufacturer NewPage’s plant is the largest employer in Western Maryland. In recent months, it laid off 10% of its workforce nationally, which impacted the Maryland plant. One of NewPage’s concerns has been about sustainable forest certification because

NewPage buys lumber from certified forests in Pennsylvania, which are being threatened by the cyrex wood wasp. The wasp is forcing the quarantine of Pennsylvania forests as it moves south. Therefore, NewPage would like to be able to use Maryland wood, but its buyers are requiring forest certification and Maryland is not certified.

While there may be no immediate benefits to the State from certification, other than perhaps retaining existing jobs, there may be benefits down the line due to the possibility of fiber supply agreements with NewPage and other companies. Fiber supply agreements are signed in the private sector and involve the committing of certain timber resources to harvest over a contract period. Signing such an agreement with the State would allow NewPage and other companies to be able to lock in a supply of certified wood. However, DNR indicates that there are constraints on this type of procurement right now. The current State practice is to conduct periodic lumber sales which are bid on by small logging groups. These small logging groups may be concerned by a portion of their supply being committed in large long-term contracts with companies like NewPage.

### **Forest Management on Private Lands**

The Forest Service estimates that 76% of forest land in Maryland is privately owned, and it is highly fragmented: greater than 8 out of 10 forest land owners have fewer than 10 acres of forest. According to the Forest Service, between 1986 and 2008, Maryland lost 151,500 acres of private forest land. Of the remaining private forest land, there is only 20 to 25% that has the benefit of technical assistance or a Forest Stewardship Plan. In addition, Maryland's forests would benefit from Forest Conservation Management Agreements, which restrict development for 15 years. If the percentage of privately held forests benefiting from these services were increased, then there would be benefits as follows:

- **Wildlife** – provide good habitat and out compete invasive species;
- **Water Quality** – retain soil, shade creeks, and uptake nutrients;
- **Air Quality** – filter out air pollutants and reduce urban heat island effect, particularly for urban forests; and
- **Local Industries** – provide raw supplies for timber sales and the maintenance of a local resource economy which in turn keeps forests from being converted to residential development.

**DLS recommends that DNR comment on the Forest Service's capacity for handling forestry issues on public and private lands in Maryland and on the constraints associated with fiber supply agreements.**

## 2. Marcellus Shale Debate More Than Hot Air

The discovery of natural gas in Appalachia’s Marcellus Shale formation has led to a modern gold rush and the question of tradeoffs between water quality and rural economic development.

### Overview

The main concern about drilling in the Marcellus Shale formation appears to be the lack of information about how it is done and the associated impacts. The main technique is hydraulic fracturing, or fracking: water mixed with chemicals and other additives is forced into the ground in order to move natural gas out of the small reservoirs between rock layers. This technique has been combined with new lateral drilling techniques allowing for much more effective extraction of natural gas. A lack of information about the exact complement of chemicals used and sensational stories about tap water burning have led to efforts to curb hydraulic fracturing in other states including New York.

**Exhibit 8** provides a policy overview of how natural gas in the Marcellus Shale formation may be viewed by landowners, drilling companies, and the government at four levels of causation increasing from the concrete – the resource, to the abstract – the goal. The main drivers for natural gas exploration are the drilling companies. The drilling companies, in turn, are encouraged to drill by the proof that natural gas may be obtained from the Marcellus Shale formation, the drilling and fracturing technology has improved to be able to obtain the natural gas efficiently, and the wellhead price for natural gas is high enough to support further exploration. However, there are associated concerns with the extraction of natural gas from the Marcellus Shale formation.

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**Exhibit 8**  
**Marcellus Shale Policy Issue Overview**

| <u>Cause</u> | <u>Landowner</u>               | <u>Drilling Company</u>                  | <u>Government</u>              | <u>Associated Concerns</u>   |
|--------------|--------------------------------|--|--------------------------------|--|
| Resource     | Natural gas in Marcellus Shale | Natural gas in Marcellus Shale           | Natural gas in Marcellus Shale | Geologic: amount of natural gas and quality  |
| Action       | Drilling company               | Drilling technology, water, additives    | Drilling company               | Environmental: habitat integrity, drinking water purity, surface water quality           |
| Plan         | Family budget                  | Business model                           | Regulations and energy plan    | Knowledge: local economic conditions, long-term business goals, and regulatory structure |
| Goal         | Quality of life                | Profit due to natural gas wellhead price | Safety and energy security     | Economic: sustainable economy, severance tax, energy responsibility/independence         |

Source: Department of Legislative Services

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## **Associated Concerns**

The main concerns depicted in Exhibit 8 are as follows.

- ***Geologic*** – There are varying estimates of the amount of natural gas available from the Marcellus Shale formation. On the government side, the U.S. Geological Survey suggests that the whole Marcellus Shale formation may contain 1.9 trillion cubic feet of recoverable natural gas out of a total gas-in-place (recoverable and nonrecoverable) amount of 295 trillion cubic feet. Academics and industry are estimating more than 363 trillion cubic feet of recoverable natural gas, which is greater than the total gas-in-place amount estimated by the U.S. Geological Survey. Another factor to consider is where the greatest amount of natural gas in Maryland would be found. Geology principles suggest that it will be in the western part of Allegany County and in Garrett County. Six old wells drilled in or around Maryland before the recent interest in Marcellus Shale suggest that any natural gas extracted from Marcellus Shale in Maryland will be similar to the quality of Pennsylvania’s natural gas, which is quite pure. Finally, there is the question of how long a well will continue to produce.
- ***Environmental*** – Drilling for natural gas in the Marcellus Shale formation requires substantial water inputs (up to 3 million gallons per treatment on a short-term basis), various chemicals and additives of unknown quantities and natures, and ways to handle all of the waste products. In addition, there is the impact to habitat integrity as access roads are built, drill pad sites are cleared, holding ponds are dug, erosion concerns are addressed, and natural gas pipeline distribution systems are cut across the landscape. Water inputs will be addressed by MDE’s water withdrawal permitting, but it is not clear what would happen if substantial numbers of drillers applied for permits at the same time or the impact of a drought on surface water supplies. Chemical additives to the water being pumped into the ground – of which approximately 85% remains in the ground in some cases – need to be considered relative to the naturally occurring total dissolved solids and radioactive material naturally occurring in the Marcellus Shale formation. Processing the water that comes back out of the well, and the storage ponds in which it will be held, will need to be addressed. There is also the concern of the impact on drinking water from both the chemical additives and the natural gas that may seep into aquifers.
- ***Knowledge*** – There is a general lack of understanding about some of the main drivers of Marcellus Shale drilling. For instance, what is the financial condition of the landowners and the communities in which the natural gas drilling will occur? What are the long-term business goals of and environmental safeguards being put in place by the natural gas drilling companies? Is the State sufficiently knowledgeable about the drilling process and society’s overall energy needs to develop regulations to address the environmental concerns being raised, and is there an energy plan on how the natural gas will be used to meet our needs?

