

K00A
Department of Natural Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$43,484	\$43,858	\$43,710	-\$148	-0.3%
Adjusted General Fund	\$43,484	\$43,858	\$43,710	-\$148	-0.3%
Special Fund	104,809	116,533	136,735	20,202	17.3%
Contingent & Back of Bill Reductions	0	0	-8,000	-8,000	
Adjusted Special Fund	\$104,809	\$116,533	\$128,735	\$12,202	10.5%
Federal Fund	32,524	32,607	28,336	-4,271	-13.1%
Adjusted Federal Fund	\$32,524	\$32,607	\$28,336	-\$4,271	-13.1%
Reimbursable Fund	11,325	10,312	13,488	3,176	30.8%
Adjusted Reimbursable Fund	\$11,325	\$10,312	\$13,488	\$3,176	30.8%
Adjusted Grand Total	\$192,142	\$203,309	\$214,268	\$10,959	5.4%

- The Department of Natural Resources (DNR) budget includes a fiscal 2012 deficiency of \$1.1 million in general funds for supporting the bridge security initiative in the Natural Resources Police.
- The overall adjusted change in the DNR budget is an increase of \$11.0 million, or 5.4%. The major change is a net increase of \$14.7 million in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund monies, reflecting a reduction of \$8.0 million contingent on a provision in the Budget Reconciliation and Financing Act of 2012 redistributing the revenue to the general fund. However, once the \$15.0 million in trust fund monies for other agencies is allocated to the Maryland Department of Agriculture, DNR's fiscal 2013 budget increase of \$11.0 million becomes a \$4.0 million decrease relative to the fiscal 2012 working appropriation.

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

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Personnel Data

	<u>FY 11 Actual</u>	<u>FY 12 Working</u>	<u>FY 13 Allowance</u>	<u>FY 12-13 Change</u>
Regular Positions	1,289.00	1,279.00	1,298.50	19.50
Contractual FTEs	<u>401.26</u>	<u>388.93</u>	<u>385.53</u>	<u>-3.40</u>
Total Personnel	1,690.26	1,667.93	1,684.03	16.10

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	76.14	6.00%
Positions and Percentage Vacant as of 12/31/11	91.00	7.11%

- Regular positions increase by a net of 19.5 in the fiscal 2013 allowance primarily due to the creation of 28.5 new positions that are filled with Maryland Environmental Service contractual positions in the Fisheries Service. In addition, 1.0 position is transferred to DNR from the Maryland Department of Planning. This 29.5 position increase is offset by the abolition of 10.0 positions.
- Contractual full-time equivalents (FTE) decrease by a net of 3.4 in the fiscal 2013 allowance. There is an increase of 3.0 FTEs in the Office of Communications and Marketing.

Analysis in Brief

Major Trends

Forest Stewardship Plans Decrease: The number of acres covered by Forest Stewardship Plans increased to 22,228 acres in fiscal 2009 but since then have decreased substantially. DNR attributes the decline to the economic downturn, a shift in field forester's activities to support new priorities like the Chesapeake Bay natural filters milestone practices and other tree planting efforts and reductions to its budget.

Parks Concession Revenues Increase: Maryland Park Service – Revenue Operations revenues increased between fiscal 2010 and 2011. DNR indicates that this was done to deal with declining funding and that the increase in revenues was due to increased training and investment in concession business plans and marketing.

Long-term Boat Leases Down, Short-term Boat Leases Up: Fuel prices appear to have reduced the number of long-term boat leases realized between fiscal 2010 and 2011 at Somers Cove Marina and Fort Washington Marina. DNR indicates that beyond fuel costs, slip rates and boat insurance payments also may contribute to reduced long-term slip rentals.

Issues

Fisheries Service Cost Recovery Explored: DNR's Fisheries Service is headed for an operating deficit. In addition, there are equity concerns surrounding how much funding is generated to defray costs by each of its three management sectors: recreational, commercial, and aquaculture. As a result, DNR conducted a cost recovery analysis which showed that the commercial fishery cost recovery is low. **The Department of Legislative Services (DLS) recommends that fees be increased for the commercial fishing industry to cover costs.**

Natural Resources Police Staffing Challenges: Natural Resources Police staffing levels continue to be a concern. While rockfish poaching appears to have been curtailed, DNR's press releases continue to recount oyster poaching cases on a regular basis. However, the Natural Resources Police's Managing for Results measures do not provide a clear picture of the appropriate level for Natural Resources Police staffing levels. **DLS recommends that DNR submit a report to the budget committees on the level of service standards for the Natural Resources Police. The report is requested to include a workload analysis, response time metrics, staffing levels for authorized and filled law enforcement officer positions, evaluation of law enforcement officer work for civilianization, and pertinent crime rates.**

Genuine Progress Indicator and Budgeting: The Genuine Progress Indicator is an alternative prosperity measure to the Gross State Product. DNR indicates that, as designed, the Genuine Progress Indicator is too broad to be used for budgeting and policymaking. Instead, it is used for educational purposes. In its place, DNR is creating what is being called a Value Added Scorecard.

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The scorecard uses the 26 elements – comprised of economic, environmental and social elements – supporting the Genuine Progress Indicator to evaluate programs and policies with a range of 0 (no impact) to 2 (high impact). **DLS recommends that DNR comment on how the Value Added Scorecard will be used and in which policy areas.**

Recommended Actions

	<u>Funds</u>
1. Delete a Wildlife and Heritage Service grant.	\$ 248,000
2. Adopt committee narrative requesting a report on level of service standards for the Natural Resources Police.	
3. Concur with the Watershed Services budget bill language for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.	
Total Reductions	\$ 248,000

Updates

Required Water Quality Monitoring Stations Funding: The General Assembly restricted \$600,000 of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation in the fiscal 2012 budget for the purchase and placement of water quality monitoring stations. DNR indicates that it has not expended the restricted funding and will allow the \$600,000 to be cancelled and thus return to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund balance at the end of fiscal 2012.

Long-term Electricity Report: Governor Martin J. O’Malley signed Executive Order 01.01.2010.16 on July 23, 2010. The executive order required the Power Plant Assessment Program (also referred to as the Power Plant Research Program) to submit a Long-term Electricity Report on or before December 21, 2010, assessing future electric energy use requirements and identifying sources and alternative sources to meet any gaps in energy use requirements through the end of calendar 2030. Thirty-eight scenarios were outlined in the report with varying costs, pollutant levels, and natural gas production implications.

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Operating Budget Analysis

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 112,826 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 a State-owned and a State-leased marina, 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.

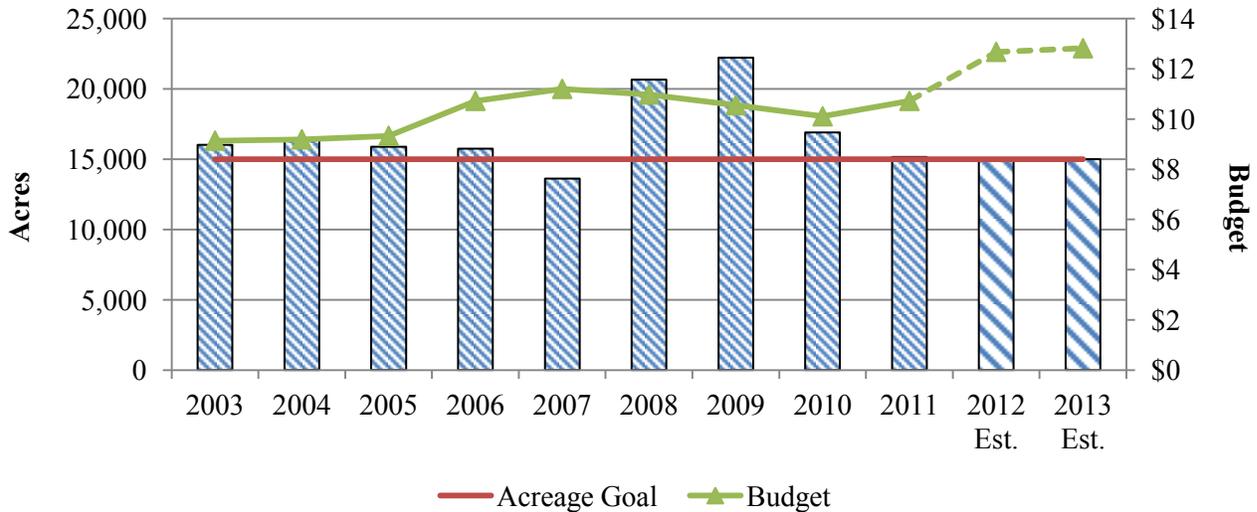
Performance Analysis: Managing for Results

The Managing for Results (MFR) analysis reviews the decline in the number of acres covered by Forest Stewardship Plans since fiscal 2009, the substantial increase in Maryland Park Service – Revenue Operations revenues between fiscal 2010 and 2011 and onward, and the decrease in long-term transient boat slips realized as a result of fuel prices.

