

K00A
Department of Natural Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 14</u> <u>Actual</u>	<u>FY 15</u> <u>Working</u>	<u>FY 16</u> <u>Allowance</u>	<u>FY 15-16</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$49,415	\$51,014	\$60,453	\$9,439	18.5%
Deficiencies and Reductions	0	21,763	-6,422	-28,185	
Adjusted General Fund	\$49,415	\$72,777	\$54,031	-\$18,746	-25.8%
Special Fund	114,603	153,641	154,716	1,075	0.7%
Deficiencies and Reductions	0	-25,031	-9,601	15,430	
Adjusted Special Fund	\$114,603	\$128,610	\$145,115	\$16,505	12.8%
Federal Fund	26,158	30,594	26,399	-4,194	-13.7%
Deficiencies and Reductions	0	1,059	-265	-1,324	
Adjusted Federal Fund	\$26,158	\$31,652	\$26,134	-\$5,518	-17.4%
Reimbursable Fund	9,910	11,209	10,890	-318	-2.8%
Adjusted Reimbursable Fund	\$9,910	\$11,209	\$10,890	-\$318	-2.8%
Adjusted Grand Total	\$200,086	\$244,249	\$236,170	-\$8,078	-3.3%

Note: The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

- The Department of Natural Resources (DNR) budget includes fiscal 2015 deficiencies, which would increase DNR's general fund appropriation by \$22,783,636, decrease the special fund appropriation by \$25,030,636, and increase the federal fund appropriation by \$1,058,745. The largest change is an increase of \$22,783,636 in general funds to help backfill a \$25,040,636 reduction in special funds in the Maryland Park Service due to a fiscal 2015 transfer tax revenue estimate write-down.

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

For further information contact: Andrew D. Gray

Phone: (410) 946-5530

K00A – Department of Natural Resources

- The overall adjusted change in the DNR budget is a decrease of \$8.1 million, or 3.3%. The major change is an increase of \$8.6 million from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. However, this funding is reduced by approximately the same amount contingent on the Budget Reconciliation and Financing Act (BRFA) of 2015 redirecting the special funds to the general fund.

Personnel Data

	<u>FY 14 Actual</u>	<u>FY 15 Working</u>	<u>FY 16 Allowance</u>	<u>FY 15-16 Change</u>
Regular Positions	1,294.50	1,301.50	1,328.50	27.00
Contractual FTEs	<u>369.83</u>	<u>444.69</u>	<u>437.68</u>	<u>-7.01</u>
Total Personnel	1,664.33	1,746.19	1,766.18	19.99

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	79.79	6.14%
Positions and Percentage Vacant as of 1/1/15	98.40	7.56%

- Regular positions increase by a net of 27.0 in the fiscal 2016 allowance. Seventeen of the new positions are Natural Resources Police general-funded positions for a new law enforcement academy class. The remaining 12.0 positions are funded by a mix of special, federal, and reimbursable funds: 10.0 are contractual full-time equivalent (FTE) conversions to regular positions and 2.0 are regular new positions. There are also 2.0 abolished positions.
- Contractual FTEs decrease by a net of 7.01 in the fiscal 2016 allowance; 24.5 FTEs are abolished while 17.5 FTEs are created. Several large changes include a decrease of 10.5 FTEs in the Maryland Park Service due to funding reductions and an increase of 3.83 FTEs in the Human Resource Service to handle additional workload from increased job applicants allowed by the online job application system JobAps.
- DNR's turnover is increased from 5.32% to 6.14% in the fiscal 2016 allowance, which is more closely aligned with the 7.56% position vacancy rate as of January 1, 2015.

Analysis in Brief

Major Trends

Deer Hunting Participants Down but Deer Are Still Being Harvested: The number of hunting participants is not impacting the number of deer harvested. In fact, during the calendar 2013 to 2014 time period, archery hunters surpassed the previous record of 27,373 deer harvested in the 2009 to 2010 timeframe by harvesting 32,555 deer.

Law Enforcement Contacts Have Declined with Law Enforcement Officer Numbers: Between fiscal 2008 and 2013, there has been a reduction in the number of law enforcement officers, which appears to be correlated with the decline in the number of boating inspections, Homeland Security patrol checks, and conservation inspections. The increase in the number of law enforcement officers between fiscal 2013 and 2014 does not appear to have reversed this trend, perhaps because a number of the new officers were in the law enforcement academy and thus not available for field work.

Coastal Change Preparations by DNR Have Begun: The funding associated with coastal change work has increased from \$424,295 in fiscal 2013 to \$505,077 in fiscal 2014. This funding is perhaps one factor in the increase in the number of participants in hazard preparedness training. Other factors include increased communication and collaboration with the Maryland Emergency Management Agency, the Maryland Department of the Environment, and the Federal Emergency Management Agency. Overall, DNR notes that 58 of 116 local governments within Maryland's Coastal Zone are most at risk to changes in the tidal influence.

Issues

Maryland Park Service Funding Challenges: The Maryland Park Service has experienced a certain amount of revenue instability recently centered around reduced revenue estimates for the transfer tax in both fiscal 2015 and 2016. As a result, implementation of the January 2013 Maryland Park Service's 2012 Five-year Strategic Plan to increase staffing and funding levels between fiscal 2014 and 2017 will be postponed. Additional funding is being provided by a provision in Chapter 464 (the BRFA of 2014) authorizing the use of 60% of Maryland Park Service-sourced revenues in fiscal 2016. Revenue options could include a parks endowment, cost recovery at the park level, and bundling park fees or passports with vehicle registrations. **The Department of Legislative Services (DLS) recommends that DNR discuss the full range of revenue generating and cost reducing activities it is exploring for financial stability and long-term sustainability.**

Uncollected Federal Fund Accrued Revenues Audit Finding: On January 28, 2015, the Office of Legislative Audits released its review of the State's fiscal 2014 budget closeout transactions. The intent of the review is to alert the General Assembly to significant financial and budgetary closeout practices that do not comply with applicable laws, regulations, and policies. The audit noted that DNR recorded year-end federal fund revenue transactions totaling approximately \$1.4 million, related to federal grant expenditures, which will not be received since no extension requests can be submitted. DNR notes that

it has implemented enhanced tracking procedures, staff training, and accrual clearance awareness in order to avoid grants closeouts or lack of grant extensions in the future. **DLS recommends that DNR comment on the nature of enhanced grant tracking procedures and how they will help avoid grants closeouts or lack of grant extensions.**

2010 Trust Fund Allocation Basically Remains the Same: The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund is financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals and is used for nonpoint source pollution control projects. Fiscal 2016 is basically the same as fiscal 2015 funding with the exception of the reduction of \$25.0 million in general obligation bond authorization for local government capital infrastructure for stormwater, a small shift in targeted monitoring funding, and a small increase in agency direct costs. **DLS recommends that DNR comment on how fiscal 2015 agency spending will be revised in order to accommodate the recent downward revision in revenue estimates.**

Recommended Actions

1. Concur with the contingent reduction on the Office of the Secretary.
2. Concur with the contingent reduction on the Maryland Park Service.
3. Add language abolishing new Natural Resources Police positions.
4. Concur with the contingent reduction budget bill language on the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund appropriation.

Updates

Deer Population Management Report Submitted: The deer population peaked in calendar 2002 at approximately 295,000 deer and has since declined to about 227,000 deer. Approximately 105,000 deer are harvested per year, or about 45% of the fall population, and the majority of deer are harvested through the annual regulated hunting harvest as opposed to through crop damage permits or targeted hunts in suburban areas. Efforts to increase the harvest and manage the population appear to be centered on removing barriers to hunting for the public.

K00A
Department of Natural Resources

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), legal services, and most recently, integrated policy and review.
- **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 just under 115,000 acres of State-owned lands classified as Wildlife Management Areas.
- **Park Service:** Manages natural, cultural, historic, and recreational resources in parks across the State and provides related educational services.
- **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 recreational hunting and fishing licenses.
- **Natural Resources Police:** Preserves and protects Maryland's natural resources and its citizens through enforcement of conservation, boating, and criminal law and provides primary law enforcement services for Maryland's public lands owned by DNR.
- **Engineering and Construction:** Provides engineering, project management, and in-house construction services.
- **Critical Area Commission for the Chesapeake and Atlantic and Coastal Bays:** 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

K00A – Department of Natural Resources

proposals, providing technical planning assistance to local governments, approving amendments to local plans, and providing grants for the implementation of 64 local critical area programs.

- **Boating Services:** Coordinates the Clean Marina Initiative and Pumpout 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.
- **Chesapeake and Coastal Services (formerly Watershed Services):** Coordinates State efforts to restore and protect the Chesapeake and Atlantic Coastal Bays by providing technical assistance and financial resources to local governments, State government agencies, nonprofit organizations, and private landowners in order to restore local waterways and prepare for future storms and coastline changes.
- **Fisheries Service:** Manages commercial and recreational harvests to maintain sustainable fisheries and to optimize recreational and economic use of these resources.

DNR's goals are to achieve the following:

- accelerated recovery of coastal resources through improved water quality;
- healthy and productive Maryland watershed lands, ocean, estuaries, wetlands, streams, and rivers;
- improvement in environmental literacy to motivate individuals and groups to take actions that benefit Chesapeake, coastal, and ocean resources;
- 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

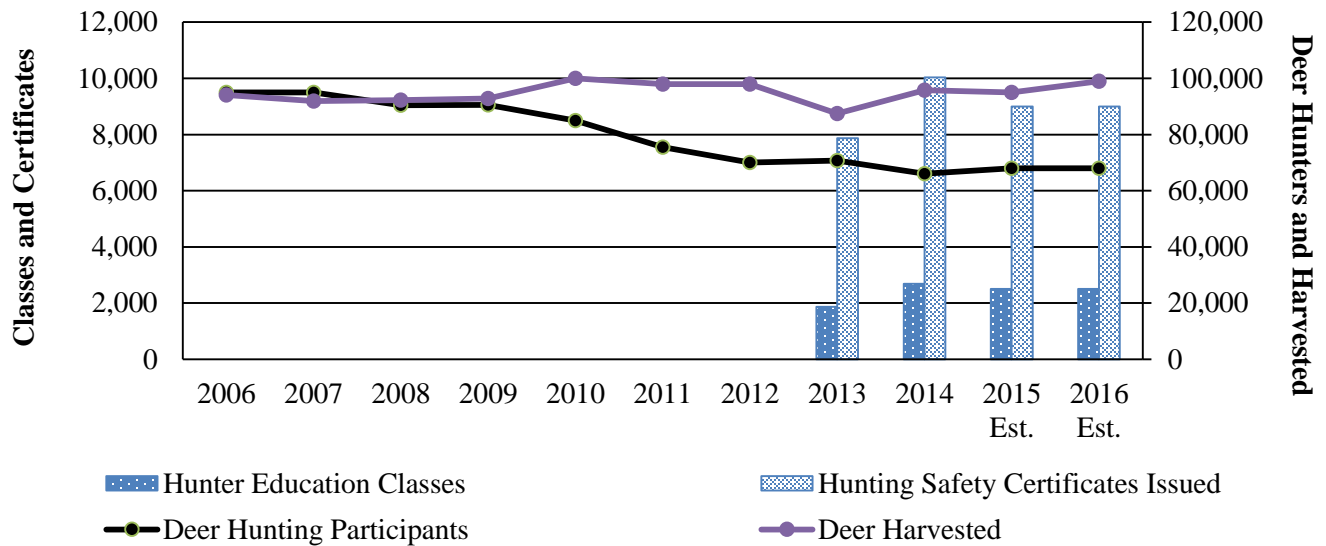
The Managing for Results analysis shows that a decline in the number of hunting participants is not impacting the number of deer harvested, the connection between fewer law enforcement officers and diminished inspections/checks, and the increase in coastal change preparations through the CoastSmart program.