- **Economic** – In the end, there is the potential for a substantial amount of money to be made by holders of mineral rights and by the drilling companies in a relatively short period of time. For instance, the November 2010 natural gas wellhead price was \$3.34 per thousand cubic feet. According to the U.S. Geological Survey, a single well can produce 4 million cubic feet per day for a total of 2.5 billion cubic feet over its lifetime at an estimated production cost of \$1.00 per thousand cubic feet. Therefore, a single well in theory could generate a gross of \$8,350,000 (2.5 billion cubic feet times \$3.34 per 1,000 cubic feet) at a cost of \$2,500,000 (2.5 billion cubic feet times \$1 per 1,000 cubic feet) for a net of \$5,850,000. The question is whether this money will advance the long-term economic wherewithal of the communities in which the drilling will be conducted and whether the State may use some of the money generated in the form of a severance tax, to mitigate the environmental or economic downsides. There also is the question of whether drilling for natural gas in the Marcellus Shale formation may be the responsible approach to take to our energy needs given that it is wasteful from energetic and environmental perspectives to be paying the transport costs of importing natural gas from other parts of the world where environmental safeguards are not in place.

### **Current Activity**

Currently, there is no commercial drilling for natural gas in the Marcellus Shale formation in Maryland as the regulatory process is worked out. Two pieces of crossfiled legislation have been introduced in the 2011 session to address Marcellus Shale policy as follows.

- **Natural Gas Exploration and Production – Marcellus Shale Formation (SB 422/HB 411)** – requires MDE to submit regulations, by December 31, 2011, to the Joint Committee on Administrative, Executive, and Legislative Review regarding natural gas exploration and production in the Marcellus Shale formation.
- **Marcellus Shale Safe Drilling Act of 2011 (SB 634/HB 852)** – prohibits MDE from issuing a permit for the drilling of a well in the Marcellus Shale until the permit applicant has made specified environmental, public health, emergency response, and financial security demonstrations to MDE. The bill also requires MDE, when evaluating a permit, to consult with the county and any municipality in which a proposed well is located.

On the federal level, the U.S. Environmental Protection Agency (EPA) published the *Draft Plan to Study the Potential Impacts of Hydraulic Fracturing on Drinking Water Resources* and requested that the EPA Science Advisory Board review and comment on the draft plan. EPA specifically requested that the EPA Science Advisory Board comment on whether the proposed study plan will answer the following two questions:

- can hydraulic fracturing impact drinking water resources, and
- if so, what are the conditions associated with the potential impacts on drinking water resources?

While the topic does not appear to have been broached yet in the 2011 session, it may be worthwhile to explore the possibility of a statewide severance tax on natural gas drilling in the eventuality that Marcellus Shale drilling does occur in Maryland. Currently, 34 states have a severance tax, which may include natural resources other than natural gas. Of the states underlain by Marcellus Shale, severance tax accounts for 7.9% of West Virginia's fiscal 2009 total state tax revenue, Kentucky's percentage is 3.6%, and Ohio's is 0.05%; Maryland, Pennsylvania, and New York did not have any revenue from severance taxes in fiscal 2009.

On the local level, a distribution and production tax on the business or occupation of producing natural gas or other gases is imposed in Garrett County; although the revenue has been modest – an average of approximately \$2,300 has been included in Garrett County's budgets between fiscal 2007 and 2011. The tax is on gas produced in Garrett County and is equivalent to 5.5% of the wholesale market value when produced at the wellhead. The revenue is distributed as follows: ten-elevenths to the county and one-eleventh to municipalities on a per capita basis.

Additional natural gas related revenue could be collected at the permitting stage for natural gas drilling. In a February 9, 2011 presentation provided to the House Environmental Matters Committee, MDE noted that it now has the authority to collect annual fees and permit fees for natural gas drilling and that regulations to establish fees are under development.

**DLS recommends that DNR comment on how it views the balance of economic and environmental concerns in the issue of Marcellus Shale natural gas exploration and on the need for and possible structure of a statewide severance tax if drilling is allowed to go forward.**

### **3. Are Organized Efforts to Circumvent Natural Resources Law Challenging Natural Resources Police Enforcement of Fisheries Laws?**

Anecdotal evidence suggests that organized efforts to circumvent natural resources law are challenging Chesapeake Bay living resources protection efforts. Certain commercial fisherman working the Chesapeake Bay are illegally harvesting fish and may also be aided and abetted by a passive surveillance network that tracks Natural Resources Police activity in order to facilitate illegal activity. Illegally placed gill nets holding 20,016 pounds of rockfish – striped bass – were found on January 31, 2011, and an additional 3,879 pounds of rockfish caught in gillnets were found on February 11, 2011. Another recent news item related to a rockfish poaching network was brought to light by the Interstate Watershed Task Force. The question is – are the Natural Resources Police well-positioned to handle these kinds of organized efforts?

#### **Natural Resources Police's Organization**

Natural Resources Police is divided into two programs: General Direction and Field Operations. There are 247 authorized law enforcement officers spread between the two units, of which currently 231 are filled. The majority of law enforcement officers are in Field Operations and within Field Operations, the prime responsibility for maritime law enforcement is held by the North,