Forest Stewardship Plans Decrease

DNR has a goal of improving water quality with riparian forest buffer restoration and management for healthy forests, achieving goals for 70% riparian forest buffer coverage by 2025 and maintaining 40% forest cover. A specific objective within this goal is to annually achieve integrated resource management on an additional 15,000 acres of non-industrial private forest land. On this score, the number of acres covered by Forest Stewardship Plans increased to 22,228 acres in fiscal 2009 but since then have decreased substantially, although DNR is still meeting its goal. DNR attributes the decline to the economic downturn, a shift in field forester’s activities to support new priorities like the Chesapeake Bay natural filters milestone practices and other tree planting efforts, and reductions to the Forest Service’s budget. **Exhibit 1** reflects the decrease in the number of acres covered by Forest Service Forest Stewardship Plans. The big increase in funding between fiscal 2011 and 2012 reflects how contractor reimbursement funding will now be handled for the Chesapeake Forest Lands and thus does not reflect additional funding for program activity. **The Department of Legislative Services (DLS) recommends that DNR comment on how Forest Stewardship Plan levels could be increased or maintained within current funding levels.**

Exhibit 1
Forest Service Forest Stewardship Plans and Budget
Fiscal 2003-2013
(\$ in Millions)



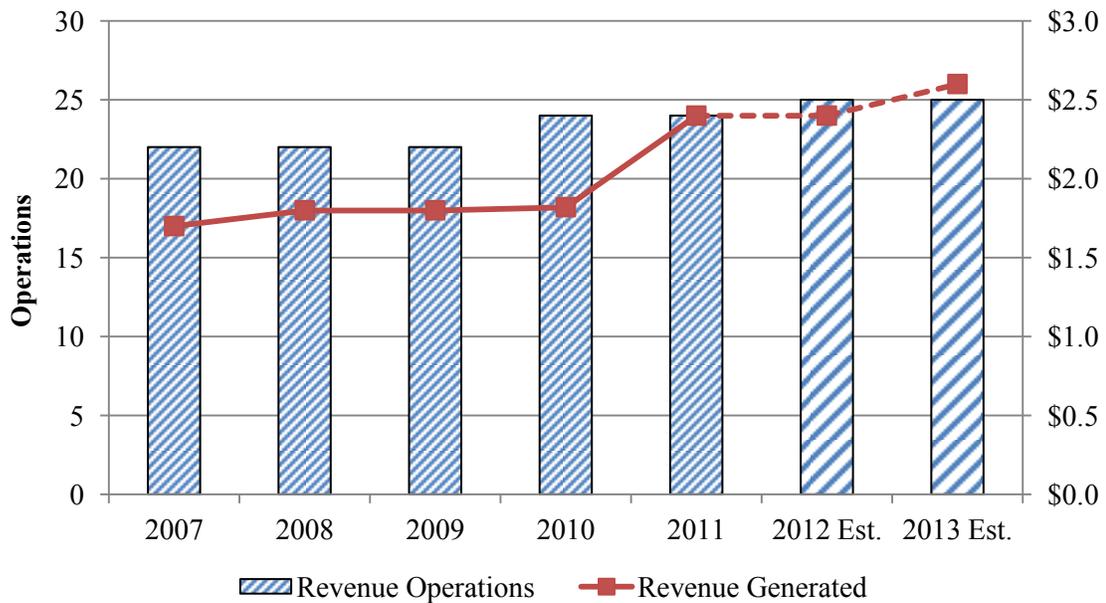
Note: The increase in funding between fiscal 2011 and 2012 reflects that the Department of Natural Resources (DNR) will now receive and distribute revenues to the Chesapeake Forest Lands contractor as opposed to the contractor directly receiving revenues and then reimbursing DNR. This accounts for a \$1.1 million change in the budget between fiscal 2011 and 2012.

Source: Governor’s Budget Books, Fiscal 2005-2013

Parks Concession Revenues Increase

For the Maryland Park Service – Revenue Operations program, DNR has the goal of providing visitor services that enhance outdoor recreation experiences in State parks, while generating beneficial revenue to support park operations. DNR’s specific objective related to this goal is to increase revenue operations. In concert with this objective, Maryland Park Service – Revenue Operations concession revenues increased between fiscal 2010 and 2011 as shown in **Exhibit 2**. DNR indicates that the increase in revenues was due to increased training and investment in concession business plans and marketing. Four new concession operations – Assateague, New Germany, Rocky Gap, and Susquehanna State Parks – have begun, which helped to increase overall sales in fiscal 2011. In addition, enhanced park store profit margins have been the focus of an internal concession team. Finally, the Maryland Park Service has participated in a regional state park marketing training and buyers show. **DLS recommends that DNR comment on what role public-private partnerships play in its current operations and future plans.**

Exhibit 2
Maryland Park Service Revenues
Fiscal 2007-2013
(\$ in Millions)

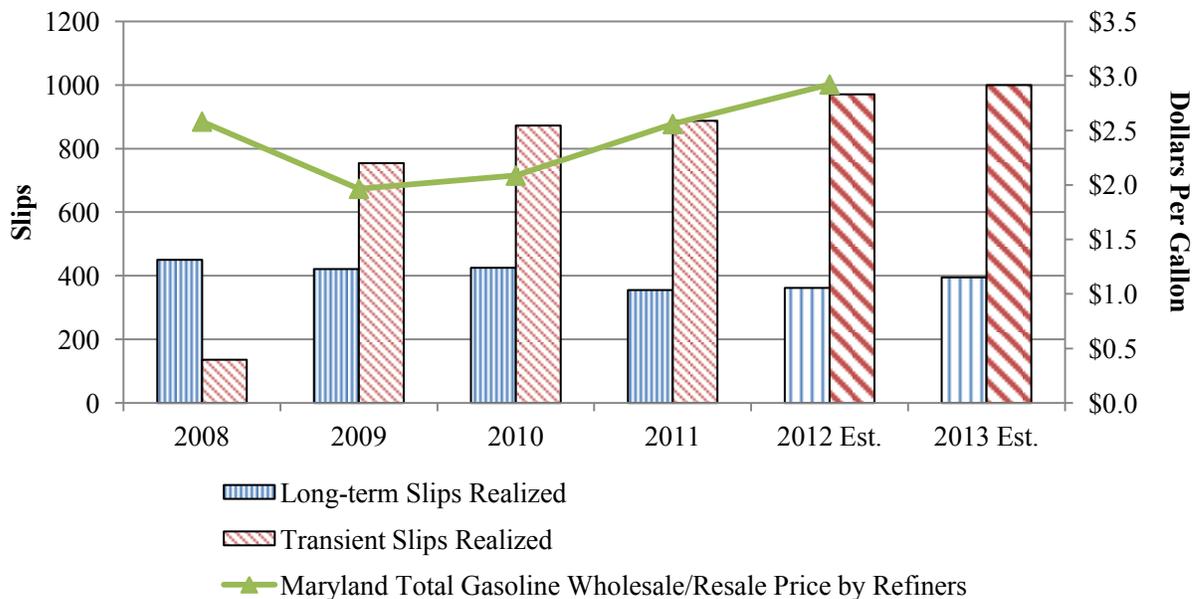


Source: Governor’s Budget Books, Fiscal 2010-2013

Long-term Boat Leases Down, Short-term Boat Leases Up

In Boating Services, DNR has a goal of diverse outdoor recreation opportunities for Maryland citizens and visitors, which includes the boating public. **Exhibit 3** suggests that fuel prices may have reduced the number of long-term boat leases realized between fiscal 2010 and 2011 at Somers Cove Marina and Fort Washington Marina. Although, this same trend is not in evidence for short-term leases, which have increased over the time period of rising fuel costs. DNR indicates that beyond fuel costs, slip rates and boat insurance payments also may contribute to reduced long-term slip rentals. For those boaters who are still recreating on the waterways, more local vacations seem to be the order with lower cruising speeds helping to save fuel and costs. DNR also points to marina improvements and proximity to urban centers that make Fort Washington Marina attractive to boaters. Somers Cove Marina provides dedicated transient slips and discounts on fuel and slip rates for larger boat cruising groups. **DLS recommends that DNR comment on the relative attractiveness of Maryland’s long-term slips versus those of neighboring states and on how the number of long-term slips realized could be increased.**

Exhibit 3
Long-term and Transient Boat Slips vs. Gasoline Wholesale/Resale Price
Fiscal 2008-2013
(\$ in Millions)



Note: Fiscal 2012 gasoline data is through November 2011. The fiscal 2008 to 2009 change in transient slips realized reflects the transition period for the Somers Cove Marina Commission.