1. Deer Hunting Participants Down but Deer Are Still Being Harvested

DNR has the goal of sustainable populations of living resources and aquatic habitat in the mainstem of the Chesapeake Bay, tidal tributaries, and coastal bays. The associated objective is to have scientifically supported sustainable harvest strategies for game species populations by a variety of methods. One way to measure this is by the number of deer harvested and the number of hunting participants. DNR also has a goal of diverse outdoor recreation opportunities for Maryland citizens and visitors with an associated objective of annually managing the natural, cultural, historical, and recreational resources to provide the best use for the benefit of people. Diverse outdoor recreation opportunities can be measured by the number of hunter education classes and hunting safety certificates issued. The combination of these two sets of measures addresses the question of whether Marylanders are being sufficiently groomed to engage in hunting and whether the people so engaged have had a measureable impact on the number of deer harvested.

Exhibit 1 shows that there is no clear correlation yet between hunter education/certificates and hunting participants given the relatively short time period in which hunter education/certificates have been reported separately from boating class and certifications. However, there are two other interesting trends. There was an increase between fiscal 2013 and 2014 in both the number of hunter education classes and the number of hunting safety certificates issued due to both of them being offered online. There is also an interesting relationship between deer hunting participants and the number of deer harvested. Since fiscal 2009, there has been a decline in the number of deer hunting participants without a concomitant decline in the number of deer harvested. In fact, deer hunting participants decreased between fiscal 2013 (70,700) and 2014 (66,000) while the number of deer harvested increased from 87,500 to 95,800. DNR notes that perhaps the cold weather during the 2013 to 2014 hunting season may have suppressed turn out. In terms of the deer harvested, DNR notes that there was a reduced harvest in the 2012 to 2013 hunting season, abundant resources in the 2013 to 2014 season, few reported incidences of hemorrhagic disease or other mortality events, which increased the available population, and there were generous bag limits put in place to reduce the deer population east of Washington County. During the 2013 to 2014 time period, archery hunters surpassed the previous record of 27,373 deer harvested in 2009 to 2010 by harvesting 32,555 deer. **The Department of Legislative Services (DLS) recommends that DNR comment on why the number of deer participants are declining despite increases in the number of hunter education classes and hunter safety certificates issued.**

Exhibit 1
Hunting Variables
Fiscal 2006-2016 Est.



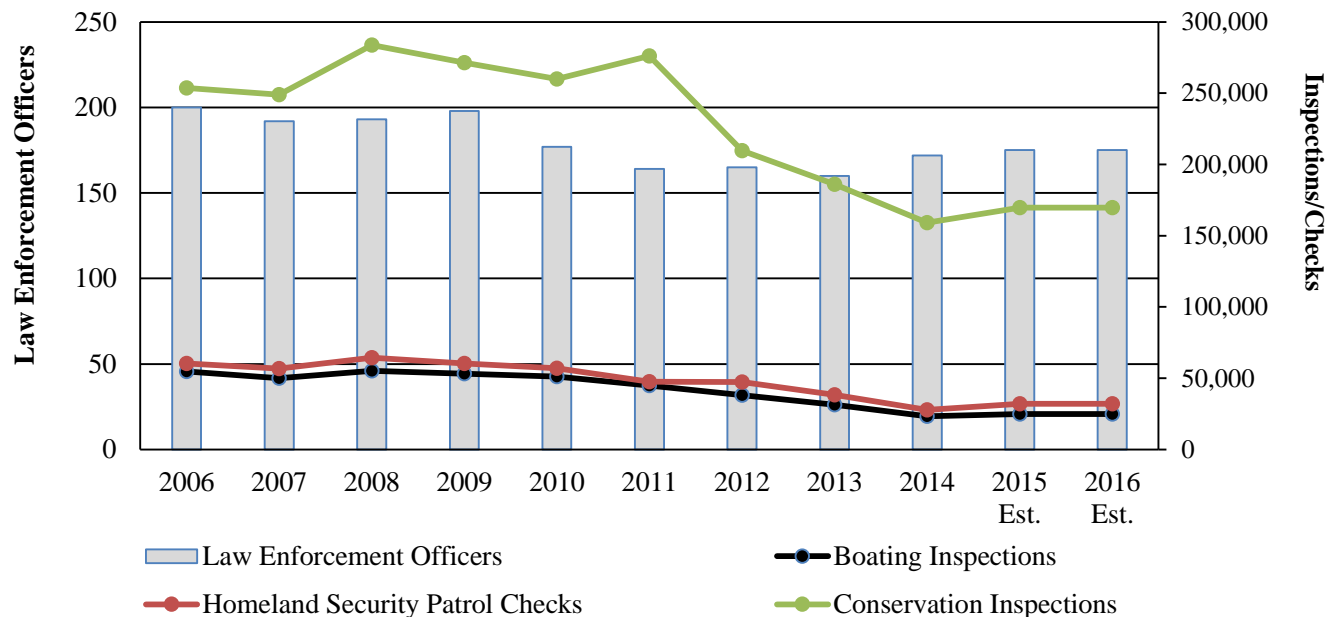
Source: Governor's Budget Books, Fiscal 2009-2016

2. Law Enforcement Contacts Have Declined with Law Enforcement Officer Numbers

Under the goal of diverse outdoor recreation opportunities for Maryland citizens and visitors, DNR has the objective of ensuring safe and enjoyable recreational opportunities for boaters, hunters, park visitors, and others participating in outdoor recreation activities by providing effective law enforcement services as a public safety agency. Several measures may be generally associated with this objective including the number of boating inspections, Homeland Security patrol checks, and conservation inspections. The controlling factor for these three measures is the number of law enforcement offices, as can be seen in **Exhibit 2**. Between fiscal 2009 and 2013, there has been a reduction in the number of law enforcement officers, which appears to be correlated with the decline in the number of boating inspections, Homeland Security patrol checks, and conservation inspections. However, between fiscal 2013 and 2014, there was an increase in the number of law enforcement officers and a continued decline of the three other measures.

DNR notes that the following reasons may have impacted the inspections/checks: (1) a learning curve for entering data into a new record management system; (2) 12 Natural Resources Police (NRP) field officers were transferred temporarily to conduct background investigations for new recruits; (3) the calendar 2013 to 2014 winter was quite cold and may have impacted the number of boaters on the water; (4) retirements during this period; (5) and new officers being trained at the law enforcement academy who

Exhibit 2
Law Enforcement Officers and Inspections/Checks
Fiscal 2006-2016 Est.



Source: Governor's Budget Books, Fiscal 2009-2016

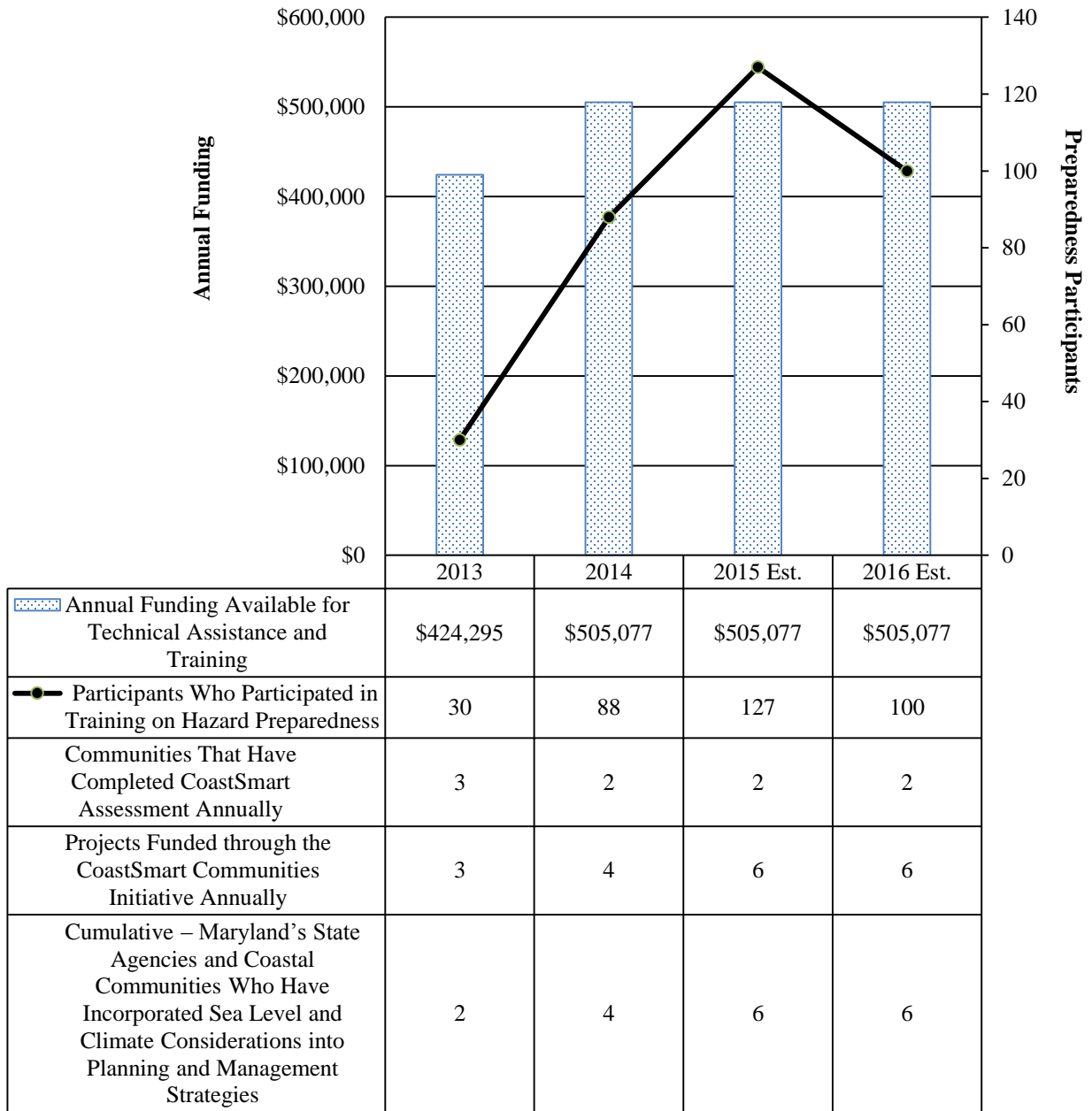
would not be doing checks/inspections. **DLS recommends that DNR comment on the impact of reduced inspections/checks on conservation law enforcement and public safety.**