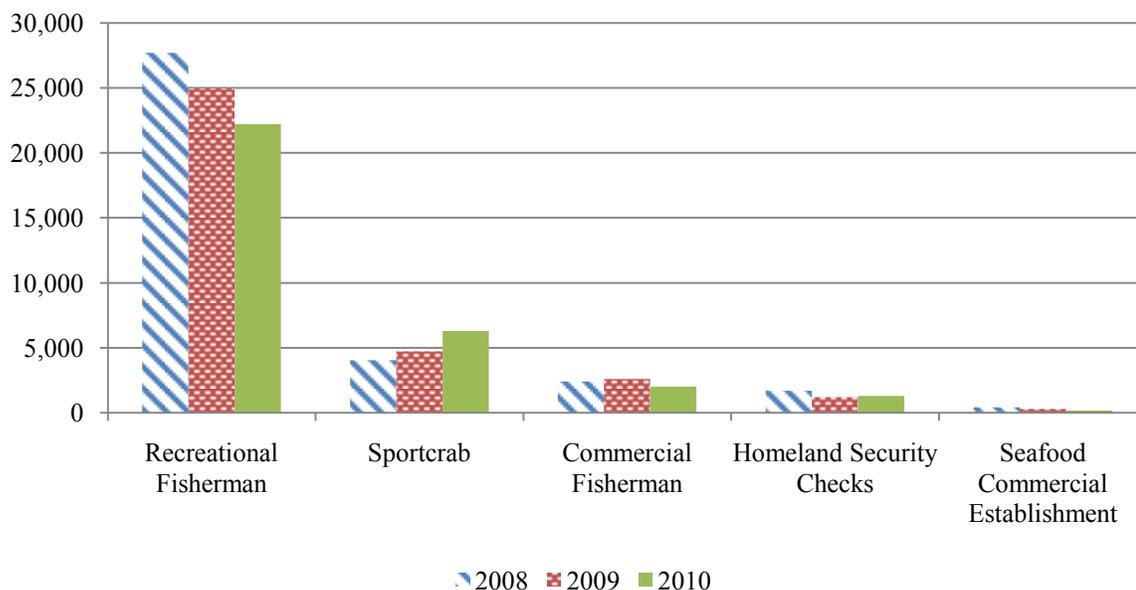
South (4), South (3), Upper Eastern Shore, and Lower Eastern Shore regions. It appears that in the fiscal 2012 allowance, there are 161 law enforcement officers within the regions comprising the majority of maritime-focused Natural Resources Police officer activity.

### **Natural Resources Police Activities**

The Natural Resources Police employee work report basically functions as a timesheet for activities performed by the Natural Resources Police officers. Although it does not capture the seasonality of the Natural Resources Police work, it does reflect both the number of contacts made by Natural Resources Police officers and the amount of time spent on various activities. **Exhibit 9** shows Natural Resources Police officer maritime activities averaged across the Natural Resources Police North, South (4), South (3), Upper Eastern Shore, and Lower Eastern Shore region officers.

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**Exhibit 9**  
**Top Five Natural Resources Police Maritime Activities by Number of Contacts**  
**Calendar 2008-2010**



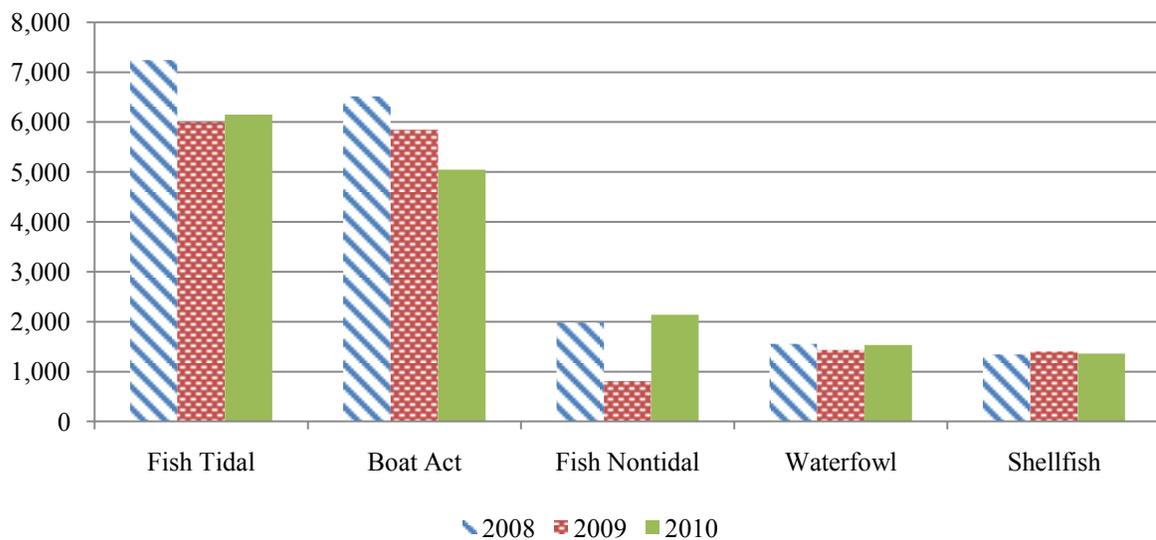
Note: For each activity, the data is averaged across the North, South (4), South (3), Upper Eastern Shore, and Lower Eastern Shore. The fiscal 2008 data for recreational fisherman reflects the collapsing of data from the tidal fish and nontidal fish contacts into the recreational fisherman activity to be consistent with how the data is reflected for calendar 2009 and 2010.

Source: Department of Natural Resources; Department of Legislative Services

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Exhibit 9 reflects the importance of recreational fisherman contacts – defined as one or more officer’s contact with a recreational fisherman – in the Natural Resources Police maritime enforcement work, although the number of recreational fisherman contacts is trending downward in the three years of data shown. In terms of the number of hours actually devoted to different activities, **Exhibit 10** reflects the relatively equal importance of tidal fish and State Boat Act activities. State Boat Act activities include the stopping and searching of vessels suspected of illegal activity.

**Exhibit 10**  
**Top Five Natural Resources Police Maritime Activities by Number of Hours**  
**Calendar 2008-2010**



Source: Department of Natural Resources; Department of Legislative Services

### Recent Rockfish Violations

As noted above, there have been several episodes of illegal rockfish catching activity. The January 31 and February 11, 2011 violations – the latter of which temporarily shut down the February rockfish gill net fishery due to the exceedance of the overall rockfish harvesting quota – have led to a reward for information leading to the arrest and conviction of the poachers. In addition, a rockfish poaching ring recently was prosecuted.

The Interstate Watershed Task Force was formed by the U.S. Fish and Wildlife Service; Natural Resources Police; and the Virginia Marine Police, Special Investigative Unit in 2003, in order to investigate the purchases and sales of rockfish. In all, it was found that more than one million pounds of rockfish worth \$5 million were illegally harvested and sold between 2003 and 2007. As a

result, the defendants were sentenced to more than 140 months of prison and fined in excess of \$1,361,000 under the Lacey Act, which, according to the U.S. Department of Justice, prohibits individuals and corporations from transporting, selling, or buying fish and wildlife harvested illegally.