Source: Governor’s Budget Books, Fiscal 2011-2013; U.S. Energy Information Administration

Fiscal 2012 Actions

Cost Containment

Section 47 of the fiscal 2012 budget bill required Governor Martin J. O'Malley to abolish 450 positions as of January 1, 2012. DNR's share of the reduction was 2 positions. The annualized salary savings due to the abolition of these positions is expected to be \$38,981 in general funds and \$48,928 in special funds for a total of \$87,909. A vacant park maintenance position and a vacant administrative officer position that was detailed to the Governor's Delivery Unit were abolished.

Proposed Deficiency

The Governor has submitted a deficiency appropriation for the fiscal 2012 operating budget, which would increase DNR's general fund appropriation by \$1,086,730 in order to support a bridge security initiative in the Natural Resources Police. The funding, which has already been committed, would be used for additional equipment (\$824,653), contractual services (\$261,389), supplies and materials (\$632), and communications (\$56). DNR indicates that the funding would enable reimbursement for the procurement and installation of special camera equipment at specific locations in order to address a homeland security threat at the end of fiscal 2011. The federal Port Security Grant is not available for funding this work due to the policy against retroactive payments for work already accomplished and the lag time between project requests and actual federal funding being received.

Budget Reconciliation and Financing Act of 2012

Proposed Revenue Redistribution

An action in the Budget Reconciliation and Financing Act (BRFA) of 2012 would redistribute \$8 million of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues to the general fund in fiscal 2013. 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 \$8 million revenue redistribution, there is \$25 million available for nonpoint source nutrient pollution reduction projects to help restore the Chesapeake Bay.

The BRFA of 2012 increases the transfer of fiscal 2013 projected revenue from the motor vehicle fuel tax by \$8.0 million for a total transfer of \$23.1 million. The revenue changes reflected in the BRFA are shown in **Exhibit 4. DLS has recommended in the Maryland Department of Agriculture (MDA) operating budget analysis that an allocation off the top of the revenue distribution from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund be used to defray the costs of soil conservation district field personnel in MDA. This would allow for a dedicated funding source for soil conservation district field personnel and defray approximately \$4.4 million in general fund spending.**

Exhibit 4
Provisions for Trust Fund Transfers to the General Fund
BRFA of 2011 and 2012

<u>Fiscal Year</u>	<u>BRFA of 2011</u>	<u>BRFA of 2012</u>	<u>Total</u>
2013	\$15,076,582	\$8,000,000	\$23,076,582
2014	11,535,845		11,535,845
2015	8,049,199		8,049,199
2016	4,624,687		4,624,687

BRFA: Budget Reconciliation and Financing Act

Source: Department of Legislative Services

Proposed Budget

DNR's fiscal 2013 allowance increases by \$11.0 million, or 5.4%, relative to the fiscal 2012 working appropriation, as shown in **Exhibit 5**. However, when the allocation of \$15.0 million in Chesapeake and Atlantic Coastal Bay's 2010 trust fund monies to MDA is taken into account, DNR's budget decreases by approximately \$4.0 million relative to the fiscal 2012 working appropriation. The changes by fund in Exhibit 5 reflect a \$0.1 million decrease in general funds, an increase of \$12.2 million in special funds, a decrease of \$4.3 million in federal funds, and an increase of \$3.2 million in reimbursable funds. Personnel changes are discussed first, followed by operating expenditures.

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

How Much It Grows:	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
2012 Working Appropriation	\$43,858	\$116,533	\$32,607	\$10,312	\$203,309
2013 Allowance	<u>43,710</u>	<u>136,735</u>	<u>28,336</u>	<u>13,488</u>	<u>222,268</u>
Amount Change	-\$148	\$20,202	-\$4,271	\$3,176	\$18,959
Percent Change	-0.3%	17.3%	-13.1%	30.8%	9.3%
 Contingent Reduction	 \$0	 -\$8,000	 \$0	 \$0	 -\$8,000
Adjusted Change	-\$148	\$12,202	-\$4,271	\$3,176	\$10,959
Adjusted Percent Change	-0.3%	10.5%	-13.1%	30.8%	5.4%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$2,455
New and transferred positions.....	2,040
Retirement contribution	1,105
Natural Resources Police Retirement System.....	927
Social Security contribution.....	263
One-time fiscal 2012 bonus	-749
Abolished positions.....	-734
Salaries and wages	-603
Accrued leave payout.....	-242
Turnover adjustments.....	-193
Workers' compensation	-122
Other fringe benefit adjustments.....	-96

Other Changes

Chesapeake Bay Restoration

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund full allocation	22,680
Contingent reduction of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund	-8,000

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Where It Goes:

Fisheries Service

Maryland Environmental Service contract in-sourcing	-2,589
Federal Blue Crab Fishery Disaster Grant spending reduction	-2,500
Budget reductions in management studies and supplies and one-time purchases.....	-2,378
One-time equipment and pontoon boat replacement.....	-273

Natural Resources Police

Homeland Security grant for replacement boats	1,305
Federal Port Security Grant equipment purchases	1,169
Field operations matching funds	-532

Forests, Parks, and Land Management

Land acquisition consolidation changes.....	-776
Elimination of State park maintenance materials.....	-322
Recreational trail/byways projects	-178

Routine Operations

Statewide cost allocations	931
Maryland Outdoor Customer Service Delivery System.....	200
Contractual full-time equivalents and funding.....	-810
Boating Services boat purchases.....	-455
Other	-231
Analysis and evaluation of coal combustion.....	-230
Physical plant changes	-103

Total **\$10,959**

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

Personnel

DNR’s overall personnel expenditures increase by \$4.1 million. The two largest components of the increase are \$2.5 million in employee and retiree health insurance and \$2.0 million for new and transferred positions. The new positions actually defray contractual services spending by the Fisheries Service for work currently being performed by the Maryland Environmental Service (MES). The personnel expenditure changes are as follows.

- ***Employee and Retiree Health Insurance*** – Health insurance costs increase by \$2.5 million.

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- ***New and Transferred Positions*** – There is an increase of \$2.0 million for the 28.5 new positions as a result of the insourcing of fisheries work provided by MES and 1.0 position transferred from the Maryland Department of Planning. Savings from the insourcing are reflected in the non-personnel portion of the budget. DNR reflects MES contractual costs of \$2,589,284 for 28.5 contractual full-time equivalents (FTE) that are replaced with 28.5 regular positions for \$1,873,125 for a total savings of \$716,159. The average savings per FTE is approximately \$24,695.
- ***Retirement Contributions*** – Retirement contribution increases \$1.1 million.
- ***Natural Resources Police Retirement System*** – An increase of \$927,000 is due to changes to the retirement system rates made by the State Retirement Agency.
- ***Social Security Contribution*** – Social Security contribution increases by \$263,000.
- ***One-time Fiscal 2012 Bonus*** – State employees were provided a one-time \$750 bonus during fiscal 2012 as part of the collective bargaining agreement. Therefore, personnel funding decreases by \$749,000.
- ***Abolished Positions*** – Appropriation decreases by \$734,000 due to the abolishing of 10 positions in the fiscal 2013 allowance. DNR notes that the 3 vacant positions and 7 filled positions abolished will reduce graphics support to the Office of Communications, habitat and facility maintenance in Wildlife and Heritage Service, administrative services and maintenance in the Maryland Park Service, and administrative support for Program Open Space (POS), the Engineering and Construction Program, the Resource Assessment Service, and the Fisheries Service.
- ***Salaries and Wages*** – Salaries and wages decrease \$603,000 due in part to the reconciliation of actual salary savings related to the Voluntary Separation Program.
- ***Accrued Leave Payout*** – The Natural Resource Police’s Deferred Retirement Option Program (DROP) provides for leave payouts for employees who leave State service. The accrued leave payout decreases by \$242,000 between fiscal 2012 and 2013, which DNR attributes to less funding being available.
- ***Turnover Adjustments*** – Turnover adjustments amount to a \$193,000 decrease.
- ***Workers’ Compensation*** – Workers’ compensation decreases by \$122,000.