3. Coastal Change Preparations by DNR Have Begun

DNR has the goal of reducing Maryland's vulnerability to future storms, shoreline changes, and sea level rise. The objective associated with this goal is to increase the number of State and local governments prepared for these events. Fiscal 2013 is the first year that DNR has collected data relative to this goal and objective.

As shown in **Exhibit 3**, the funding associated with coastal change work has increased from \$424,295 in fiscal 2013 to \$505,077 in fiscal 2014, which primarily reflects federal National Oceanic and Atmospheric Administration (NOAA) Coastal Zone Management grants. This funding is perhaps one factor in the increase in the number of participants in training on hazard preparedness. Other factors include increased communication and collaboration with the Maryland Emergency Management Agency, the Maryland Department of the Environment, and the Federal Emergency Management Agency.

**Exhibit 3
Coastal Change Preparations
Fiscal 2013-2016 Est.**



Source: Governor’s Budget Books, Fiscal 2016

While the CoastSmart program has had more modest success in terms of the cumulative number of Maryland's State agencies and coastal communities who have incorporated sea level and climate considerations into planning and management strategies, DNR notes that it is currently partnered with Smith Island, a noted site for sea level rise and storm impacts and has provided assistance to 34 local governments through CoastSmart Communities program grants. Overall, DNR notes that 58 of 116 local governments within Maryland's Coastal Zone are most at risk to changes in the tidal influence and that the University of Maryland Center for Environmental Science projects 1.4 feet sea level rise by 2050, which could affect many more than the 58 noted above. **DLS recommends that DNR comment on the overall state of local government preparedness for sea level rise and whether the most vulnerable jurisdictions have sought assistance from the CoastSmart program.**

Fiscal 2015 Actions

A number of actions have been taken on DNR's fiscal 2015 budget. These actions include July 2, 2014 Board of Public Works (BPW) cost containment actions, a January 7, 2015 BPW 2% across-the-board reduction, and fiscal 2015 deficiencies. These actions are reflected in **Exhibit 4** and total to the fiscal 2015 adjusted working appropriation that is used for comparison of the budget in this analysis.

There are two July 2, 2014 BPW actions that swap general funds for special funds: \$92,051 in special funds in Resource Assessment Services and \$128,997 in special funds in the Chesapeake and Coastal Service. DNR may include these appropriations as part of a fiscal 2015 closing budget amendment, if needed.

Exhibit 4
Fiscal 2015 Reconciliation
(\$ in Thousands)

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Legislative Appropriation with Budget Amendments		\$52,677	\$153,641	\$30,594	\$11,209	\$248,120
July BPW	Reduce funding from holding positions vacant (\$1,007,323); vehicle maintenance, vehicle replacement, information technology costs, equipment, contractual services, maintenance, printing costs, routine travel, office supplies, harvest tags, and training (\$434,129); use special funds from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to monitor funded projects (\$128,997); and replace general funds with special funds to support positions in the Resource Assessment Service and Fisheries Service programs (\$92,051).	-1,663	0	0	0	-1,663
Working Appropriation		\$51,014	\$153,641	\$30,594	\$11,209	\$246,457
January BPW Across the Board	2% across-the-board reduction.	-1,020	0	0	0	-1,020

K00A – Department of Natural Resources

<u>Action</u>	<u>Description</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Deficiency Appropriations	Increase funding for the Maryland Park Service (\$22,783,636 general funds) in order to partially offset a reduction of transfer tax special funds (\$25,040,636), increase funding for the Explore and Restore Your Schoolshed Initiative (\$10,000 special funds), and increase funding for contracted projects under the Blue Crab Disaster Grant (\$1,058,745).	22,784	-25,031	1,059	0	-1,188
Total Actions Since January 2015		\$21,763	-\$25,031	\$1,059	\$0	-\$2,209
Adjusted Working Appropriation		\$72,777	\$128,610	\$31,652	\$11,209	\$244,249

BPW: Board of Public Works

Source: Department of Legislative Services

Proposed Deficiency

The Governor has submitted a deficiency appropriation for the fiscal 2015 operating budget, which would increase DNR's general fund appropriation by \$22,783,636, decrease the special fund appropriation by \$25,030,636, and increase the federal fund appropriation by \$1,058,745. The appropriation changes would be as follows.

- **General Fund** – For the Maryland Park Service, there is an increase of \$22,783,636 in order to backfill a shortfall in transfer tax revenue attainment; there is a corresponding action that reduces a greater number of special funds.
- **Special Fund** – The special fund appropriation is reduced by a net of \$25,030,636, primarily due to a reduction of \$25,040,636 in the Maryland Park Service to reflect the shortfall in estimated transfer tax revenue attainment. As noted prior, there is increased general fund appropriation to backfill this reduction as well as \$1,975,000 in funding mandated for payment in lieu of taxes to local jurisdictions for State park and forestland that will not be spent on that purpose but instead will be used to backfill all but \$282,000 of the difference between the

special fund reduction and the general fund increase. This is partially consistent with a provision in the Budget Reconciliation and Financing Act (BRFA) of 2015, as discussed below. The Maryland Park Service reduction in special funds is offset partially by an increase of \$10,000 in the Chesapeake and Coastal Service to provide funds for support of the Explore and Restore Your Schoolshed Initiative, which involves approximately 110 teachers representing schools in 22 counties leading students in stream investigations.

- **Federal Fund** – There is an increase of \$1,058,745 in the Fisheries Service for contracted projects under the final year of NOAA’s Blue Crab Disaster Assistance Grant.

Budget Reconciliation and Financing Act of 2015

The BRFA of 2015 includes three cost containment provisions related to DNR. A brief discussion of the items follows; the items are discussed more fully in the BRFA of 2015 fiscal note.

- **Park Payments to Counties in Lieu of Taxes** – The provision would reduce park revenue sharing payments to counties in fiscal 2015 and 2016; timber payments are not affected by this provision. Of note, the BRFA provision only strikes the payment from the Forest or Park Reserve Fund and is silent on the payments from the Maryland Park Service’s Forest and Park Concession Account and the Deep Creek Lake Recreation Maintenance and Management Fund. However, the fiscal 2015 negative deficiency appears to assume that no payment will be made from any of the accounts since the full \$1,975,000 – \$1,600,000 from the Forest or Park Reserve Fund, \$140,000 from the Forest and Park Concession Account, and \$235,000 from the Deep Creek Lake Recreation Maintenance and Management Fund – will be used to backfill the shortfall in the transfer tax revenue estimate. Similarly for fiscal 2016, the \$2,498,953 contingent reduction – \$2,213,953 from the Forest or Park Reserve Fund, \$50,000 from the Forest and Park Concession Account, and \$235,000 from the Deep Creek Lake Recreation Maintenance and Management Fund – includes all three accounts as well. Setting aside the lack of statutory authority to reduce payments from two of the three accounts, there is a structural budget concern that these contingent reductions are not ongoing. **DLS recommends that the BRFA of 2015 be amended to include provisions striking the payment to counties in lieu of taxes permanently from the Forest and Park Concession Account, Deep Creek Lake Recreation Maintenance and Management Fund, and nontimber sales from the Forest or Park Reserve Fund.**
- **Chesapeake and Atlantic Coastal Bays 2010 Trust Fund** – The provision would redirect \$8,639,632 in fiscal 2016 revenue to the general fund from the sales tax on vehicle rentals that is credited to the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. There is a corresponding contingent reduction of \$8,639,632.
- **Waterway Improvement Fund** – The provision would allow the use of an additional \$875,000 from the Waterway Improvement Fund for fund-related administrative expenses in fiscal 2016. There is a corresponding contingent reduction of \$875,000 in general funds. DNR

notes that the reduction of available funding from the Waterway Improvement Fund in fiscal 2016 will impact the following capital projects: three dredging projects in Anne Arundel County amounting to \$512,950 and four fire and rescue vessel upgrades for the Town of Charleston, Laurel Volunteer Rescue Squad, Prince George’s County Fire and Rescue, and NRP amounting to \$335,000. **DLS recommends that the provision to allow the use of an additional \$875,000 from the Waterway Improvement Fund for fund-related administrative expenses be made permanent.**

Proposed Budget

DNR’s fiscal 2016 adjusted allowance decreases by \$8.1 million, or 3.3%, relative to the fiscal 2015 adjusted working appropriation, as shown in **Exhibit 5**. The changes by fund in Exhibit 5 reflect an \$18.7 million decrease in general funds, an increase of \$16.5 million in special funds, a decrease of \$5.5 million in federal funds, and a \$0.3 million decrease in reimbursable funds. Changes in personnel funding are discussed first and then other changes. Cost containment is included in each section as appropriate.