## **Chapter 367 of 2010**

Chapter 367 of 2010 (Natural Resources – Conservation Law Enforcement Act of 2010) contains provisions directly related to DNR’s law enforcement capacity as follows:

- DNR is encouraged to conduct a study that identifies statutory recommendations for improving the Natural Resources Police’s effectiveness and efficiency and addresses the use of technology for the prevention and detection of violations. DNR must submit a report by December 1, 2010, providing any findings and recommendations to specified committees to the General Assembly.
- DNR is required to study funding policies that may bolster the ranks of the Natural Resources Police in order to help meet law enforcement demands, including policies for leveraging additional revenues from public and private sources. DNR must submit a report by October 1, 2011, providing findings and recommendations to specified committees of the General Assembly.

The report submitted in response to the December 1, 2010 deadline indicates that the following changes will improve the effectiveness and efficiency of the Natural Resources Police (only recommendations directly related to fisheries law are included).

- **Clarify commercial fisheries inspection laws** – The Natural Resources Police should be authorized to inspect licensed commercial entities where Maryland fish resources may be stored and be allowed to use fish harvest reports for law enforcement purposes.
- **Support continuous electronic vessel monitoring** – DNR should be authorized to require working continuous electronic monitoring systems aboard commercial fishing vessels on which convicted individuals work.
- **Streamline administrative enforcement** – Statute should be amended so that DNR is not required to hold a hearing before suspending a license.
- **Authorize electronic ticketing** – The Natural Resources Police should be authorized to submit electronic citations instead of having to deliver tickets to courts.

**DLS recommends that DNR comment on whether there is any concrete evidence of organized efforts to circumvent natural resources law behind the fisheries violations it has seen and if so, what changes in its operations or in State law will be needed to address this type of activity and its impacts on Chesapeake Bay living resources.**

## Recommended Actions

1. Strike the following language on the general fund appropriation:

~~, provided that this appropriation shall be reduced by \$2,374,852 contingent upon the enactment of legislation to eliminate the payment in lieu of taxes for park earnings, to localities. Authorization is hereby provided to process a special fund budget amendment of \$2,374,852 to use these special funds to replace the aforementioned General Fund amount.~~

**Explanation:** The fiscal 2012 budget bill as introduced includes a \$2,374,852 reduction for Forest Service operations contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2011 to eliminate the payment in lieu of taxes for park earnings to localities. This action strikes the contingent action so that the reduction may be made in a section at the back of the budget bill.

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

, provided that this appropriation shall be reduced by ~~\$18,669,444~~ \$21,669,444 contingent upon the enactment of legislation to allocate Chesapeake Bay 2010 Trust Fund revenue to the General Fund.

**Explanation:** The fiscal 2012 budget bill as introduced includes an \$18,669,444 contingent reduction to the allocation of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund upon enactment of a provision in the Budget Reconciliation and Financing Act (BRFA) of 2011 to allocate the revenue to the general fund. This action would reduce the Chesapeake and Atlantic Coastal Bays 2010 Trust allocation by an additional \$3.0 million and corresponds to a proposed change to the BRFA to mandate an appropriation of \$22.0 million in fiscal 2012, which would increase by \$1.0 million annually to fiscal 2015. The allocation would be capped at the fiscal 2015 level in future years. As a result of this shift in how the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding is allocated, the risk for over or under attainment would be assumed by the General Fund.

3. Add the following section:

SECTION XX. AND BE IT FURTHER ENACTED, That, contingent upon the enactment of HB 72 to eliminate the Department of Natural Resources' payment in lieu of taxes to local jurisdictions, the following appropriations shall be reduced:

|   | <u>General Funds</u> | <u>Special Funds</u> |
|---|----------------------|----------------------|
| <u>K00A02.09</u> <u>Forest Service appropriation for timber sales.....</u>            | <u>\$0</u>           | <u>\$399,852</u>     |
| <u>K00A02.09</u> <u>Forest Service appropriation for administrative expenses.....</u> | <u>2,374,852</u>     | <u>0</u>             |

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|                  |  |                    |                    |
|------------------|--|--------------------|--------------------|
| <u>K00A04.01</u> | <u>Statewide Operation appropriation<br/>for park earnings by \$1,600,000<br/>and Deep Creek Lake revenues by<br/>\$235,000.....</u> | <u>0</u>           | <u>1,835,000</u>   |
| <u>K00A04.06</u> | <u>Revenue Operations appropriation<br/>for park earnings.....</u>   | <u>0</u>           | <u>140,000</u>     |
| <u>Total</u>     |  | <u>\$2,374,852</u> | <u>\$2,374,852</u> |

Further provided that authorization is hereby provided to process a Special Fund budget amendment of \$2,374,852 to use these special funds to replace the aforementioned General Fund amount.

**Explanation:** The Administration included in the fiscal 2012 budget bill a reduction of \$2,374,852 for Forest Service general fund appropriation contingent upon the enactment of legislation to eliminate the payment in lieu of taxes for park earnings to localities. However, the intent was to make the reduction contingent on the elimination of timber sales and Deep Creek Lake revenues payments to localities as well. In addition, the Administration inadvertently left out the reduction in special fund appropriation for Maryland Park Service – Statewide Operation (\$1,835,000), and Maryland Park Service – Revenue Operations (\$140,000) that is needed to allow for the special funds to be re-appropriated to the Forest Service in order to backfill the general fund reduction. While technically not needed, the Forest Service Special Fund appropriation is reduced by \$399,852 for tracking purposes. This action fulfills the Administration’s intent.

## ***Updates***

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### **1. Report on Promulgation of Deer Hunting Regulations**

Two pieces of committee narrative – one expressing intent and the other requesting a report – in the 2010 *Joint Chairmen’s Report* (JCR) expressed budget committee concern that regulated hunting remains the most cost-effective deer population control mechanism available, and yet in some areas, hunter access to woods and openings where white-tailed deer thrive is limited. As a result, there is an escalation of deer populations in suburban areas which can lead to a greater number of negative interactions with suburban residents such as deer-vehicle collisions and vegetation damage. Therefore, committee narrative requested that DNR submit, by January 1, 2011, a report on any regulations promulgated by that date, concerning deer hunting in Calvert, Charles, and St. Mary’s counties as follows:

- allow individuals to hunt deer on private property from the first Sunday in October through the second Sunday in January of the following year;
- allow individuals to hunt deer with a shotgun on private property during the months of September and October; and
- create a deer management permit that DNR may not require to be renewed more than once every three years.