In addition to the changes noted above, there are two sections in the operating budget bill that would change DNR’s position count and associated funding as follows:

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- Section 19 proposes to provide resources to the Department of Information Technology (DoIT) to manage web design services and contracts. The objective is to consolidate contracts and personnel so that DoIT manages basic systems while agencies manage their specialized content. Approximately \$900,000 and 11 regular positions are authorized to be transferred from State agencies budgets into DoIT's budget. With respect to DNR, the section authorizes the Governor to transfer 2 regular positions, \$99,346 in general funds, and \$73,849 in special funds from DNR into DoIT. This initiative is discussed in the DoIT budget.
- Section 20 proposes to provide some staff and funding for a Statewide Geographic Information Office in DoIT. In August 2011, the Board of Public Works approved a Statewide Geographic Information Systems (GIS) contract that is managed by DoIT. The new contract provided GIS services to the entire State for the cost of the contracts from individual State agencies, thereby expanding usage without increasing costs. The new office plans to consolidate storage and access to mapping data and to develop standard mapping products and applications. To staff the new office, the section authorizes the transfer of 5 regular positions and \$1.2 million from State agencies into DoIT. With respect to DNR, the section authorizes the Governor to transfer 1 regular position from DNR into DoIT and the associated funding of \$29,007 in general funds and \$53,869 in reimbursable funds along with \$400,000 associated with Imap hosting services from special funds supported by the POS administration component of the State transfer tax and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. DNR indicates that a memorandum of understanding with the DoIT will be necessary to continue the funding. This initiative is discussed in the DoIT budget.

Other Changes

Overall, the nonpersonnel portion of DNR's fiscal 2013 allowance increases \$6.9 million. The areas of change include Chesapeake Bay restoration; Fisheries Service; Natural Resources Police; forests, parks, and land management; and routine operations. The largest change is a net increase of \$14.7 million 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 \$22.7 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. The changes are as follows.

Chesapeake Bay Restoration

- ***Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Full Allocation and Contingent Reduction*** – There is an increase of \$22,680,000 over the fiscal 2012 working appropriation of \$10,320,000. Total funding would be \$33,000,000 but is reduced by \$8,000,000 contingent upon enactment of a provision in the BRFA of 2012 transferring the funding to the general fund. Of note, wetland restoration portion of the \$8,970,000 allocation for natural filters, which includes installation of vegetative filters for forested buffers and wetlands, appears to be general obligation bond eligible. **DLS recommended in the MDA operating budget analysis that existing and needed positions to fulfill the State agricultural field personnel**

mandate be funded from an allocation off the top of the Chesapeake and Atlantic Coastal Bays 2010 Trust, which would equate to an approximately \$4.4 million decrease in effective funding. The wetland restoration portion of the natural filters allocation could be replaced with a general bond authorization, which would free up special funds to backfill the decrease in effective funding.

Fisheries Service

- ***Maryland Environmental Service Contract Insourcing*** – The Spending Affordability Committee recommended position exceptions for three classes of positions relating to security at State facilities, accelerated capital spending, and insourcing of work. DNR has insourced fisheries contractual work conducted by the MES, which is estimated to save \$2,589,000 of contractual expenditures. DNR estimates the net savings to be \$716,000.
- ***Federal Blue Crab Fishery Disaster Grant Spending Reduction*** – The appropriation for the Federal Blue Crab Fishery Disaster Grant is anticipated to decrease by \$2.5 million, from \$5.0 million to \$2.5 million, to reflect the near completion of grant spending. 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 has been used primarily for a blue crab license buy-back program.
- ***Budget Reductions in Management Studies, Supplies, and One-time Purchases*** – The Fisheries Service’s fiscal 2013 budget includes a number of reductions for management studies, supplies, and one-time purchases. The reduction is \$2.4 million.
- ***One-time Equipment and Pontoon Boat Replacement*** – There is a \$273,000 decrease due to one-time laboratory and equipment purchases, one of which was in hatcheries, and a one-time pontoon boat replacement.

Natural Resources Police

- ***Homeland Security Grant Replacement Boats*** – Reimbursable funding from the Department of Homeland Security – through the Maryland Emergency Management Agency (MEMA) – increases funding for watercraft replacement by \$1.3 million.
- ***Federal Port Security Grant Equipment Purchases*** – The appropriation increases by \$1.2 million for camera, radar, and radio equipment intended to enhance DNR’s maritime homeland security capabilities. The monies are from federal Port Security Grant awards received through MEMA.
- ***Field Operations Matching Funds*** – The appropriation for Natural Resources Police – Field Operations decreases by \$532,000 due to matching funds for grant awards in fiscal 2012 that are not anticipated to be available in fiscal 2013.

Forest, Parks, and Land Management

- ***Land Acquisition Consolidation Changes*** – Land Acquisition and Planning program costs decrease by \$776,000 to reflect the reduction in funding needed as a result of State Government – Land Acquisitions and Transfers of Property (Chapter 410 of 2011). Chapter 410 consolidated contracts performed by the Department of General Services (DGS) and the Maryland Department of Planning into DNR. The consolidated State land acquisition and planning functions are related to open space, recreation, and conservation. DNR reports that it already has achieved procedural efficiencies due to the consolidation but that this has not obviated the need for the \$1.2 million in additional operating expense funding. This funding comes from a transfer tax revenue provision in the BRFA of 2011 and does not appear to be reflected in DNR’s operating budget. **DLS recommends that DNR comment on why the full \$1.2 million of operating expense funding from the transfer tax is necessary if there have been savings due to the consolidation of land acquisition and planning functions.**
- ***Elimination of State Park Maintenance Materials*** – Due to budget constraints, there is a reduction of \$322,000, which reflects the elimination of State park maintenance and repairs funding.
- ***Recreational Trail/Byways Projects*** – Supplies and materials costs decrease by \$178,000 in the Maryland Park Service – Statewide Operation primarily due to the completion and timing of recreational trail and byway projects. DNR indicates that the fiscal 2013 budget includes \$28,600 in general funds for supporting the upcoming opening of the Harriett Tubman Underground Railroad Visitor Center.

Routine Operations

- ***Statewide Cost Allocations*** – Statewide cost allocations increase by a net of \$931,186 for statewide personnel system allocation (\$590,849), DoIT IT services allocation (\$300,872), retirement administrative fee (\$158,934), State Treasurer’s insurance (\$97,895), Department of Budget and Management paid telecommunications (\$56,823), Office of Administrative Hearings charges (\$46,399), DGS rent (\$42,899), and Office of Attorney General administrative fee (\$26,426), which are partially offset by a decrease for MES charges for water and wastewater treatment services (\$389,911).
- ***Maryland Outdoor Customer Service Delivery System*** – The Maryland Outdoor Customer Service Delivery System (COMPASS) IT project increases from \$550,000 to \$750,000 in the allowance. DNR explains that the increase is due to the greater business rule and requirements complexity that comes with developing commercial licensing and boat titling and registration components as part of COMPASSv2 development. The development costs are estimated to be \$350,000 for the boating module and \$400,000 for the commercial licensing module. COMPASS is discussed in the Major IT Projects (**Appendix 3**) section of this analysis.

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- ***Contractual FTEs and Funding*** – While contractual FTEs decrease by 3.4 in the fiscal 2013 allowance, there is an overall decrease of \$810,000 in funding. It appears that this may reflect either highly paid contractual FTEs being replaced by less expensive FTEs or conversion of contractual FTEs into regular positions. The majority of the change can be explained by decreases of \$399,625 in Fisheries Service (net decrease of 4.4 FTEs), \$251,575 in Watershed Services (no change in contractual FTEs), and \$243,751 in Monitoring and Ecosystem Assessment (no change in FTEs), which are partially offset by an increase of \$133,413 in Maryland Park Service (net decrease of 3.9 FTEs). **DLS recommends that DNR comment on whether changes in FTE hiring costs or contractual conversions or some other reason explains the change in contractual FTE costs.**
- ***Boating Services Boat Purchases*** – A one-time purchase of a vessel, light crane, and other equipment and a reduction in the number of small buoy tenders boats replaced from two to one in Hydrographic Operations amounts to a decrease of \$455,000.
- ***Analysis and Evaluation of Coal Combustion*** – Power Plant Research Program funding of \$230,000 for analysis and evaluation of coal combustion is deleted.
- ***Physical Plant Changes*** – A decrease of \$103,000 due to physical plant changes includes one-time fencing and predator screen purchases at the Albert Powell Fish Hatchery, and reduced house maintenance by the Engineering and Construction program due to less funding being available. These decreases are partially offset by an increase for expansion of the conference room at the Natural Resources Police’s regional Johnson Office. Funding is provided from federal National Marine Fisheries Service funding.