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

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2014 Actual	\$49,415	\$114,603	\$26,158	\$9,910	\$200,086
Fiscal 2015 Working Appropriation	72,777	128,610	31,652	11,209	244,249
Fiscal 2016 Allowance	<u>54,031</u>	<u>145,115</u>	<u>26,134</u>	<u>10,890</u>	<u>236,170</u>
Fiscal 2015-2016 Amt. Change	-\$18,746	\$16,505	-\$5,518	-\$318	-\$8,078
Fiscal 2015-2016 Percent Change	-25.8%	12.8%	-17.4%	-2.8%	-3.3%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$2,826
Employee retirement.....	1,154
Increments and general salary increase annualization (prior to cost containment)	1,134
New positions: 17 in Natural Resources Police (NRP) and 12 others across the agency	903
Social Security contributions	650
Workers’ compensation premium assessment	581
Accrued leave payout	428
Law enforcement officer pension system	352
Overtime earnings.....	216

K00A – Department of Natural Resources

Where It Goes:

Other fringe benefit adjustments.....	93
Section 21: Abolition of employee increments.....	-2,199
Section 20: Abolition of prior year 2% general salary increase	-1,824
Turnover adjustments	-1,003
Abolished/transferred positions	-158

Other Changes

Cost Containment

Chesapeake and Atlantic Coastal Bays 2010 Trust Fund increase	8,598
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund contingent reduction	-8,640
Payment in lieu of taxes increase.....	524
Payment in lieu of taxes contingent reduction.....	-2,499
Office of the Secretary reduction contingent on Waterway Improvement Fund use.....	-875
Waterway Improvement Fund appropriation for Office of the Secretary costs.....	875
Section 19: Difference in 2% across-the-board reduction	-106

Living Resources

Chesapeake and Coastal Program studies.....	-2,537
Oyster bar rehabilitation	-1,169
University of Maryland Center for Environmental Science oyster studies	-683
Oyster Recovery Partnership in public oyster fishery for local jurisdictions	-310

Maryland Park Service

Maryland Park Service replacement equipment reduction	-581
Heavy trucks purchases in Maryland Park Service.....	-440
Maryland Park Service supplies reduction	-385
Maryland Park Service new equipment reduction	-300

NRP

Vessel purchases in NRP	765
Radio and electronic equipment decreases in NRP	-592
NRP new equipment for homeland security	-211

Routine Operations

Shore erosion control one-time encumbrance of funding.....	-1,949
Department of Budget and Management paid telecommunications	454
COMPASS online licensing and registration system's final funding.....	-650
Contractual full-time equivalents decrease by 7.01	-633
Other	113

Total **-\$8,078**

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation reflects deficiencies and the Board of Public Works reductions to the extent that they can be identified by program. The fiscal 2016 allowance reflects back of the bill and contingent reductions to the extent that they can be identified by program.

Personnel

Changes by Category

DNR's overall personnel expenditures increase by \$3.2 million in the fiscal 2016 adjusted allowance. Of note, this increase includes two across-the-board reductions that reduce DNR's personnel expenses by a total of \$4.0 million. The personnel changes are as follows.

- **Employee and Retiree Health Insurance:** Health insurance costs increase by \$2,826,249.
- **Employee Retirement:** Retirement contribution costs increase by \$1,154,059.
- **Increments and General Salary Increase Annualization (Prior to Cost Containment):** Salary expenses increase by \$1,134,221, which includes the annualization of the fiscal 2015 cost-of-living adjustment (COLA) and increments.
- **New Positions: 17 in NRP and 12 Others Across the Agency:** Funding for new positions increases by \$903,386. The new positions are reflected in **Exhibit 6**.

Exhibit 6 New Positions Fiscal 2016

<u>Unit</u>	<u>Classification</u>	<u>Fund Source</u>	<u>Number</u>	<u>Contractual Conversion</u>	<u>Description</u>
Natural Resources Police	Officer Candidates	GF	17	0	Restore service level to address the following: oyster sanctuaries and aquaculture industry growth, poaching of striped bass, increased visitors at State parks, and high number of water-related fatalities.

K00A – Department of Natural Resources

<u>Unit</u>	<u>Classification</u>	<u>Fund Source</u>	<u>Number</u>	<u>Contractual Conversion</u>	<u>Description</u>
Fisheries Service	Nat Resources Biologist III, Natural Resources Biologist I, Administrator II, Natural Resources Technician I	FF	4	2	Convert 1 biologist contractual FTE to develop habitat and ecosystem based fisheries management and 1 technician contractual FTE to support production and fish stocking needs at Albert Powell Hatchery and Bear Creek Hatchery. A new project Administrator and 1 biologist regular position are added to implement the Access Point Angler Intercept Survey on recreational angler catch information.
Forest Service	Natural Resources Technician I and Natural Resources Technician II	SF	2	2	Convert 2 8- to 10-year contractual FTEs to regular positions to help with dual certification of Potomac-Garrett and Savage River State Forest as sustainable forests.
Resource Assessment Service	Natural Resources Biologist I and Natural Resources Technician I	FF and RF	2	2	Convert 1 contractual FTE to a technician that would monitor for the invasive underwater grass Hydrilla in Deep Creek Lake and 1 contractual FTE to a biologist that would monitor water quality as part of Chesapeake Bay restoration.
Chesapeake and Coastal Service	Administrative Officer III	FF	2	2	Convert 2 nearly 4-year contractual FTEs to support environmental education and promote outdoor experiential activities.

K00A – Department of Natural Resources

<u>Unit</u>	<u>Classification</u>	<u>Fund Source</u>	<u>Number</u>	<u>Contractual Conversion</u>	<u>Description</u>
Wildlife and Heritage Service	Natural Resources Technician II	FF	1	1	Convert 1 contractual FTE to a regular position to manage the Central Region Managed Hunt Program involving the registering of 3,400 hunters and issuing 10,000-12,000 daily hunter reservations.
Boating Services	Administrative Specialist III	SF	1	1	Convert 1 7-year contractual to a regular position to perform Boat Tax Investigation.
Total			29	10	

FF: Federal Fund

FTE: full-time equivalent

GF: General Fund

RF: Reimbursable Fund

SF: Special Fund

Source: Department of Natural Resources; Department of Legislative Services

-
- **Section 21: Abolition of Employee Increments:** The fiscal 2016 adjusted allowance includes a provision in Section 21 that reduces increments. In DNR, this is reflected as a reduction of \$2,199,249.
 - **Section 20: Abolition of Prior Year 2.0% General Salary Increase:** There is an across-the-board reduction reflected in Section 20 of the budget bill that reduces DNR's appropriation by a total of \$1,824,000 to reflect the deletion of the fiscal 2015 COLA that was provided on January 1, 2015, and that would have been annualized in fiscal 2016.
 - **Turnover Adjustments:** Turnover is increased by \$1,002,964, an increase from 5.32% in the fiscal 2015 working appropriation to 6.14% in the fiscal 2016 allowance, which reduces available funding. This turnover rate increase is more closely aligned with the 7.56% position vacancy rate as of January 1, 2015.
 - **Abolished/Transferred Positions:** There are 2 abolished positions in the fiscal 2016 adjusted allowance – an administrator IV in Finance and Administration Services and an administrator I in Maryland Environmental Trust. The associated reduction is \$158,137.

Other Changes

Overall, the nonpersonnel portion of DNR's fiscal 2016 adjusted allowance decreases by \$11.2 million. The areas of change may be broadly categorized as cost containment, living resources, Maryland Park Service, NRP, and routine operations. The biggest change is an increase of \$8.6 million for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, which is reduced by approximately the same amount contingent on a provision in the BRFA transferring the funding to the general fund. Larger changes include the following.

Cost Containment

- **Payment In Lieu of Taxes Increase:** There is an increase of \$523,953 for payment in lieu of taxes.
- **Payment in Lieu of Taxes Contingent Reduction:** Budget bill language in the fiscal 2016 operating budget reduces the payment in lieu of taxes funding by \$2,498,953 contingent on the BRFA of 2015 striking the payment provision. However, as noted above, the BRFA provision only applies to the Forest or Park Reserve Fund payments, and yet the contingent reduction includes \$2,213,953 for the Forest or Park Reserve Fund payment, as well as \$50,000 from the Forest and Park Concession Account, \$235,000 from the Deep Creek Lake Recreation Maintenance and Management Fund.
- **Office of the Secretary Reduction Contingent Waterway Improvement Fund Use:** As noted above, there is an Office of the Secretary reduction of \$875,000 in general funds contingent on the expansion on the use of the Waterway Improvement Fund for administrative purposes.
- **Waterway Improvement Fund Appropriation for Office of the Secretary Costs:** The fiscal 2016 adjusted allowance assumes the appropriation of \$875,000 in special funds to backfill the \$875,000 general fund contingent reduction in the Office of the Secretary.
- **Section 19: Difference In 2% Across-the-board Reduction:** The fiscal 2015 adjusted working appropriation included a 2% reduction of \$1,020,280 in general funds, which is raised to a \$1,126,000 reduction in the fiscal 2016 adjusted allowance for an additional decrease of \$105,720. DNR notes that it will have to keep vacancies open longer in order to meet this reduction.

Living Resources

- **Chesapeake and Coastal Program Studies:** Funding decreases \$2,536,768 for contracts, interagency agreements, and university agreements in the Chesapeake and Coastal Service. The reductions are partially offset by a funding increase for ocean/offshore wind research.

K00A – Department of Natural Resources

- **Oyster Bar Rehabilitation:** There is a reduction of \$1,169,389 due to a reduction in oyster bar rehabilitation contracts with the Oyster Recovery Partnership.

Maryland Park Service

- **Maryland Park Service Replacement Equipment Reduction:** Replacement equipment spending is reduced by \$580,686 in special funds.
- **Heavy Trucks Purchases in Maryland Park Service:** A reduction in spending on heavy trucks yields \$440,115 in special funds.

NRP

- **Vessel Purchases in NRP:** There is increased spending on vessels for NRP in the amount of \$765,056. DNR notes that this funding replaces six fully equipped vessels at \$110,000 each and provides for outboard engine replacements. DNR also notes that its 58 small boat – 19 to 21 feet – fleet is in need of replacement and that newer vessels are faster, more fuel efficient, maneuverable, and equipped with the most recent electronic and navigation equipment.
- **Radio and Electronic Equipment Decreases in Natural Resources Police:** Radios and electronic equipment purchases for homeland security and high intensity drug trafficking decrease by \$591,990.

Routine Operations

- **Shore Erosion Control One-time Encumbrance of Funding:** Shore erosion control funding decreases by \$1,948,532 in special funds in Chesapeake and Coastal Services due to the one-time re-encumbering of funds in the Chesapeake and Coastal Service program in fiscal 2015 for projects that had been encumbered under the pay-as-you-go (PAYGO) capital program.
- **COMPASS Online Licensing and Registration System's Final Funding:** There is a decrease of \$650,000 in special funds in the Office of the Secretary due to the final funding for a COMPASS information technology project module – the online licensing and registration system application for the Licensing and Registration Service program.
- **Contractual FTEs Decrease by 7.01:** Contractual FTEs decrease by 7.01 for an overall reduction of \$632,807. The changes are reflected in **Exhibit 7**.