The report submitted by DNR discusses deer management in Southern Maryland as a whole and in particular how it relates to the requested information on the promulgation of regulations. As a whole, the report notes that DNR’s goal to reduce the deer herd in Southern Maryland is made more challenging by declining hunter numbers, private land access limitations, and a focus on hunting male deer, which by itself does little to reduce deer population numbers.

In relation to the request, DNR notes that its regulatory authority is restricted by statute. Within this limitation, DNR has issued regulations that are consistent with and allow for hunting levels up to the limitations established in statute. DNR is working on a Deer Management Permit with an extended reporting period of at least five years, which it expects to have in place for the Deer Management Period renewal period at the end of calendar 2011.

### **2. Future of Maryland’s Furbearer Management Program**

In the 2010 JCR, the committees expressed concern that November 18, 2009 BPW actions eliminated a furbearer biologist position within DNR. The concern was that the elimination of the position, the furbearer project leader position, would impact future State oversight and management of Maryland’s furbearer populations and the attendant impact of furbearer species on the integrity of natural resources, public and private property assets, and human health.

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Therefore, the committees requested a report by DNR and MDA, in cooperation with the Maryland Legislative Sportsmen’s Foundation, assessing the future of Maryland’s furbearer management program. The report was requested to include (1) the development of alternative funding policies for helping to underwrite the State’s oversight and management responsibility; and (2) a recommendation for the unit within the Executive Branch of State government best capable of fulfilling this responsibility.

DNR submitted a report dated December 1, 2010, noting that it had met with MDA, the Maryland Legislative Sportsmen’s Foundation, and the president of the Maryland Fur Trappers, Inc. In these meetings it was determined that DNR will continue to conduct fur management responsibilities as a group activity of its Game Mammal Section because there is insufficient funding to support a full-time furbearer project leader and because DNR is the State wildlife agency, and thus the recipient of federal funding for this purpose. The Maryland Fur Trappers, Inc. requested that the furbearer project leader position be full-time because of concerns that there is no such liaison in DNR; although, no specific tasks were identified as being impacted by not having a full-time position.

DNR has appointed the Game Mammal Section Leader to be the main contact with the Maryland Fur Trappers, Inc. and will continue to manage furbearers by dispersing responsibility within the Game Mammal Section. If this arrangement does not work within a two-year trial period, then DNR will either work to identify new sources of funding for a full-time furbearer project leader position or find ways to accommodate this position’s responsibilities by rearranging its workload.

## *Current and Prior Year Budgets*

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

|                                  | <u>General<br/>Fund</u> | <u>Special<br/>Fund</u> | <u>Federal<br/>Fund</u> | <u>Reimb.<br/>Fund</u> | <u>Total</u>     |
|----------------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------|
| <b>Fiscal 2010</b>               |                         |                         |                         |                        |                  |
| Legislative<br>Appropriation     | \$52,174                | \$109,134               | \$26,459                | \$8,078                | \$195,845        |
| Deficiency<br>Appropriation      | 0                       | 1,153                   | 603                     | 0                      | 1,756            |
| Budget<br>Amendments             | 0                       | 340                     | 11,305                  | 5,593                  | 17,237           |
| Cost<br>Containment              | -6,822                  | -4,543                  | 0                       | 0                      | -11,365          |
| Reversions and<br>Cancellations  | -101                    | -10,999                 | -9,984                  | -4,062                 | -25,146          |
| <b>Actual<br/>Expenditures</b>   | <b>\$45,250</b>         | <b>\$95,085</b>         | <b>\$28,383</b>         | <b>\$9,610</b>         | <b>\$178,327</b> |
| <b>Fiscal 2011</b>               |                         |                         |                         |                        |                  |
| Legislative<br>Appropriation     | \$43,569                | \$122,356               | \$33,663                | \$9,902                | \$209,490        |
| Budget<br>Amendments             | 0                       | -12,683                 | 375                     | 700                    | -11,608          |
| <b>Working<br/>Appropriation</b> | <b>\$43,569</b>         | <b>\$109,673</b>        | <b>\$34,038</b>         | <b>\$10,602</b>        | <b>\$197,882</b> |

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

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## **Fiscal 2010**

DNR's general fund appropriation decreases by \$6.9 million as follows:

- **Cost Containment** – a decrease of \$6.8 million due to July 22, August 26, and November 18, 2009 BPW reductions including positions and programmatic funding (\$4,620,350), furlough reductions (\$1,191,771), fund swaps (\$938,661), across-the-board reductions (\$71,430); and
- **Reversions** – a decrease of \$101,399 primarily due to unneeded appropriation in the Critical Area Commission.

DNR's special fund appropriation decreases by \$14.0 million as follows:

- **Deficiency Appropriation** – an increase of \$1.2 million including \$810,000 for nonpoint source reduction projects from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund;
- **Budget Amendments** – a net increase of \$0.3 million including the reduction of \$5,570,000 for allocating the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation which is offset by increases for backfilling State park revenue sharing payments temporarily halted by Chapter 487 of 2009 (\$1,881,676); for expenses necessary to administer POS as allowed by the BRFA of 2009 (\$1,217,000); for covering administrative expenses from Waterway Improvement Fund monies allowed for in Chapter 487 of 2009 (\$750,000); and for matching federal grants and providing funding directly to the program Communications and Intelligence Sharing Hardware and Technology (\$705,837);
- **Cost Containment** – a decrease of \$4.5 million due to BPW reductions including Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding (\$2,000,000), across-the-board furlough reductions (\$1,176,797), and elimination of 12 positions and programmatic funding (\$1,047,757); and
- **Reversions** – a decrease of \$11.0 million primarily due to unneeded appropriation in Fisheries Service (\$2.0 million), Forest Service (\$1.9 million), Watershed Services (\$1.6 million), Natural Resources Police (\$1.3 million), Maryland Park Service (\$1.0 million), Boating Services (\$0.8 million), and Land Acquisition and Planning (\$0.6 million).