Issues

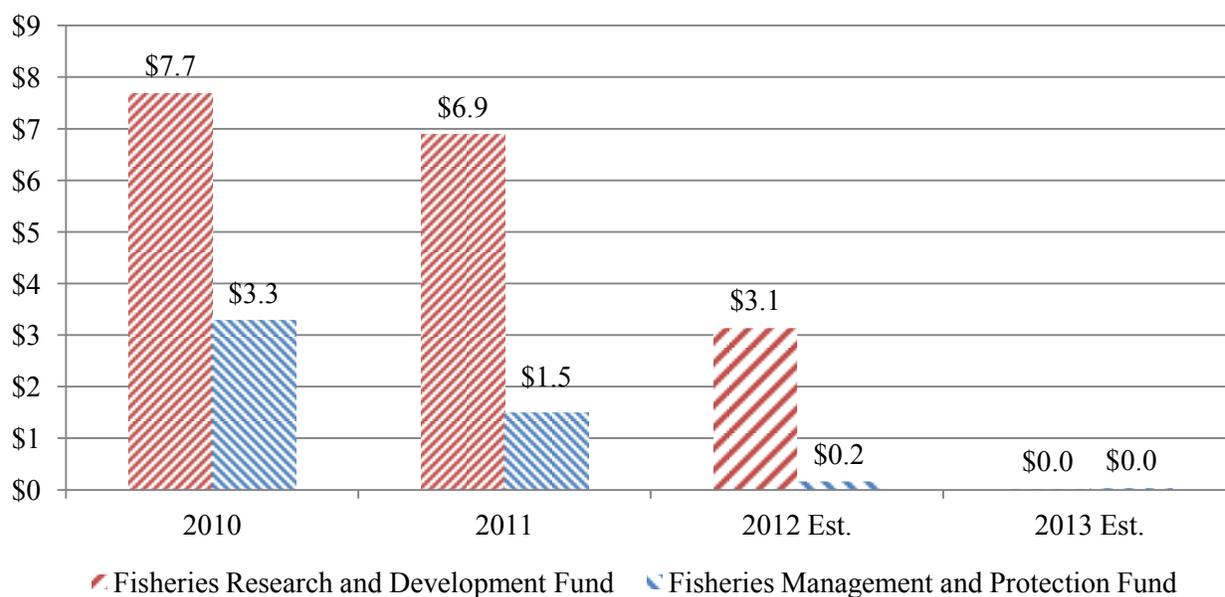
1. Fisheries Service Cost Recovery Explored

DNR’s Fisheries Service is headed for an operating deficit. In addition, there are equity concerns surrounding how much funding is generated to defray costs by each of its three management sectors: recreational, commercial, and aquaculture. As a result, DNR conducted a cost recovery analysis, which showed that the commercial fishery cost recovery is low.

Special Fund Balances Low

The Fisheries Service has two main special funds – Fisheries Research and Development Fund and Fisheries Management and Protection Fund. Both funds are heading for \$0 balances in fiscal 2013 as shown in **Exhibit 6**. This is due to expenditures exceeding revenues in recent years as general fund cost saving measures required the use of more special fund balance. DNR anticipates a program deficit beginning in fiscal 2013 that it estimates will reach \$3.2 million in fiscal 2014.

Exhibit 6
Fisheries Service Special Funds Closing Balances
Fiscal 2010-2013
(\$ in Millions)



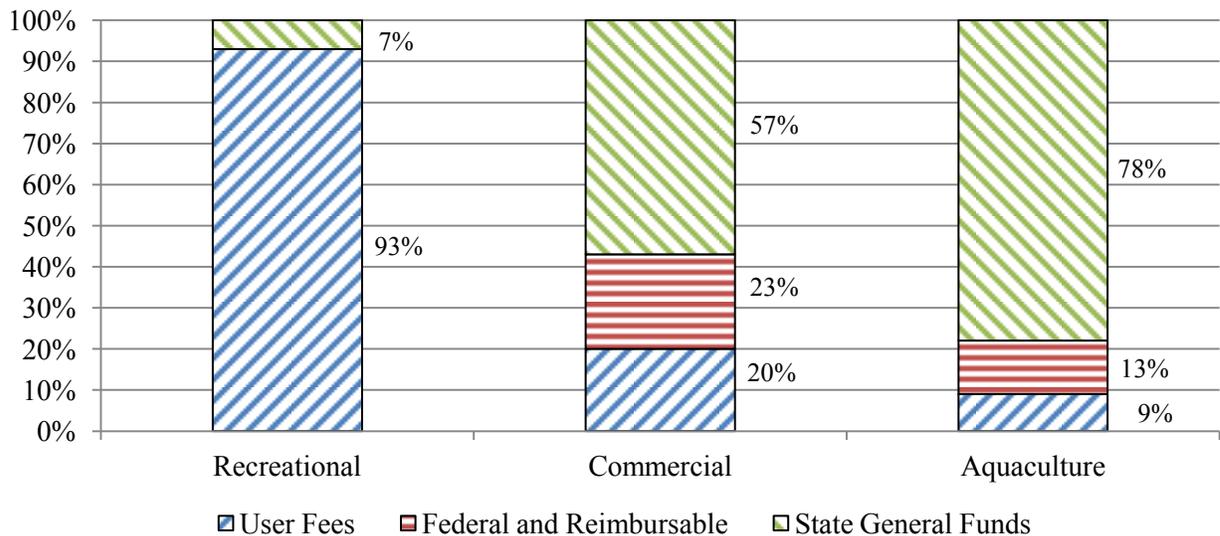
Source: Department of Budget and Management; Department of Legislative Services

Cost Recovery Analysis

In response, DNR has conducted a cost recovery analysis in the Fisheries Service. The results of the analysis are shown in **Exhibit 7**, in which it is shown that the recreational fishery is mostly user fees, while the commercial fishery and aquaculture are supported by other types of revenue. In sum:

- **Recreational Fishery** – Management of the recreational fishery is paid for by 93% user fees (State fishing licenses and federal excise tax on sport fishing equipment) and 7% by general funds.
- **Commercial Fishery** – The commercial fishery management is paid for by 20% user fees (State fishing licenses), 23% by federal and reimbursable funds, and 57% by general funds. In addition, a subset of the commercial fishery is the striped bass fishery, which has a 26% cost recovery rate from commercial groups, and thus the State pays 74% of the striped bass commercial fishery management costs.
- **Aquaculture** – Aquaculture management is paid for by 9% user fees, 13% federal and reimbursable funds, and 78% general funds.

Exhibit 7
Cost Recovery by Management Sector
Fiscal 2012



Source: Department of Natural Resources; Department of Legislative Services

DLS recommends that fees be increased for the commercial fishing industry to recover costs.

2. Natural Resources Police Staffing Challenges

Natural Resources Police staffing levels continue to be an issue. While rockfish poaching appears to have been curtailed, DNR's press releases continue to recount oyster poaching cases on a regular basis. However, the Natural Resources Police's MFR measures do not provide a clear picture of the appropriate level for Natural Resources Police staffing levels.