Exhibit 7
Contractual FTE Changes
Fiscal 2015-2016

<u>Unit/Program</u>	<u>Change</u>	<u>Description</u>
Human Resource Service	3.83	Handle additional workload due to the online job application system JobAps fielding more applicants, and other personnel requirement changes.
Secretariat	3.50	Support the Integrated Policy and Environmental Review Unit by 1.0 FTE helping in the environmental review process, 1.0 FTE in environmental review focusing on DNR-managed properties, and 0.5 FTE providing part-time administrative support. DNR notes that 1.0 FTE was deleted but still is reflected in the FTE count.
Wildlife and Heritage Service	2.82	Revise the State Wildlife Action Plan by 1.0 FTE, restore ecosystems for high priority natural communities by a seasonal FTE, and survey for rare, threatened, and endangered species by another seasonal FTE.
Natural Resources Police	2.00	Coordinate new hire and in-service training for law enforcement officers by 1.0 FTE administrative officer III and manage the Hunter Education Program by 1.0 FTE administrator I.
Tidewater Ecosystem Assessment	2.00	Monitor nontidal and tidal water quality for Chesapeake Bay restoration by 1.0 FTE technician and 1.0 FTE biologist.
Licensing and Registration Service	1.00	Fill the work of an existing regular position to allow that position to liaise on COMPASS licensing system issues.
Engineering and Construction	1.00	Work on in-house construction crew completing marsh restoration projects by waterway technician I.
Finance and Administrative Service	0.83	Process seasonal contracts due to vacancies, and assist Accounts Payable section in processing invoices during the closeout period.
Maryland Environmental Trust	0.50	Monitor easement properties due to a backlog.
Critical Area Commission	-0.60	Reduce staffing after the work project for an intern was completed in fiscal 2015.
Forest Service	-0.67	Reduce staffing after the end of a grant in fiscal 2015.
Maryland Park Service – Revenue Operations	-0.90	No information provided.

K00A – Department of Natural Resources

<u>Unit/Program</u>	<u>Change</u>	<u>Description</u>
Office of Communications	-1.00	Maintain staffing complement by absorbing duties of a departed media manager.
Fisheries Service	-1.97	Convert 2.0 FTEs in the fiscal 2016 allowance with seasonal adjustments for employment.
Chesapeake and Coastal Service	-8.85	Convert 3.0 contractual FTEs to regular positions in fiscal 2015 and 2.0 FTEs in the fiscal 2016 allowance. Reduce 3.85 FTEs to reflect efficiencies gained in reorganization process.
Maryland Park Service – Statewide Operations	-10.50	Absorb funding reductions.
Total	-7.01	

Source: Department of Natural Resources

Issues

1. Maryland Park Service Funding Challenges

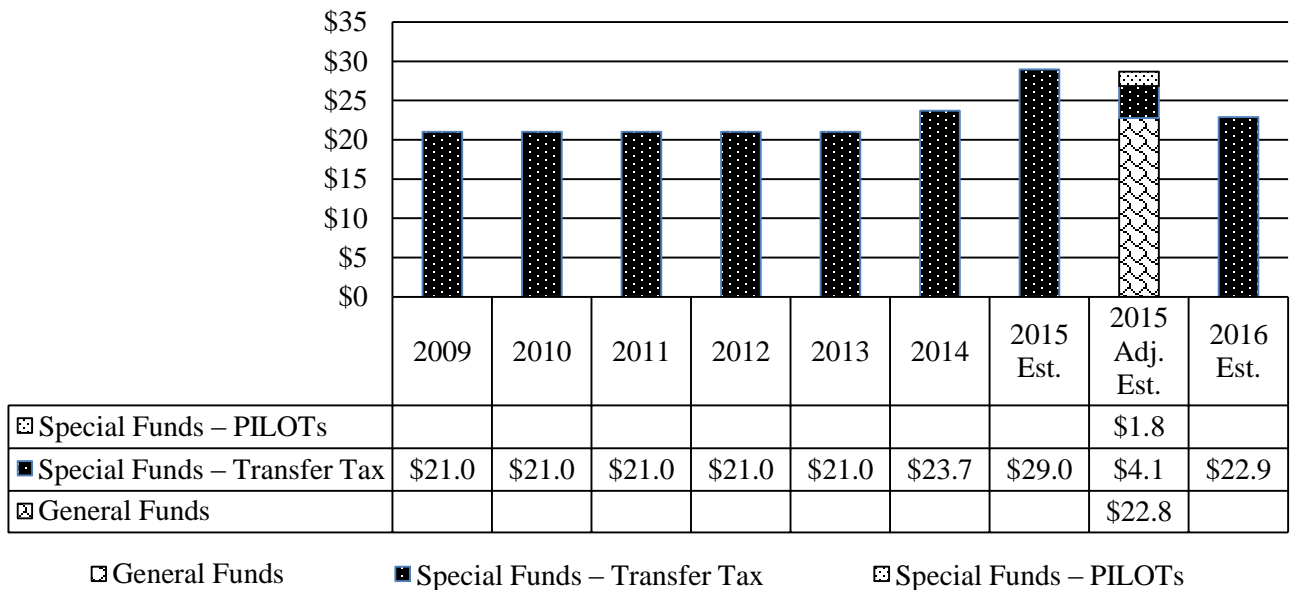
The Maryland Park Service has experienced a certain amount of revenue instability recently. The \$32.5 million transfer tax revenue estimate decrease in fiscal 2015 has precipitated a substantial reduction in special fund appropriations and backfilling with general funds. In addition, the fiscal 2016 transfer tax revenue estimate is lower than the estimate on which the fiscal 2015 legislative appropriation was based, which impacts the Maryland Park Service's fiscal 2016 special fund appropriation and has led to funding reductions. As a result, implementation of the January 2013 Maryland Park Service's 2012 Five-year Strategic Plan to increase staffing and funding levels between fiscal 2014 and 2017 will be postponed.

These funding reductions are somewhat offset by a provision in Chapter 464 (BRFA of 2014) that allows for a greater percentage of Maryland Park Service-sourced revenues to be retained by the Maryland Park Service for its annual appropriation. In addition, there are a couple of innovative ways to collect park fees that could be explored in order to bring some stability to the Maryland Park Service's revenues.

Transfer Tax Revenue Volatility and BRFA's of 2013 and 2014 Redirection Impacts

Chapter 2 of the 2007 first special session (Budget Reconciliation Act) authorized the Maryland Park Service to receive a new share of the transfer tax; the Maryland Park Service already received \$1.2 million for operations. The new share amount specified was the greater of \$21.0 million, or 20% of remaining Program Open Space funds and was to be used for operating State forests and parks within DNR. This funding has been allocated to the Maryland Park Service as shown in **Exhibit 8**.

Exhibit 8
Maryland Park Service Support from the Transfer Tax
Fiscal 2009-2016
(\$ in Millions)



Adj.: adjusted

PILOTs: payment in lieu of taxes

Source: Department of Legislative Services

As can be seen, funding remained at the base level of \$21.0 million between fiscal 2009 and 2013 with a modest increase of \$2.7 million in fiscal 2014. Funding again increased between fiscal 2014 and 2015 but this time by \$5.3 million. This resulted in an overall increase in Maryland Park Service funding with very little reliance on general funds; however, the additional special funds were short-lived because the transfer tax revenues are now estimated to be \$32.5 million lower than what was budgeted for fiscal 2015. Barring other revenue actions, this revenue write-down could have been absorbed by reductions to capital programs. However, in addition to this revenue write-down, the BRFAs of 2013 and 2014 redirected a total of \$144.2 million in transfer tax revenues to the general fund, which reduced capital programs to the point that the \$32.5 million revenue write-down for fiscal 2015 cannot be addressed just by capital program reductions. The Maryland Park Service's share of the transfer tax write-down is \$24.9 million, although the majority of this funding reduction has been backfilled with \$22.8 million in general funds and the plan to repurpose payment in lieu of taxes funding for the Maryland Park Service, as shown in the fiscal 2015 adjusted column. Revenue redirection and revenue estimate write-downs will continue to be a destabilizing feature in the Maryland Park Service's funding plan.

The BRFA of 2014 Provision

The BRFA of 2014 authorized the use of 60% of Maryland Park Service-sourced revenues in fiscal 2016, 80% in fiscal 2017, and 100% in fiscal 2020, presumably for operating purposes. **Exhibit 9** reflects how this provision has been applied in the fiscal 2016 allowance. As can be seen, the Administration has first taken out the overhead costs for the Office of the Secretary before it has applied the 60% allocation requirement. DNR notes that it was able to absorb the fiscal 2016 mandate without requiring general fund support. However, for future years, DNR notes that the BRFA provision will require an additional \$2.2 million in general funds in fiscal 2017 and another \$2.2 million in fiscal 2018 for a total of \$4.4 million, in order to maintain current service levels for the Forest Service and other programs that are funded from the Forest or Park Reserve Fund. This is reflected in **Exhibit 10**. So while the Maryland Park Service-sourced revenues provide some additional support, it comes at the cost of greater instability in DNR's overall budget.

Exhibit 9
Forest Service and Maryland Park Service Funding Comparison
Fiscal 2016

	<u>Forest Service</u>	<u>Park Service</u>	<u>Total</u>
Revenue			
Revenue	\$3,457,820	\$13,293,875	
Minus Overhead	553,353	2,127,412	
Available Revenue	\$2,904,467	\$11,166,463	\$14,070,930
Spending			
Supported by Own-sourced Revenue	\$2,904,466	\$6,702,113	\$9,606,579
Supported by Parks Revenue	4,464,351		4,464,351
Supported by Fund Balance	443,829		443,829
Total Spending	\$7,812,646	\$6,702,113	\$14,514,759
Spending Supported by Own-sourced Revenue as a Percent of Available Revenue	100%	60%	

Source: Department of Natural Resources; Department of Legislative Services

Exhibit 10
Maryland Park Service Percent Increase in Own-source Revenue
Fiscal 2016-2018
(\$ in Millions)

<u>Year</u>	<u>Percent to Maryland Park Service</u>	<u>Special Funds to Maryland Park Service</u>	<u>General Funds to Forest Service and Other Programs</u>
2016	60%	\$0.0	\$0.0
2017	80%	2.2	2.2
2018	100%	2.2	2.2
Total		\$4.4	\$4.4

Source: Department of Natural Resources; Department of Legislative Services

Innovative Funding Methods

There are additional methods of funding that the Maryland Park Service has explored as follows.