DNR's federal fund appropriation increases by \$1.9 million as follows:

- **Deficiency Appropriation** – an increase of \$0.6 million including \$550,000 for controlling for invasive species and protecting endangered species;

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- **Budget Amendments** – an increase of \$11.3 million for the soft shell and peeler crab federal disaster designation in the Fisheries Service (\$6,222,382); for homeland security IT related to the Maritime Law Enforcement Information Network and for operating costs in the Natural Resources Police (\$3,318,164); for undertaking a comprehensive oyster recovery effort (\$1,622,400); and
- **Cancellations** – a decrease of \$10.0 million primarily due to grant costs and revenue being less than anticipated in Fisheries Service, Natural Resources Police – General Direction, Watershed Services (\$7.0 million); and lack of completion of the Maryland Law Enforcement Information Network and Computer Aided Dispatch Records Management System projects (\$2.1 million).

DNR’s reimbursable fund appropriation increases by a net \$1.5 million as follows:

- **Budget Amendments** – an increase of \$5.6 million including transfers from the Maryland Emergency Management Agency from federal fiscal 2008 Port Security Grant Program funding (\$3,166,415); from MDE for constructing groundwater observation wells in Queen Anne’s, Caroline, and Wicomico counties (\$565,000); from the State Highway Administration for implementing the Governor’s Forest Brigade Tree Planting initiative (\$500,000); and
- **Reversions** – a decrease of \$4.1 million primarily due to grant costs and lower than anticipated revenue in the Natural Resources Police (\$1.4 million), Major IT Development Projects (\$0.7 million), Maryland Geological Survey (\$0.6 million), and Watershed Services (\$0.5 million).

## **Fiscal 2011**

DNR’s general fund appropriation does not change.

DNR’s special fund appropriation decreases by \$12,683,000 by budget amendments. A \$13,900,000 decrease allows for the realigning of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues with MDA and MDE. The decrease is partially offset by a budget amendment that realigns \$1,217,000 in special funds from DNR’s PAYGO budget to its operating budget consistent with the provision in the BRFA of 2009.

DNR’s federal fund appropriation increases by \$375,000 by a budget amendment for the purchase of a 38-foot trailerable vessel with security boom/debris capabilities in Boating Services.

DNR’s reimbursable fund appropriation increases by \$700,000 by a budget amendment for transferring an appropriation from the Department of Information Technology for the CAD/RMS.

# Major Information Technology Projects

## Department of Natural Resources Maryland Law Enforcement Information Network (MLEIN)

|   |   |                                   |   |
|---|---|-----------------------------------|---|
| <b>Project Description:</b>                 | The system is phase I of the Maryland Statewide Communications Interoperability Program and is proposed to perform homeland security and conservation management tasks such as tracking commercial and small vessels on the bay, establishing and monitoring security zones, and providing partners with secure access to maritime information. The intent eventually is to integrate with phase 2 – the Statewide Computer Aided Dispatch/Records Management System (CAD/RMS) – being managed by the Maryland State Police and Department of Information Technology (DoIT). MLEIN consists of a proposed system of fixed and mobile photographic cameras and radar, and commercial off-the-shelf integrating software that will allow the Department of Natural Resources (DNR) to monitor the Chesapeake Bay for homeland security, conservation management, search and rescue purposes, and share information with local law enforcement agencies through a secured Internet portal. |                                   |   |
| <b>Project Business Goals:</b>              | To enforce all State natural resources laws, rules and regulations; assist in life/property protection and in making DNR the primary search/rescue agency on the waters and in rural areas of the State; preserve the peace; and perform miscellaneous service functions requested by the citizens of Maryland.   |                                   |   |
| <b>Estimated Total Project Cost:</b>        | \$2,400,000   | <b>New/Ongoing Project:</b>       | Ongoing.  |
| <b>Project Start Date:</b>                  | May 2006  | <b>Projected Completion Data:</b> | June 2010 (implementation), which has slipped to June 30, 2011. |
| <b>Schedule Status:</b>                     | The schedule has been pushed back due to the time required to prepare, review, and release the request for proposals. At this point, some radar and initial cameras have been deployed in fiscal 2011. In fiscal 2012, it is anticipated that more radar and camera sites will be installed, and there will be integration of the radar pictures with the command and control software.   |                                   |   |
| <b>Cost Status:</b>                         | The cost status is unclear due to the following conflicting information: DNR says no funding was spent in fiscal 2010, a fiscal 2011 deficiency request has been submitted for \$356,460 in special funds and \$1,069,379 in federal funds (some portion of which will be used by MLEIN), and a fiscal 2011 budget amendment for \$2.2 million in reimbursable fund revenue has been submitted (some portion of which will be used for MLEIN). DNR indicates that the project is still within cost.   |                                   |   |
| <b>Scope Status:</b>                        | The scope has increased since the project was first conceived from being solely a project involving cameras on the bay now to include radar surveillance as well. Originally, it was hoped that the CAD/RMS would be developed simultaneously with MLEIN, but delays in the CAD/RMS and federal fund grant deadlines have required that MLEIN be developed ahead of the CAD/RMS. DNR is confident that MLEIN will be flexible enough to integrate with a reasonable CAD/RMS and so it remains to be seen if CAD/RMS will be of a similar level of flexibility.  |                                   |   |
| <b>Project Management Oversight Status:</b> | Johns Hopkins Applied Physics Laboratory has been contracted to assist in evaluating technical responses to the task order request for proposal and to provide IV&V services for the designated system plan.  |                                   |   |
| <b>Identifiable Risks:</b>                  | DoIT is concerned that the implementation schedule is too aggressive.   |                                   |   |

|                                   |  |                |                |                |                |                |                            |              |
|-----------------------------------|--|----------------|----------------|----------------|----------------|----------------|----------------------------|--------------|
| <b>Additional Comments:</b>       | DNR submitted multiple Information Technology Project Requests to DOIT which were amended. Decreased response time, increased situation knowledge, and expanded surveillance without additional personnel are all listed as major return on investment risks of the project. The project is delayed again and no funding was spent in fiscal 2010. The fiscal 2011 appropriation appears to be in flux and so the funding summary below is an estimate at this time. |                |                |                |                |                |                            |              |
| <b>Fiscal Year Funding (000)</b>  | <b>Prior Years</b>   | <b>FY 2012</b> | <b>FY 2013</b> | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>Balance to Complete</b> | <b>Total</b> |
| Personnel Services                | \$0.0  | \$0.0          | \$0.0          | \$0.0          | \$0.0          | \$0.0          | \$0.0                      | \$0.0        |
| Professional and Outside Services | 0.7  | 0.6            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0                        | 1.3          |
| Other Expenditures                | 0.9  | 0.2            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0                        | 1.1          |
| <b>Total Funding</b>              | <b>\$1.6</b>   | <b>\$0.8</b>   | <b>\$0.0</b>   | <b>\$0.0</b>   | <b>\$0.0</b>   | <b>\$0.0</b>   | <b>\$0.0</b>               | <b>\$2.4</b> |