Officer Levels and Performance Measures

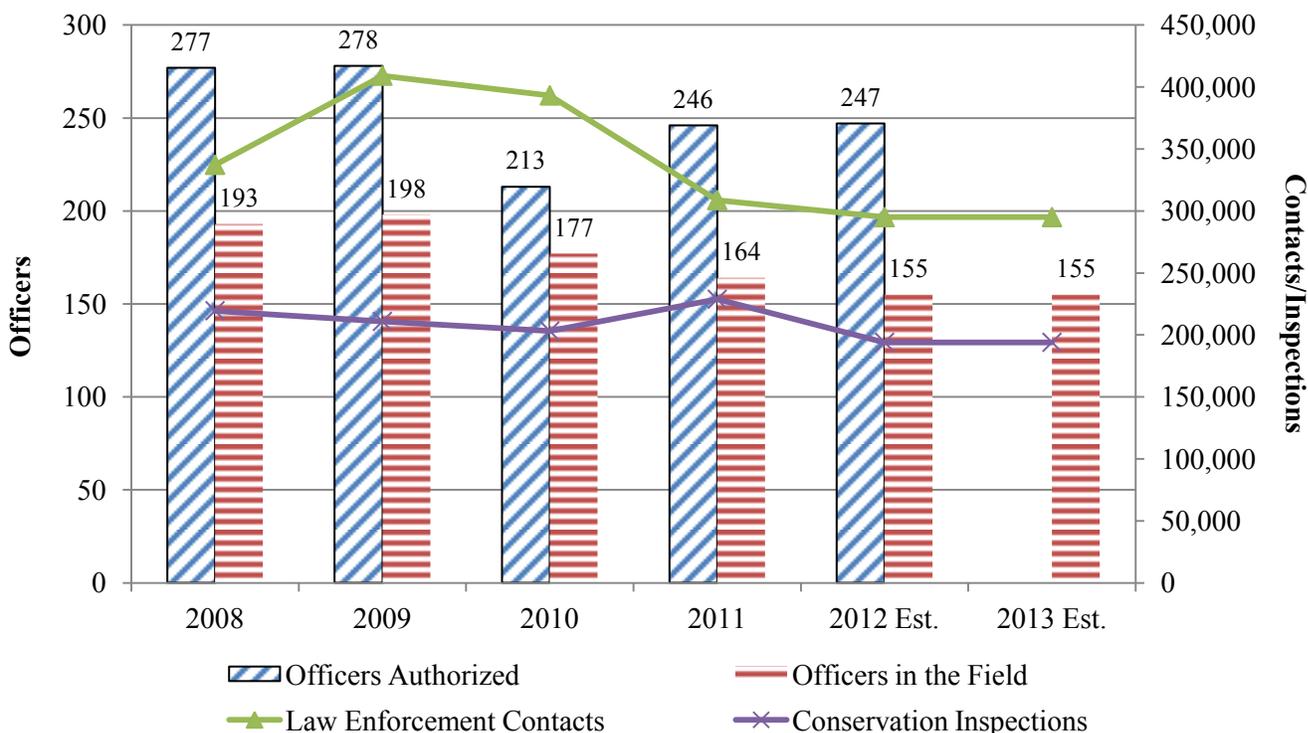
Exhibit 8 reflects Natural Resource authorized vs. actual positions in the field and two outputs related to the number of officers: number of law enforcement contacts and conservation inspections. The authorized law enforcement officer position level is 247 in fiscal 2012, but there are still estimated to be around 20 vacancies in order to meet the turnover rate, and thus not all of the Natural Resources Police positions are filled. In addition, DNR notes that law enforcement positions may be open due to long-term sick-leave, injuries, and military duty as well as law enforcement officers assigned to support the Natural Resources Police Academy and leadership/management positions.

Future Position Challenges

The Natural Resources Police is in a demographic spiral: annual academy classes are at best offsetting officers departing due to the DROP Program. In some years, there is no annual academy class and the 14 position average annual attrition rate reduces the overall number of law enforcement officers. Some of the steps that the Natural Resources Police is taking to increase the number of law enforcement officers is as follows:

- **Cadet Program** – DNR is working to revive the cadet program in which 18- to 20-year-olds are prepared for entry into the Natural Resources Police academy.
- **Annual Academy Classes** – DNR will work to create an annual academy class of approximately 15 recruits.
- **Officer Redeployment** – Officers will be redeployed from Western Maryland and elsewhere to handle the seasonal oyster fishery policing work needed.

**Exhibit 8
Natural Resources Police Officers and Outputs
Fiscal 2008-2013**



Source: Department of Budget and Management; Department of Legislative Services; Governor’s Budget Books, Fiscal 2011-2013

- Technology** – The Natural Resources Police is leveraging existing resources by using the Maryland Law Enforcement Information Network’s camera and radar capabilities, communicating wirelessly with other law enforcement agencies and the local and federal personnel through TAC-Stack, and purchasing field worthy computer notebooks for data processing needs.

DLS recommends that DNR submit a report to the budget committees on the level of service standards for the Natural Resources Police. The report is requested to include a workload analysis, response time metrics, staffing levels for authorized and filled law enforcement officer positions, evaluation of law enforcement officer work for civilianization, and pertinent crime rates.

3. Genuine Progress Indicator and Budgeting

The Genuine Progress Indicator is an alternative prosperity measure to the Gross State Product. DNR indicates that, as designed, the Genuine Progress Indicator is too broad to be used for budgeting and policymaking. Instead, it is used for educational purposes. For budgeting and policymaking purposes, DNR is creating what is being called a Value Added Scorecard. The scorecard uses the 26 elements – comprised of economic, environmental, and social elements – supporting the Genuine Progress Indicator to evaluate programs and policies with a range of 0 (no impact) to 2 (high impact). **Exhibit 9** depicts the 26 measures.

Exhibit 9 Genuine Progress Indicator Elements

<u>Element</u>	<u>Cost</u>	<u>Benefit</u>
Economic	Consumer Durables, Underemployment	Adjusted Personal Consumption, Services of Consumer Durables, Net Capital Investment
Environmental	Water Pollution, Air Pollution, Noise Pollution, Net Wetland Change, Net Farmland Change, Net Forest Cover Change, Climate Change, Ozone Depletion, Nonrenewable Energy Resource Depletion	
Social	Family Changes, Crime, Personal Pollution Abatement, Lost Leisure Time, Commuting, Motor Vehicle Crashes	Value of Housework, Volunteer Work, Value of Higher Education, Services of Highways and Streets

Source: Department of Natural Resources

The scorecard would be a contributory measure to other policy goals such as nitrogen reduction and cost effectiveness for evaluation purposes. DNR anticipates completing the scorecard by July 2012. At first, it appears the scorecard will be focused on Chesapeake Bay restoration concerns but in theory could be expanded to other policy areas. **DLS recommends that DNR comment on how the Value Added Scorecard will be used and in which policy areas.**

Recommended Actions

- | | <u>Amount
Reduction</u> |
|--|------------------------------------|
| 1. Delete a Wildlife and Heritage Service grant in the Game Management program as a cost saving measure. | \$ 248,000 GF |
| 2. Adopt the following narrative: | |

Natural Resources Police Level of Service Standards: The committees are concerned that the Natural Resources Police do not have standards by which the efficacy of its work can be measured. This is of concern given the amount of scrutiny that poaching in the rockfish and oyster fishery has raised and the general discussions about staffing shortfalls in the Natural Resources Police. Therefore, the committees request that the Department of Natural Resources submit a report on the Natural Resources Police level of service standards. It is requested that the report include a workload analysis, response time metrics, staffing levels for authorized and filled law enforcement officer positions, evaluation of law enforcement officer work for civilianization, and pertinent crime rates.

Information Request	Author	Due Date
Natural Resources Police Level of Service Standards	Department of Natural Resources	September 1, 2012

3. Concur with the following language on the special fund appropriation:
- , provided that this appropriation shall be reduced by \$8,000,000 contingent upon the enactment of legislation to allocate Chesapeake Bay 2010 Trust Fund revenue to the General Fund.

Explanation: The fiscal 2013 budget bill as introduced includes an \$8,000,000 reduction for Watershed Services contingent upon enactment of a provision in the Budget Reconciliation and Financing Act of 2012 allocating the special funds to the general fund. This action concurs with the contingent reduction of \$8,000,000 in Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special funds for Watershed Services.

Total General Fund Reductions	\$ 248,000
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Updates

1. Required Water Quality Monitoring Stations Funding

The General Assembly restricted \$600,000 of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation in the fiscal 2012 budget to the purchase and placement of water quality monitoring stations for the determination of State responsibility for nutrient and sediment loading in streams that enter a tributary of the Chesapeake Bay. In addition, the General Assembly expressed the intent that purchase and placement of the water quality monitoring stations be funded over three years.

DNR indicates that it has not expended the restricted funding and will allow the \$600,000 to be cancelled and thus returned to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund at the end of fiscal 2012. DNR's position is that current water quality monitoring stations are sufficient and that more important priorities exist for spending the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues.

2. Long-term Electricity Report

Governor O'Malley signed Executive Order 01.01.2010.16 on July 23, 2010. The executive order required the Power Plant Assessment Program (also referred to as the Power Plant Research Program) to submit a Long-term Electricity Report on or before December 21, 2010, assessing future electric energy use requirements, and identifying sources and alternative sources to meet any gaps in energy use requirements through the end of calendar 2030.

The Long-term Electricity Report was funded over several fiscal years by reducing support to the Maryland Energy Administration and deferring two analysis projects (1) renewable energy generation needs and impacts on the electricity grid, and (2) PJM Interconnection capacity market and transmission congestion in Maryland.