- **Parks Endowment** – A parks endowment would provide an independent funding source, although to date, the Maryland Park Service’s partner – the Friends of Maryland Parks – has raised a modest \$6,500. Potential projects for future funding are being explored.
- **Cost Recovery at the Park Level** – Cost recovery has the potential to align revenue and expenditures at the park level by creating a nexus between services offered and charges instituted. DNR notes that there has been limited progress toward analyzing park-level budgets and determining strategies for maximizing cost recovery. There was training in fall 2014 for field staff on general financial concepts and the use of the financial database analysis software Webfocus. It is hoped that this new financial management strategy can be pursued in the future based on this knowledge.
- **Bundling Park Fees or Passports with Vehicle Registrations** – There is the possibility of exploring revenue sources outside of DNR. For instance, Montana has instituted a \$6 state parks fee that is collected automatically when citizens renew their vehicle registration. Opting out of paying the \$6 fee requires a visit to a local county treasurer’s office and confirmation that the individual will not use their vehicle to visit state parks or fishing access sites. According to a Montana State Parks website, the state parks fee funded 33% of the Montana State Parks’ budget in fiscal 2011. Montana’s State Parks revenue sources for fiscal 2011 are reflected in **Exhibit 11**. DNR notes that it has considered authorizing the sale of the Maryland Park Service Passport as part of the State’s vehicle registration process.

Exhibit 11
Montana State Park Revenues
Fiscal 2011

<u>Revenue Source</u>	<u>Revenues</u>
State Parks Fee on Vehicle Registration	33%
Park Entrance Fees	21%
Accommodation Tax	16%
Motor Boat and Fuel Decal	13%
Coal Tax	13%
Federal	2%
Enterprise Funds	2%
Total	100%

Source: Montana State Parks website

DLS recommends that DNR discuss the full range of revenue generating and cost reducing activities it is exploring for financial stability and long-term sustainability.

2. Uncollected Federal Fund Accrued Revenues Audit Finding

On January 28, 2015, the Office of Legislative Audits released its review of the State's fiscal 2014 budget closeout transactions. The intent of the review is to alert the General Assembly to significant financial and budgetary closeout practices that do not comply with applicable laws, regulations, and policies. The audit noted that DNR recorded year-end federal fund revenue transactions totaling approximately \$1.4 million, related to federal grant expenditures, which will not be received since no extension requests can be submitted.

DNR notes that it did not fully obligate U.S. Fish and Wildlife Service Sport Fish Restoration Program grant segments before the grants ended on December 31, 2014, and did not seek an extension in time. This funding is used for program operations in several Fisheries Service subprograms. In order to cover the uncollected federal fund accrued revenues, DNR will use Fisheries Service special funds, presumably either the Fisheries Research and Development Fund or Fisheries Management and Protection Fund. DNR notes that there was no overall loss of federal grant funding because the federal funds became available in a subsequent grant segment and, in fact, have now been fully obligated.

In addition, DNR notes that it has implemented the following practices in order to avoid a similar situation in the future:

- **Enhanced Grant Tracking Procedures** – Both Fisheries Service and Office of the Secretary finance and administration staff are now using enhanced grant tracking procedures.

- **Staff Training** – Staff is receiving training on adherence to statewide accounting, grant management, and fiscal year closeout policies.
- **Accrual Clearance Awareness** – Management will work with budgetary units to review and clear accruals within 60 days of the fiscal year end to avoid grant closeouts or lack of grant extensions.

DLS recommends that DNR comment on the nature of enhanced grant tracking procedures and how they will help avoid grants closeouts or lack of grant extensions.

3. 2010 Trust Fund Allocation Basically Remains the Same

Chapter 6 of the 2007 special session (HB 5) established a Chesapeake Bay 2010 Trust Fund to be used to implement the State's tributary strategy. The fund is financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. Subsequently, Chapters 120 and 121 of 2008 established a framework for how the trust fund money must be spent by specifying that it be used for nonpoint source pollution control projects and by expanding it to apply to the Atlantic Coastal Bays.

History

Exhibit 12 shows the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund history, including revenues, transfers, and expenditures. Overall, it is only beginning in fiscal 2015 that revenues have met the \$50.0 million revenue estimate originally projected for the fund. In addition, transfers to the general fund for cost containment have reduced expenditure levels even further. A general fund deficiency is reflected for fiscal 2013 to cover a shortfall in revenues, and agency spending is expected to be reduced by \$2.6 million in fiscal 2015 due to the reduced fiscal 2014 actual revenue and fiscal 2015 estimated revenue. Fiscal 2014 revenue was estimated to be \$52.0 million as of this time last year, but is now \$49.4 million. In addition, the fiscal 2015 budget was based on a \$53.7 million revenue estimate, which is now reduced to \$51.1 million. DNR estimates that agency appropriations will need to be reduced by \$2.6 million in fiscal 2015 as a result of these revenue declines but a reduction plan has not been determined yet.

The BRFA of 2015 proposes to redirect \$8.6 million of the revenues from the short-term vehicle rentals tax from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to the general fund in fiscal 2016. Recent BRFA actions impacting the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund are shown in **Exhibit 13**.

Exhibit 12
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund History
Fiscal 2009-2016 Est.
(\$ in Millions)

<u>Appropriation</u>	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Actual</u>	<u>2013 Actual</u>	<u>2014 Actual</u>	<u>2015 Est.</u>	<u>2016 Est.</u>
Opening Balance	\$0.00	\$3.63	\$5.84	\$3.23	\$3.43	\$3.43	\$0.00	\$0.00
Revenue	\$38.23	\$41.50	\$43.10	\$41.79	\$44.29	\$49.49	\$51.12	52.71
Transfers to the General Fund								
Chapter 414 of 2008	-\$25.00							
Chapter 487 of 2009		-\$21.49						
Chapter 484 of 2010		-10.50	-\$22.10					
Chapter 397 of 2011			-0.97	-\$20.17	-\$15.08	-\$11.54	-\$8.05	-\$4.62
Chapter 1 of 2012 First Special Session					-8.00			
Chapter 464 of 2014						-10.40	-6.20	
BRFA of 2015								-8.64
Subtotal GF Transfers	-\$25.00	-\$31.99	-\$23.07	-\$20.17	-\$23.08	-\$21.94	-\$14.25	-\$13.26
Available Revenue	\$13.23	\$13.14	\$25.87	\$24.85	\$24.64	\$30.99	\$36.87	\$39.45
Spending								
MDA	-\$6.93	-\$3.92	-\$12.34	-\$13.18	-\$14.50	-\$15.60	-\$19.60	-\$19.60
MDE	-1.83	-1.65	-2.10	0.00	0.00	-0.75	-0.75	-0.75
DNR	-0.84	-1.73	-8.20	-10.40	-10.29	-14.75	-19.09	-19.10
General Fund Deficiency					2.80			
Cancellations				2.16	0.78	0.11		
Estimated Reduction to Agency Spending							2.57	
Subtotal Agency Spending	-\$9.60	-\$7.30	-\$22.64	-\$21.42	-\$21.21	-\$30.99	-\$36.87	-\$39.45
Available Balance	\$3.63	\$5.84	\$3.23	\$3.43	\$3.43	\$0.00	\$0.00	\$0.00

BRE: Board of Revenue Estimates
BRFA: Budget Reconciliation and Financing Act
DNR: Department of Natural Resources

MDA: Maryland Department of Agriculture
MDE: Maryland Department of the Environment

Source: Department of Natural Resources; Department of Legislative Services

Exhibit 13
2010 Trust Fund Revenue Redirection and Fund Balance Transfers to the
General Fund and Budget Restoration Fund under Recent BRFAs and the
Proposed BRFA of 2015
Fiscal 2012-2016
(\$ in Millions)

	BRFA of <u>2011</u>	BRFA of First Special Session of <u>2012</u>	BRFA of <u>2014</u>	BRFA of <u>2015</u>	<u>Total</u>
2012	\$20.2	\$0.0	\$0.0	\$0.0	\$20.2
2013	15.1	8.0	0.0	0.0	23.1
2014	11.5	0.0	10.4	0.0	21.9
2015	8.1	0.0	6.2	0.0	14.3
2016	4.6	0.0	0.0	8.6	13.3

BRFA: Budget Reconciliation and Financing Act

Note: The fiscal 2016 action proposed by the BRFA of 2015 redirects \$8.6 million in revenue to the general fund.

Source: Department of Legislative Services

Fiscal 2016 Allocation

Exhibit 14 provides an overview of the currently planned trust fund allocations for fiscal 2016 as compared with fiscal 2009 through 2015, assuming the BRFA action reducing \$8.6 million in special funds. Of note, Exhibit 14 reflects general funds, special funds from the motor fuel tax and short-term rental vehicle tax, and general obligation (GO) bond capital funding, which was provided in fiscal 2013, 2014, and 2015 in the Governor's capital budgets. Final decisions on allocations typically are made by the BayStat agencies after the final funding levels have been determined.