**Department of Natural Resources**  
**Maryland Outdoor Customer Service Delivery System (COMPASS)**

|   |  |                                   |  |
|---|--|-----------------------------------|--|
| <b>Project Description:</b>                 | The project replaces an unsupported legacy license and registration system with a new system that can handle existing sport licenses, commercial fishing licenses, and boat registrations needs as well as campsite reservations and fishery harvest reporting. The intent also is to have real-time data available for data mining on sport license purchases so that the Natural Resources Police can properly validate licensees in the field.  |                                   |  |
| <b>Project Business Goals:</b>              | The business goals include increased access to all licenses, registrations, reservations, and services; improved user interface to allow sales to 90% of customers in one to two minutes; be available anywhere and anytime; and availability of real-time transaction processing.   |                                   |  |
| <b>Estimated Total Project Cost:</b>        | \$1.3 million  | <b>New/Ongoing Project:</b>       | Ongoing.   |
| <b>Project Start Date:</b>                  | The concept proposal was developed on August 15, 2007, but the actual release for proposals did not occur until December 2010.   | <b>Projected Completion Data:</b> | The project originally was estimated to be in full-time production by January 3, 2011, with functionality through January 1, 2015. The project appears to be about a year behind schedule. |
| <b>Schedule Status:</b>                     | The Department of Natural Resources (DNR) proposed an update for the existing Customer Oriented Information Network as part of the fiscal 2009 budget deliberations, but the legislature deleted the \$1,950,000 Major IT Project Development Fund general fund allowance and deferred the project to a later date with the idea that the DNR would raise revenue for the project through a license surcharge. The project was then approved for funding in the 2010 session. At that time it was anticipated that a request for proposals would be released in February 2010 and the project be in full-time production by January 3, 2011. Now DNR advises that it does not anticipate awarding a contract until March 2011. This puts the project about a year behind schedule. It is now anticipated that the first phase of COMPASS functionality will be developed over fiscal 2011 and 2012 with the deployment before October 15, 2011, of functionality for sports license agents and regional service centers for recreational license sales. The second level of COMPASS functionality will be programmed for fiscal 2013 and will involve commercial licensing, commercial species harvest reporting, and vessel titling and registration. COMPASS phases 3 and 4 may or may not have sufficient funding for parks reservation and use, safety education, geocoding and mapping. |                                   |  |
| <b>Cost Status:</b>                         | The overall cost of the project has not changed from \$1.3 million; although additional expenditures may be necessary to attain the full original scope of the project. The fiscal 2012 allowance includes \$550,000 in special funds.   |                                   |  |
| <b>Scope Status:</b>                        | The scope of the project has not changed since it was proposed during the 2008 legislative session; although it appears that the scope may need to be reduced if the project is to be kept within budget.  |                                   |  |
| <b>Project Management Oversight Status:</b> | It is not clear how project oversight will be handled. The contract is not anticipated to be awarded until March 2011 and so project management oversight may be identified then.  |                                   |  |
| <b>Identifiable Risks:</b>                  | The system will need to be accepted by the approximately 250 sports license agents that represent the people in business and retail sales that will sell licenses to customers. This is because DNR is required to provide for license agent access within 20 miles of every citizen in Maryland. It appears that full functionality may not be  |                                   |  |

|                                   |   |                |                |                |                |                |                            |              |
|-----------------------------------|---|----------------|----------------|----------------|----------------|----------------|----------------------------|--------------|
|                                   | achieved due to project delays and funding concerns.  |                |                |                |                |                |                            |              |
| <b>Additional Comments:</b>       | DNR indicates that the system is necessary in order to prevent Maryland anglers from having to pay a \$20 annual registration fee for the federal National Saltwater Angler Registry. The project delay of about a year is a concern. |                |                |                |                |                |                            |              |
| <b>Fiscal Year Funding (000)</b>  | <b>Prior Years</b>  | <b>FY 2012</b> | <b>FY 2013</b> | <b>FY 2014</b> | <b>FY 2015</b> | <b>FY 2016</b> | <b>Balance to Complete</b> | <b>Total</b> |
| Personnel Services                | \$0.0   | \$0.0          | \$0.0          | \$0.0          | %0.0           | \$0.0          | \$0.0                      | \$0.0        |
| Professional and Outside Services | 0.750   | 0.550          | 0.0            | 0.0            | 0.0            | 0.0            | 0.0                        | 1.3          |
| Other Expenditures                | 0.0   | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0                        | 0.0          |
| <b>Total Funding</b>              | <b>\$0.750</b>  | <b>\$0.550</b> | <b>\$0.0</b>   | <b>\$0.0</b>   | <b>\$0.0</b>   | <b>\$0.0</b>   | <b>\$0.0</b>               | <b>\$1.3</b> |