In the report, 38 scenarios were developed using different projected economic, legislative, and market conditions and include the possibility of federal climate change legislation that would put a price on carbon dioxide emissions. These scenarios were assessed based on cost and cost stability, reliability, environmental impacts, land use impacts, consistency with the State's energy and environmental laws, and consistency with federal energy and environmental laws. Possible technological advances that could change the outcomes of the report were noted and include (1) economic storage technologies improving such that intermittent renewable energy resources become dispatchable; (2) renewable energy technologies improve and reduce renewable energy costs; (3) plug-in vehicle advances or supporting infrastructure allow for increases in system load through use of the vehicles as decentralized storage devices; and (4) emissions control technologies lower costs for emission reductions. The report summary indicates the following.

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- **Total Production Costs** – National carbon legislation scenarios have the highest total electricity production costs.
- **Generator Revenues** – National carbon legislation and high natural gas price scenarios yield the highest wholesale energy market revenues.
- **Capacity Market Revenues** – High electricity load and low natural gas price scenarios yield the highest capacity market revenues.
- **Nitrogen Oxides, Sulfur Oxides, and Carbon Dioxide Emissions** – High carbon dioxide emissions are associated with high nitrogen oxides and sulfur oxides emissions.
- **Fuel Diversity** – While not explicitly stated, there appears to be an association between national carbon legislation scenarios and high fuel diversity.
- **Generic Natural Gas Capacity** – National carbon legislation and high load scenarios require coal power plant retrofits or retirement and thus yield high levels of generic natural gas capacity additions.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2011					
Legislative Appropriation	\$43,569	\$122,356	\$33,663	\$9,902	\$209,490
Deficiency Appropriation	0	3,086	2,338	0	5,424
Budget Amendments	0	-12,214	3,399	3,781	-5,035
Reversions and Cancellations	-84	-8,419	-6,876	-2,358	-17,737
Actual Expenditures	\$43,484	\$104,809	\$32,524	\$11,325	\$192,142
Fiscal 2012					
Legislative Appropriation	\$42,859	\$126,931	\$31,489	\$8,931	\$210,210
Budget Amendments	999	-10,398	1,117	1,381	-6,901
Working Appropriation	\$43,858	\$116,533	\$32,607	\$10,312	\$203,309

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

Fiscal 2011

DNR's general fund appropriation decreases by \$84,493 due to the reversion of unneeded appropriations in the Critical Area Commission for the Chesapeake and Atlantic Coastal Bays.

DNR's special fund appropriation decreases by \$17.5 million as follows:

- **Deficiency Appropriation** – an increase of \$3.1 million including \$2.4 million for Watershed Services for Chesapeake and Atlantic Coastal Bays 2010 Trust Fund supported non-point nutrient reduction projects, \$356,460 for the Natural Resources Police to fund the Maritime Law Enforcement Information Network (MLEIN), TAC-Stack Radio Interoperability among port partners, and patrol boat purchases, \$234,100 for operations funding in the Natural Resources Police from the U.S. Department of Justice (USDOJ) and National Oceanic and Atmospheric Administration (NOAA), and \$95,700 as part of a Wildlife Restoration grant agreement with the U.S. Fish and Wildlife Service (FWS) in Wildlife and Heritage Service;
- **Budget Amendments** – a net decrease of \$12.2 million including a decrease of \$13.9 million for distribution of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund nutrient reduction revenues to MDA and the Maryland Department of the Environment (MDE), an increase of \$1.2 million from DNR's pay-as-you-go (PAYGO) budget consistent with the provision mediating transfer tax revenue declines in the BRFA of 2009, an increase of \$322,000 for Maryland Park Service concession operations at two parks, an increase of \$116,438 for MLEIN, and an increase of \$30,538 for the Maryland Geological Survey to provide mapping and analysis on geologic storage of carbon dioxide to the Batelle Memorial Institute; and
- **Cancellations** – a decrease of \$8.4 million including cancellations due to unneeded appropriations in Fisheries Service (\$2.9 million), Boating Services (\$1.2 million), Wildlife and Heritage Service (\$970,423), Watershed Services (\$615,281), Monitoring and Ecosystem Assessment (\$601,420), Forest Service (\$598,155), Power Plant Assessment Program (\$480,512), Land Acquisition and Planning (\$371,478), and Natural Resources Police – General Direction (\$332,403).

DNR's federal fund appropriation decreases by \$1.1 million as follows:

- **Deficiency Appropriation** – an increase of \$2.3 million including \$1.1 million for the Natural Resources Police to fund MLEIN TAC-Stack Radio Interoperability among port partners, and patrol boat purchases, \$793,333 for operations funding in the Natural Resources Police from USDOJ and NOAA and \$474,813 for a Wildlife Restoration grant agreement with FWS in Wildlife and Heritage Service;

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- **Budget Amendments** – an increase of \$3.4 million including funding for the Computer Aided Design/Records Management System (CAD/RMS) project due to project delays (\$2.1 million), for MLEIN due to project delays (\$649,314), for the purchase of a 38-foot trailerable vessel with security boom/debris capabilities to support Port of Baltimore security (\$375,000), for training equipment for the mandated Hunter Education Program (\$105,688), for MLEIN enhancement equipment and services work outside the scope of the IT Project Request (\$23,250); and
- **Cancellations** – a decrease of \$6.9 million including cancellations in Fisheries Service (\$3.0 million), Watershed Services (\$1.0 million), Natural Resources Police – General Direction (\$804,955), Major IT Development Projects (\$667,564), Boating Services (\$573,909), Natural Resources Police – Field Operations (\$517,032), and Monitoring and Ecosystem Assessment (\$213,083).

DNR’s reimbursable fund appropriation increases by a net \$1.4 million as follows:

- **Budget Amendments** – an increase of \$3.8 million including a transfer from MEMA for homeland security purposes involving MLEIN, TAC-Stack Radio, and Water Watch Outreach programs (\$1.4 million), and a transfer from the Major IT Development Fund to DNR for the CAD/RMS (\$700,000); and
- **Cancellations** – a decrease of \$2.4 million including cancellations in Forest Service (\$415,345), Maryland Park Service – Statewide Operations (\$338,522), Natural Resources Police – Field Operations (\$279,174), Wildlife and Heritage Service (\$216,623), Natural Resources Police – General Direction (\$196,553), and Engineering and Construction (\$170,344).

Fiscal 2012

DNR’s general fund appropriation increases by \$999,055 by budget amendment for allocating the State Law Enforcement Officer Labor Alliance salary-related bargaining increase to Natural Resources Police law enforcement officers (\$439,127); reflecting the move of MDA’s Aquaculture Development and Seafood Marketing program to DNR (\$280,611 and 3 positions), and from MDE’s functionality (\$34,000 and 1 position) as part of the transfer of aquaculture responsibilities per Natural Resources – Aquaculture (Chapter 411 of 2011) (\$314,611 and 4 positions in total); and allocating the general fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$245,317).

DNR’s special fund appropriation decreases by a net of \$10.4 million by budget amendments. Budget amendment changes are comprised of increases for backfilling Forest Service general funds reduced per Chapter 397 of 2011 (\$1,740,000), for appropriation realigned from DNR’s Outdoor Recreation Land Loan PAYGO budget to DNR’s Land Acquisition and Planning operating budget to mitigate the steep decline in transfer tax revenues available for POS administration per Chapter 397

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(\$1,217,000), for payments to a private contractor for management of the Chesapeake and Pocomoke Forests based on a change in the contract (\$1,060,000), for allocating the special fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$444,876), for communications and intelligence sharing hardware and technology in order to improve statewide wireless communication in Natural Resources Police – General Direction from a fiber optic right-of-way license agreement (\$392,545), for matching the federal fiscal 2008 Port Security Grant in order to purchase radio equipment in Natural Resources Police – Field Operations from the sale of a helicopter and related equipment (\$326,295), and for allocating the State Law Enforcement Officer Labor Alliance salary-related bargaining increase to Maryland Park Service law enforcement officers (\$61,158). Budget amendment increases partially are offset by reductions for appropriation realigned to MDA from Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenues (\$13,180,000), for Fisheries Service oyster restoration work due to available federal funding (\$1,800,000), and for the early completion of MLEIN (\$660,000).

DNR's federal fund appropriation increases by \$1.1 million by budget amendments for the purchase of a vessel, light crane, and other equipment in Boating Services (\$375,000), for anti-terrorism maritime infrastructure (\$307,603), for matching other federal awards that allow for the purchase of law enforcement equipment (\$275,700), for out-of-state forest fire costs in the Forest Service (\$150,000), for the Hunter Education Program enhancement (\$129,853), and for allocating the federal fund portion of the \$750 bonus as authorized in the fiscal 2012 budget bill (\$59,123). Budget amendment increases are partially offset by a reduction due to the early completion of MLEIN (\$180,000).