Exhibit 14
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Planned Expenditures
Accounting for the BRFA of 2015 Action
Fiscal 2016
(\$ in Millions)

	<u>2015 SF</u>	<u>2016 SF</u>	<u>Difference SF</u>	<u>2015 Capital</u>	<u>2016 Capital</u>	<u>Difference Capital</u>
Maryland Department of Agriculture						
Agency Technical Assistance	\$2.60	\$2.60	\$0.00	\$0.00	\$0.00	\$0.00
Cover Crops	11.25	11.25	0.00	0.00	0.00	0.00
Conservation Reserve Enhancement Program Incentive	0.50	0.50	0.00	0.00	0.00	0.00
Animal Waste Management	0.00	0.00	0.00	0.00	0.00	0.00
Manure to Energy Projects with Proven Technology	2.50	2.50	0.00	0.00	0.00	0.00
Manure Transport	0.75	0.75	0.00	0.00	0.00	0.00
Grants to Farmers	2.00	2.00	0.00	0.00	0.00	0.00
Subtotal	\$19.60	\$19.60	\$0.00	\$0.00	\$0.00	\$0.00
Maryland Department of the Environment						
Urban/Suburban SWM	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Stormwater Permit Expeditors	0.75	0.75	0.00	0.00	0.00	0.00
Subtotal	\$0.75	\$0.75	\$0.00	\$0.00	\$0.00	\$0.00
Department of Natural Resources						
Agency Direct Costs	\$0.55	\$0.59	\$0.04	\$0.00	\$0.00	\$0.00
Strategic Monitoring (UM)	0.50	0.40	-0.10	0.00	0.00	0.00
Implementation Tracking (DoIT)	0.20	0.20	0.00	0.00	0.00	0.00
Targeted Monitoring of Out of State Sources ¹	0.20	0.00	-0.20	0.00	0.00	0.00
Targeted Monitoring	0.00	0.30	0.30	0.00	0.00	0.00
Innovative Technology (UM)	1.00	1.00	0.00	0.00	0.00	0.00
Nutrient and Sediment Reduction on State Lands (Natural Filters)	6.00	6.00	0.00	0.00	0.00	0.00

K00A – Department of Natural Resources

	<u>2015 SF</u>	<u>2016 SF</u>	<u>Difference SF</u>	<u>2015 Capital</u>	<u>2016 Capital</u>	<u>Difference Capital</u>
Capital Stormwater Infrastructure Projects (Local Governments)	0.00	0.00	0.00	25.00	0.00	-25.00
Cost-effective Nonpoint Source Projects (Targeted) ²	7.11	7.08	-0.03	0.00	0.00	0.00
Local Stormwater Remediation ³	2.78	2.78	0.00	0.00	0.00	0.00
Field Restoration Specialist	0.75	0.75	0.00	0.00	0.00	0.00
Subtotal	\$19.09	\$19.10	\$0.01	\$25.00	\$0.00	-\$25.00
Total	\$39.44	\$39.45	\$0.01	\$25.00	\$0.00	-\$25.00

BRFA: Budget Reconciliation and Financing Act
DoIT: Department of Information Technology
SF: special fund
SWM: stormwater management
UM: University of Maryland

¹ Targeted Monitoring of Out of State Sources is a three-year commitment to fulfill fiscal 2012 budget bill language restricting funding in order to monitor nontidal nutrient and sediment loads entering Maryland from adjacent States. Fiscal 2015 represents the final year of this three-year commitment.

² Annually, the BayStat agencies issue competitive solicitations to target specific opportunities or challenges as identified. Historically, this included the Stream Restoration Challenge, Urban Tree Canopy, and Local Implementation grants.

³ In fiscal 2015, \$2.8 million was programmed for the counties with Municipal Separate Storm Sewer System permits that have established a local Stormwater Restoration Fund and fee as required under Chapter 151 of 2012 (Stormwater Management – Watershed Protection and Restoration Program). The funding will help local jurisdictions to defray the costs of providing stormwater remediation for State facilities of less than five acres and not subject to separate stormwater permits issued by the State.

Note: Fiscal 2015 revenues have been reduced, which will necessitate the reduction of fiscal 2015 spending.

Source: Department of Natural Resources; Department of Legislative Services

Fiscal 2016 Highlights

Overall, there is very little change in the fiscal 2015 and 2016 allocation of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. The primary changes are as follows.

- **Local Government Capital Infrastructure for Stormwater** – The largest funding change is a reduction in \$25.0 million in GO bond authorization that was allocated for Capital Stormwater Infrastructure Projects (local governments) in fiscal 2015 but not in fiscal 2016.
- **Targeted Monitoring Funding Shifted** – Funding is shifted from the University of Maryland (UM) allocation and the three-year commitment to monitor nutrient and sediment sources from out of state to a determination of where new in-state monitoring should be accomplished. This reflects a shift of \$0.1 million in special funds from Strategic Monitoring (at UM) and of \$0.2 million in special funds for Targeted Monitoring of Out of State Sources to the new Targeted Monitoring category.
- **Agency Direct Costs Increase** – There is an increase of \$40,000 in agency direct costs, which is accommodated via a reduction of \$30,000 in special funds in Cost-effective Nonpoint Source Projects (Targeted) funding.

DLS recommends that DNR comment on how fiscal 2015 agency spending will be revised in order to accommodate the recent downward revision in revenue estimates.

Recommended Actions

1. Concur with the following language on the general fund appropriation:

, provided that this appropriation shall be reduced by \$148,750 contingent upon the enactment of legislation to increase the use of Waterway Improvement Funds for administration costs in the Department of Natural Resources.

, provided that this appropriation shall be reduced by \$87,500 contingent upon the enactment of legislation to increase the use of Waterway Improvement Funds for administration costs in the Department of Natural Resources.

, provided that this appropriation shall be reduced by \$275,625 contingent upon the enactment of legislation to increase the use of Waterway Improvement Funds for administration costs in the Department of Natural Resources.

, provided that this appropriation shall be reduced by \$56,875 contingent upon the enactment of legislation to increase the use of Waterway Improvement Funds for administration costs in the Department of Natural Resources.

, provided that this appropriation shall be reduced by \$253,750 contingent upon the enactment of legislation to increase the use of Waterway Improvement Funds for administration costs in the Department of Natural Resources.

, provided that this appropriation shall be reduced by \$52,500 contingent upon the enactment of legislation to increase the use of Waterway Improvement Funds for administration costs in the Department of Natural Resources.

Explanation: The budget bill as introduced includes a combined reduction of \$875,000 in general funds in the Office of the Secretary contingent on the Budget Reconciliation and Financing Act of 2015 authorizing the use of additional Waterway Improvement Funds for administration costs.

2. Concur with the following language on the general fund appropriation:

, provided that this appropriation shall be reduced by \$2,448,953 contingent upon the enactment of legislation to eliminate the Maryland Park Service's payment in lieu of taxes to local jurisdictions.

, provided that this appropriation shall be reduced by \$50,000 contingent upon the enactment of legislation to eliminate the Maryland Park Service's payment in lieu of taxes to local jurisdictions.

Explanation: The budget bill as introduced includes a combined reduction of \$2,498,953 in general funds contingent upon the Budget Reconciliation and Financing Act of 2015 striking the provision that the Maryland Park Service – Statewide Operations and Maryland Park Service – Revenue Operations provide payment in lieu of taxes to local jurisdictions.

3. Add the following language:

Provided that the following 17 positions be abolished from the Natural Resources Police program, PINS NEW013, NEW014, NEW015, NEW016, NEW017, NEW018, NEW019, NEW020, NEW021, NEW022, NEW023, NEW024, NEW025, NEW026, NEW027, NEW028, and NEW029.

Explanation: This action abolishes the 17 new positions in the Natural Resources Police program. The associated funding may be reduced by the agency in order to address the 2% across-the-board reduction budgeted for the agency in fiscal 2016.

4. Concur with the following language on the special fund appropriation:

, provided that this appropriation shall be reduced by \$8,639,632 contingent upon the enactment of legislation to allocate Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenue to the General Fund.

Explanation: The budget bill as introduced includes a reduction of \$8,639,632 contingent upon the Budget Reconciliation and Financing Act of 2015 transferring the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special funds to the general fund. This action concurs with that proposed contingent reduction.

Updates

1. Deer Population Management Report Submitted

The budget committees were concerned that overabundant deer populations are causing increasing numbers of problems throughout the State in all types of areas including urban, suburban, and rural. The problems include collisions and property damage of vehicles and damage to farm crops, yards, gardens, and ecologically sensitive areas. Therefore, the budget committees requested that DNR consult with a wide variety of stakeholders, other states, and outside experts to identify and evaluate all possible techniques for controlling and reducing deer populations to acceptable levels in areas of the State determined to have an overabundant deer population. In addition, the budget committees requested that DNR report on the results of its evaluations and actions that it will take to reduce deer populations to acceptable levels by December 31, 2014.

DNR's submitted report indicates that the deer population peaked in calendar 2002 at approximately 295,000 deer and has since declined to about 227,000 deer. The deer harvest yields approximately 105,000 per year, or about 45% of the fall population. In general, DNR notes that in rural, semirural, and suburban areas, there is a lack of information that limits landowner agreement to allow adequate hunting where legal and feasible. For the deer management permits, there are limitations imposed by DNR on how and when the permits can be used.

Deer management in Maryland is conducted as follows and yields a harvest of approximately 105,000 deer per year or about 45% of the fall population.

- **Annual Regulated Hunting Harvest** – Maryland's deer season length and bag limit amounts allow for more antlerless deer to be harvested per square mile than in any other state or province in North America. The greatest number of deer are harvested through this process. Action items include providing incentives for use of the deer donation program, assessing opportunity for deer harvest via public hunting on local government and State lands, increasing access to the Hunter Safety Course, expanding the hunter base, modifying the muzzleloader antlerless deer season to include modern firearms, and considering ways to allow controlled sales of wild venison.
- **Deer Management Permits** – Deer management permits, effectively crop damage permits, allow affected farmers or landowners to harvest year-round and accounted for 8,969 deer harvested in calendar 2013, which is less than the 13,327 harvested in calendar 2003. Action items include changing regulations to allow year-round firearm use, addressing noncommercial crop damage, listing deer donation program butchers for out-of-season use, and improving outreach to the farming community.
- **Deer Cooperator Permit Program** – This program tests and licenses individuals to remove deer for a fee. It involves sharpshooting in suburban areas but annually removes relatively few

deer compared to the annual regulated hunting harvest and deer management permits. Action items include creating an application for rural landscape purposes.

- **Nonlethal Projects** – Deer birth control and sterilization are nonlethal options for deer management. Action items include approving nonlethal projects in areas where hunter access is limited or nonexistent.

In terms of legal changes, DNR notes the preference to allow Sunday deer hunting on a uniform basis statewide. This could be done by reducing the number of authorized Sunday hunting days from 21 to 9 with a maximum of 4 Sundays open to modern firearms. These Sunday hunting days could be shifted to later in the year in order to minimize the impact on other recreational groups. DNR also notes the benefits of hiring a natural resources biologist to provide outreach on deer management on private lands, including the creation of deer management cooperatives.

The report notes that a number of ideas are not being considered: allowing rifle use in all counties for deer management permit holders, requiring antlerless deer to be harvested before antlered deer, creating an apprentice hunter program, reducing new hunter license costs, and limiting Sunday hunting to early morning and later afternoon.