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

| <u>Object/Fund</u>                      | <u>FY 10<br/>Actual</u> | <u>FY 11<br/>Working<br/>Appropriation</u> | <u>FY 12<br/>Allowance</u> | <u>FY 11 - FY 12<br/>Amount Change</u> | <u>Percent<br/>Change</u> |
|---|-------------------------|--|----------------------------|--|---------------------------|
| <b>Positions</b>                        |                         |  |                            |  |                           |
| 01 Regular                              | 1,287.00                | 1,272.00                                   | 1,272.00                   | 0.00                                   | 0%                        |
| 02 Contractual                          | 393.73                  | 371.78                                     | 400.36                     | 28.58                                  | 7.7%                      |
| <b>Total Positions</b>                  | <b>1,680.73</b>         | <b>1,643.78</b>                            | <b>1,672.36</b>            | <b>28.58</b>                           | <b>1.7%</b>               |
| <b>Objects</b>                          |                         |  |                            |  |                           |
| 01 Salaries and Wages                   | \$ 104,322,960          | \$ 104,192,749                             | \$ 107,983,780             | \$ 3,791,031                           | 3.6%                      |
| 02 Technical and Spec. Fees             | 10,343,594              | 9,973,869                                  | 10,726,038                 | 752,169                                | 7.5%                      |
| 03 Communication                        | 1,680,181               | 1,991,740                                  | 1,970,879                  | -20,861                                | -1.0%                     |
| 04 Travel                               | 600,714                 | 369,477                                    | 428,352                    | 58,875                                 | 15.9%                     |
| 06 Fuel and Utilities                   | 5,225,067               | 5,494,615                                  | 5,554,238                  | 59,623                                 | 1.1%                      |
| 07 Motor Vehicles                       | 6,897,444               | 7,155,973                                  | 6,596,809                  | -559,164                               | -7.8%                     |
| 08 Contractual Services                 | 32,991,826              | 45,505,371                                 | 39,191,569                 | -6,313,802                             | -13.9%                    |
| 09 Supplies and Materials               | 6,632,606               | 7,076,198                                  | 6,467,799                  | -608,399                               | -8.6%                     |
| 10 Equipment – Replacement              | 1,384,961               | 1,279,363                                  | 1,212,734                  | -66,629                                | -5.2%                     |
| 11 Equipment – Additional               | 1,748,336               | 1,312,246                                  | 1,117,957                  | -194,289                               | -14.8%                    |
| 12 Grants, Subsidies, and Contributions | 3,808,295               | 10,407,007                                 | 49,628,340                 | 39,221,333                             | 376.9%                    |
| 13 Fixed Charges                        | 2,621,708               | 2,988,715                                  | 2,929,873                  | -58,842                                | -2.0%                     |
| 14 Land and Structures                  | 69,109                  | 134,703                                    | 425,200                    | 290,497                                | 215.7%                    |
| <b>Total Objects</b>                    | <b>\$ 178,326,801</b>   | <b>\$ 197,882,026</b>                      | <b>\$ 234,233,568</b>      | <b>\$ 36,351,542</b>                   | <b>18.4%</b>              |
| <b>Funds</b>                            |                         |  |                            |  |                           |
| 01 General Fund                         | \$ 45,249,864           | \$ 43,568,687                              | \$ 45,449,697              | \$ 1,881,010                           | 4.3%                      |
| 03 Special Fund                         | 95,084,829              | 109,672,786                                | 148,276,993                | 38,604,207                             | 35.2%                     |
| 05 Federal Fund                         | 28,382,526              | 34,038,181                                 | 31,552,864                 | -2,485,317                             | -7.3%                     |
| 09 Reimbursable Fund                    | 9,609,582               | 10,602,372                                 | 8,954,014                  | -1,648,358                             | -15.5%                    |
| <b>Total Funds</b>                      | <b>\$ 178,326,801</b>   | <b>\$ 197,882,026</b>                      | <b>\$ 234,233,568</b>      | <b>\$ 36,351,542</b>                   | <b>18.4%</b>              |

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.

**Fiscal Summary  
Department of Natural Resources**

| <u>Program/Unit</u>                        | <u>FY 10<br/>Actual</u> | <u>FY 11<br/>Wrk Approp</u> | <u>FY 12<br/>Allowance</u> | <u>Change</u>        | <u>FY 11 - FY 12<br/>% Change</u> |
|--|-------------------------|-----------------------------|----------------------------|----------------------|-----------------------------------|
| 01 Office of the Secretary                 | \$ 12,775,414           | \$ 13,871,496               | \$ 14,529,633              | \$ 658,137           | 4.7%                              |
| 02 Forestry Service                        | 10,109,465              | 11,784,276                  | 11,484,265                 | -300,011             | -2.5%                             |
| 03 Wildlife and Heritage Service           | 10,119,256              | 10,395,193                  | 10,138,410                 | -256,783             | -2.5%                             |
| 04 Maryland Park Service                   | 34,821,612              | 35,066,086                  | 36,964,283                 | 1,898,197            | 5.4%                              |
| 05 Capital Grants and Loan Administration  | 4,650,868               | 4,900,938                   | 3,262,069                  | -1,638,869           | -33.4%                            |
| 06 Licensing and Registration Service      | 3,299,337               | 3,587,630                   | 3,644,344                  | 56,714               | 1.6%                              |
| 07 Natural Resources Police                | 37,876,436              | 35,345,180                  | 36,284,204                 | 939,024              | 2.7%                              |
| 09 Engineering and Construction            | 4,237,961               | 4,154,332                   | 4,364,111                  | 209,779              | 5.0%                              |
| 10 Chesapeake Bay Critical Area Commission | 1,957,923               | 2,020,041                   | 2,235,082                  | 215,041              | 10.6%                             |
| 11 Maryland Geological Survey              | 5,165,890               | 6,843,494                   | 6,585,440                  | -258,054             | -3.8%                             |
| 12 Resource Assessment Service             | 17,231,757              | 17,988,143                  | 17,932,507                 | -55,636              | -0.3%                             |
| 13 Maryland Environmental Trust            | 770,637                 | 782,523                     | 789,925                    | 7,402                | 0.9%                              |
| 14 Watershed Services                      | 12,353,240              | 18,553,535                  | 55,757,968                 | 37,204,433           | 200.5%                            |
| 17 Fisheries Service                       | 22,957,005              | 32,589,159                  | 30,261,327                 | -2,327,832           | -7.1%                             |
| <b>Total Expenditures</b>                  | <b>\$ 178,326,801</b>   | <b>\$ 197,882,026</b>       | <b>\$ 234,233,568</b>      | <b>\$ 36,351,542</b> | <b>18.4%</b>                      |
| General Fund                               | \$ 45,249,864           | \$ 43,568,687               | \$ 45,449,697              | \$ 1,881,010         | 4.3%                              |
| Special Fund                               | 95,084,829              | 109,672,786                 | 148,276,993                | 38,604,207           | 35.2%                             |
| Federal Fund                               | 28,382,526              | 34,038,181                  | 31,552,864                 | -2,485,317           | -7.3%                             |
| <b>Total Appropriations</b>                | <b>\$ 168,717,219</b>   | <b>\$ 187,279,654</b>       | <b>\$ 225,279,554</b>      | <b>\$ 37,999,900</b> | <b>20.3%</b>                      |
| Reimbursable Fund                          | \$ 9,609,582            | \$ 10,602,372               | \$ 8,954,014               | -\$ 1,648,358        | -15.5%                            |
| <b>Total Funds</b>                         | <b>\$ 178,326,801</b>   | <b>\$ 197,882,026</b>       | <b>\$ 234,233,568</b>      | <b>\$ 36,351,542</b> | <b>18.4%</b>                      |

Note: The fiscal 2011 appropriation does not include deficiencies. The fiscal 2012 allowance does not include contingent reductions.