DNR's reimbursable fund appropriation increases by \$1.4 million, which is comprised of budget amendments of \$987,909 from MEMA; from remaining federal 2007 and 2008 Port Security Grant funding to Natural Resources Police – General Direction for expanding DNR's ability to monitor State waterways; \$350,000 from the MES for stocking the Patapsco River with shad and herring as part of the Masonville Mitigation project; and \$43,000 from the State Highway Administration for maintenance on the Pocomoke State Forest off-road vehicle trail, installation of vault toilets at Green Ridge State Forest, and completion of the Governor's Forest Brigade.

Audit Findings

Audit Period for Last Audit:	May 1, 2007 – March 17, 2010
Issue Date:	April 2011
Number of Findings:	5
Number of Repeat Findings:	2
% of Repeat Findings:	40%
Rating: (if applicable)	

Office of the Secretary

- Finding 1:** Did not analyze a nonbudgeted fund clearing account to determine the composition of the balance and the proper disposition of the funds.
- Finding 2:** Certain purchases were not thoroughly reviewed by supervisory personnel resulting in potentially fraudulent transactions.
- Finding 3:** **Public land leases were not adequately monitored to ensure that tenants complied with lease terms.**
- Finding 4:** Did not ensure timely submission of applications for certain federal funds resulting in a loss of interest income.
- Finding 5:** **Adequate controls were not established over equipment.**

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

Major Information Technology Projects

Department of Natural Resources Maryland Outdoor Customer Service Delivery System

Project Status¹	Implementation	New/Ongoing Project:	Ongoing
Project Description:	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.		
Project Business Goals:	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.		
Estimated Total Project Cost¹:	\$1,645,706	Estimated Planning Project Cost¹:	No data.
Project Start Date:	The concept proposal was developed on August 15, 2007, but the actual release for proposals did not occur until December 2010.	Projected Completion Date:	The project originally was estimated to be in full-time production by January 3, 2011, with functionality through January 1, 2015. The plan is now to complete system rollout to the Department of Natural Resources' (DNR) website for online sales on February 10, 2012.
Schedule Status:	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. Since then, DNR awarded a contract in April 2011, which put the project about a year behind schedule. DNR indicates that COMPASSv1 is currently two weeks behind schedule due to unforeseen complications using the State's payment gateway services provided by Bank of America via the Comptroller's Office. Configuration and testing of these services has proved more labor intensive than estimated in October 2011. DNR will roll out its initial release on February 13, 2012, instead of February 6, 2012. However, the project schedule built in this possible scenario based on DNR's iterative development plan, thus DNR considers the project to be on track. Fiscal 2013 funding will be used for the development of COMPASSv2 – which focuses on commercial licensing and boat titling and registration. COMPASSv3 and 4 are intended to provide for parks reservation and use, safety education, geocoding and mapping.		

Cost Status:	The overall cost of the project has not changed from \$1.3 million; although DNR has included operations and maintenance funding in its recent estimate of \$1,645,706. However, the additional funds reflect money that DNR already had budgeted for the replaced Customer Oriented Information Network. The fiscal 2013 allowance includes \$750,000 in special funds. As of December 31, 2011, DNR has invested \$717,720 in the COMPASS project.							
Scope Status:	The scope of the project has not changed since it was proposed during the 2008 legislative session.							
Project Management Oversight Status:	It is not clear whether any outside project oversight will be sought.							
Identifiable Risks:	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.							
Additional Comments:	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. While the project has been delayed, it appears to be on track now.							
Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	1.3	0.3	0.0	0.0	0.0	0.0	0.0	1.6
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$1.3	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.6

COMPASS: Maryland Outdoor Customer Service Delivery System
 IT: Information Technology

¹ In calendar 2011, a two-step approval process was adopted. Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

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

<u>Object/Fund</u>	<u>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,289.00	1,279.00	1,298.50	19.50	1.5%
02 Contractual	401.26	388.93	385.53	-3.40	-0.9%
Total Positions	1,690.26	1,667.93	1,684.03	16.10	1.0%
Objects					
01 Salaries and Wages	\$ 101,991,751	\$ 107,143,370	\$ 111,194,774	\$ 4,051,404	3.8%
02 Technical and Spec. Fees	11,230,161	10,736,038	9,926,195	-809,843	-7.5%
03 Communication	1,687,456	1,975,827	1,945,772	-30,055	-1.5%
04 Travel	629,451	445,980	458,048	12,068	2.7%
06 Fuel and Utilities	5,506,433	5,460,756	5,219,600	-241,156	-4.4%
07 Motor Vehicles	6,102,861	7,134,764	7,860,697	725,933	10.2%
08 Contractual Services	46,365,536	41,348,112	34,345,258	-7,002,854	-16.9%
09 Supplies and Materials	7,024,766	6,604,364	6,107,617	-496,747	-7.5%
10 Equipment – Replacement	1,801,716	1,221,134	999,348	-221,786	-18.2%
11 Equipment – Additional	3,185,182	3,336,954	3,666,422	329,468	9.9%
12 Grants, Subsidies, and Contributions	3,574,275	14,545,396	37,209,520	22,664,124	155.8%
13 Fixed Charges	2,848,274	2,931,602	2,990,490	58,888	2.0%
14 Land and Structures	193,778	425,200	344,532	-80,668	-19.0%
Total Objects	\$ 192,141,640	\$ 203,309,497	\$ 222,268,273	\$ 18,958,776	9.3%
Funds					
01 General Fund	\$ 43,484,194	\$ 43,857,828	\$ 43,710,000	-\$ 147,828	-0.3%
03 Special Fund	104,809,225	116,532,938	136,735,069	20,202,131	17.3%
05 Federal Fund	32,523,636	32,606,764	28,335,650	-4,271,114	-13.1%
09 Reimbursable Fund	11,324,585	10,311,967	13,487,554	3,175,587	30.8%
Total Funds	\$ 192,141,640	\$ 203,309,497	\$ 222,268,273	\$ 18,958,776	9.3%

Note: The fiscal 2012 appropriation does not include deficiencies.

**Fiscal Summary
Department of Natural Resources**

<u>Program/Unit</u>	<u>FY 11 Actual</u>	<u>FY 12 Wrk Approp</u>	<u>FY 13 Allowance</u>	<u>Change</u>	<u>FY 12 - FY 13 % Change</u>
01 Office of the Secretary	\$ 16,117,813	\$ 13,427,512	\$ 14,829,733	\$ 1,402,221	10.4%
02 Forestry Service	10,723,391	12,678,008	12,821,844	143,836	1.1%
03 Wildlife and Heritage Service	9,796,672	9,933,129	9,474,360	-458,769	-4.6%
04 Maryland Park Service	34,826,936	35,552,274	34,654,400	-897,874	-2.5%
05 Land Acquisition and Planning	4,482,960	4,317,738	4,097,937	-219,801	-5.1%
06 Licensing and Registration Service	3,389,050	3,568,822	3,530,895	-37,927	-1.1%
07 Natural Resources Police	37,356,145	38,817,263	42,169,879	3,352,616	8.6%
09 Engineering and Construction	4,405,735	4,368,708	4,256,387	-112,321	-2.6%
10 Critical Area Commission	1,935,548	2,126,452	1,922,296	-204,156	-9.6%
11 Boating Services	5,208,537	6,896,310	6,499,894	-396,416	-5.7%
12 Resource Assessment Service	17,146,029	17,827,412	17,628,570	-198,842	-1.1%
13 Maryland Environmental Trust	746,696	719,136	817,129	97,993	13.6%
14 Watershed Services	19,064,369	22,244,765	45,221,699	22,976,934	103.3%
17 Fisheries Service	26,941,759	30,831,968	24,343,250	-6,488,718	-21.0%
Total Expenditures	\$ 192,141,640	\$ 203,309,497	\$ 222,268,273	\$ 18,958,776	9.3%
General Fund	\$ 43,484,194	\$ 43,857,828	\$ 43,710,000	-\$ 147,828	-0.3%
Special Fund	104,809,225	116,532,938	136,735,069	20,202,131	17.3%
Federal Fund	32,523,636	32,606,764	28,335,650	-4,271,114	-13.1%
Total Appropriations	\$ 180,817,055	\$ 192,997,530	\$ 208,780,719	\$ 15,783,189	8.2%
Reimbursable Fund	\$ 11,324,585	\$ 10,311,967	\$ 13,487,554	\$ 3,175,587	30.8%
Total Funds	\$ 192,141,640	\$ 203,309,497	\$ 222,268,273	\$ 18,958,776	9.3%

Note: The fiscal 2012 appropriation does not include deficiencies.