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 2014					
Legislative Appropriation	\$50,621	\$133,588	\$26,685	\$12,402	\$223,296
Deficiency Appropriation	-2,495	-862	88	0	-3,270
Budget Amendments	1,460	-13,235	1,849	2,883	-7,043
Reversions and Cancellations	-169	-4,888	-2,464	-5,375	-12,896
Actual Expenditures	\$49,415	\$114,603	\$26,158	\$9,910	\$200,086
Fiscal 2015					
Legislative Appropriation	\$52,318	\$150,327	\$27,018	\$10,117	\$239,779
Cost Containment	-1,663	0	0	0	-1,663
Budget Amendments	359	3,314	3,576	1,092	8,341
Working Appropriation	\$51,014	\$153,641	\$30,594	\$11,209	\$246,457

Note: Numbers may not sum to total due to rounding. The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies.

Fiscal 2014

DNR's general fund appropriation decreased by \$1,205,084 as follows.

- **Deficiency Appropriation** – A decrease of \$2,495,355, including a \$1,911,191 decrease across DNR's budget for negative deficiencies associated with retirement (\$972,513), health insurance (\$777,912), and the State personnel system allocation (\$160,766); a cost containment reduction for salaries due to a high vacancy rate in NRP – Field Operations (\$506,000); and a cost containment reduction for technical and special fees, communications, travel and supplies at the Harriet Tubman Underground Railroad State Park in the NRP – Statewide Operation (\$78,164).
- **Budget Amendments** – An increase of \$1,459,756 due to budget amendments allocating the COLA effective January 1, 2014 (\$523,475), State Law Enforcement Officer Labor Alliance salary-related bargaining increase (\$480,668), employee salary increments effective April 1, 2014 (\$304,781), telecommunications expenditures (\$141,242), and personnel classifications as part of the annual salary review (ASR) (\$9,590).
- **Reversions** – A decrease of \$169,485 due to funding not being needed in the Critical Area Commission.

DNR's special fund appropriation decreased by \$18,984,863 as follows.

- **Deficiency Appropriation** – A net decrease of \$862,197 due to a decrease of \$1,131,673 across DNR's budget for negative deficiencies associated with retirement (\$787,472) and health insurance (\$344,201), which is partially offset by an increase for the Chesapeake and Coastal Services program to provide funds for technical assistance to implement stormwater best management practices from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund (\$269,476).
- **Budget Amendments** – A decrease of \$13,235,082 due to the allocation of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding to the Maryland Department of Agriculture (\$15,600,000). This decrease is offset partially by allocations of transfer tax funding from Land Acquisition and Planning for administrative purposes in the Office of the Secretary – Finance and Administrative Services per Chapter 425 of 2013 (BRFA) (\$1,217,000), the COLA (\$689,756), employee salary increments (\$223,914); the Forest Service to contract with tree planting crews and/or to purchase tree planting materials to reforest areas, as required by State statute, to mitigate the environmental impact of State construction projects (\$75,000); a two-year grant from the Wildlife Management Institute, Inc. for the Wildlife and Heritage Service to conduct a multistate research project to assess the occurrences of Ranavirus in amphibian populations in the mid-Atlantic region (\$71,053); State Law Enforcement Officer Labor Alliance salary-related bargaining increase (\$52,099); an agreement between the Maryland Geological Survey and Anne Arundel County to study ground-water levels and stream flow in Sawmill Creek as part of a two-year agreement (\$28,800); and personnel classifications as part of the ASR (\$7,296).

K00A – Department of Natural Resources

- **Cancellations** – A decrease of \$4,887,584 as a result of cancellations due to appropriations not being needed primarily in Boating Services (\$977,941), Land Acquisition and Planning (\$622,268), Chesapeake and Coastal Services (\$620,554), Maryland Park Service – StateWide Operations (\$563,422), Office of the Secretary – Information Technology Service (\$527,014), Power Plant Assessment Program (\$281,598), Maryland Park Service – Revenue Operations (\$274,845), Licensing and Registration Service (\$269,094), Forest Service (\$258,850), and Monitoring and Ecosystem Assessment (\$234,817).

DNR’s federal fund appropriation decreased by \$526,884 as follows.

- **Deficiency Appropriation** – A net increase of \$87,947 due to an increase for the Chesapeake and Coastal Services program to lead efforts to identify and assess the impact of climate change on National Wildlife Refuge species and to guide future research and monitoring using U.S. Department of the Interior – Fish and Wildlife Service’s Visitor Facility Enhancements – Wildlife Refuges funding (\$133,200), and for the Fisheries Service to provide funds for Atlantic Sturgeon habitat assessment using U.S. Department of Commerce – NOAA Unallied Science Program funding (\$114,717). These increases are offset partially by a decrease of \$159,970 across DNR’s budget for negative deficiencies associated with retirement (\$104,901) and health insurance (\$55,069).
- **Budget Amendments** – An increase of 1,848,840 for allocation of the U.S. Department of the Interior’s Wildlife Restoration and Basic Hunter Education funding to the Wildlife and Heritage Service program to hire 6 seasonal contractual employees and 2 long-term contractual employees to manage Wildlife Management Areas, band ducks, provide technical guidance for bird habitat management to private landowners, and implement hunter recruitment events; replace 15 vehicles; research management options for deer, bear, wild turkey, bat, nongame mammals, and waterfowl; and provide additional postage for a statewide hunter mail survey (\$747,697); for purchases related to the Maritime Law Enforcement Information Network project, Maritime Video Interoperability Initiative Among Port Partners project, and Automated Information System for Law Enforcement Patrol Craft project from federal fiscal 2013 Port Security Grant Program funding (\$697,137); for the Natural Resources Police – Field Operations program from the U.S. Department of Justice (DOJ) – Drug Enforcement Administration’s Equitable Sharing Program, also known as the Asset Forfeiture Program, which provides for the sharing of federally forfeited property with participating state and local law enforcement agencies and, in this case, Maryland’s involvement in the program is through an agreement with DOJ that provides for the Hagerstown Task Force and the High Intensity Drug Trafficking Area Task Force to disrupt the illicit drug traffic in the Hagerstown Metropolitan area and involves the purchase of law enforcement equipment (\$250,000); for the COLA (\$119,756); and for employee salary increments (\$34,250).
- **Cancellations** – a decrease of \$2,463,671 primarily as a result of cancellations due to grant funding being changed to reimbursable funds for the Maryland Park Service – Statewide Operations (\$683,893), and appropriations not being needed since grant costs and revenue were

K00A – Department of Natural Resources

less than anticipated in NRP – General Direction (\$806,329), Chesapeake and Coastal Services (\$581,836), Fisheries Service (\$161,302), and NRP – Field Operations (\$117,601).

DNR's reimbursable fund appropriation decreased by \$2,492,363 as follows.

- **Budget Amendments** – An increase of \$2,883,004 for funding transferred from the Maryland Energy Administration (MEA) to the Chesapeake and Coastal Services program for advancement of wind energy options for Maryland including aerial surveys of large whales in and around the Maryland Wind Energy Area, data collection, and analysis and reporting of findings (\$637,578); the State Highway Administration (SHA) to the Maryland Environmental Trust for acquiring property easements in Frederick County as part of the “Saving Maryland’s Critical Civil War Battlefields” project from a Transportation Enhancement Program grant (\$479,450); from the Maryland Port Administration to the Fisheries Service from unspent prior year revenue to make available the full funding for local watermen projects under an existing Oyster Recovery Partnership contract in order to support the Administration's Oyster Restoration and Aquaculture Development Plan (\$446,435); from the Department of Information Technology – Major Information Technology Development Project Fund to DNR – Major IT Projects for purchase of 700/800 megahertz portable radios and accessory equipment to enhance interoperability with other law enforcement agencies (\$446,072); from the Maryland Environmental Service to the DNR – Fisheries Service for the Masonville Mitigation Project within the Patapsco River watershed, which includes items such as the currently being constructed pond liner (\$438,875); from the Governor’s Office of Community Initiatives to the Maryland Park Service to carry out a federal AmeriCorps grant awarded for support of Maryland Conservation Corps activities for which the entire amount needed in fiscal 2014 is approximately \$246,000, but there is approximately \$52,837 in available appropriation because multiple recreational trail grant projects were placed on hold due to the severe calendar 2013 to 2014 winter weather (\$193,163); from MEA to the Maryland Park Service for implementing energy efficiency measures in State Park facilities from a Clean Energy Communities grant (\$123,000); transferred internally from DNR’s Chesapeake and Coastal Services to Resource Assessment Service – Maryland Geological Survey for two studies: Study Shoreline Rates of Change and Shoreline Management – Anne Arundel and Baltimore Counties and Ocean Survey Data Analysis (\$40,000); transferred internally from the Power Plant Assessment Program to Watershed Services to assess tree cover for use in determination of carbon energy storage and sequestration estimates and to report on the protocols for future use and development of carbon sequestration areas (\$33,000); transferred internally from the Maryland Park Service to the Chesapeake and Coastal Services for development of a watershed implementation plan for Deep Creek Lake through the collection of agricultural land use and forest land use data and facilitation of a steering committee to gather community input on issues and needs when developing recommended actions and strategies (\$29,571); and from the SHA to DNR – Land Acquisition and Planning from a recently awarded SHA Recreational Trail Grant for purchasing 31 trail counters to monitor the amount and types of uses taking place on selected trails throughout the State (\$15,860).

K00A – Department of Natural Resources

- **Cancellations** – A decrease of \$5,375,367 as a result of cancellations primarily due to appropriations not being needed since grant costs and revenue were less than anticipated in NRP – General Direction (\$1,695,807), Chesapeake and Coastal Services (\$1,093,177), Maryland Environmental Trust (\$774,977), Fisheries Service (\$524,764), Maryland Geological Survey (\$408,934), Monitoring and Ecosystem Assessment (\$389,067), and Engineering and Construction (\$289,236).

Fiscal 2015

DNR's general fund appropriation decreases by \$1,303,651 as follows.

- **Cost Containment** – A decrease of \$1,662,500 reflected in the July 2, 2014 BPW actions that reduce funding as a result of salary savings from holding positions vacant (\$1,007,323); reducing funding across the agency for vehicle maintenance, vehicle replacement, information technology costs, equipment, contractual services, maintenance, printing costs, routine travel, office supplies, harvest tags, and training (\$434,129); replacing general funds with Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special funds in order to monitor funded projects (\$128,997); and replacing general funds with special funds to support positions in the Resource Assessment Service and Fisheries Service programs (\$92,051).
- **Budget Amendments** – An increase of \$358,849 due to a budget amendment allocating the COLA effective January 1, 2015.

DNR's special fund appropriation increases by \$3,314,245 due to budget amendments. Funding is reflected for the proper accounting of the Shoreline Erosion Control Revolving Loan Fund since the program was moved out of the PAYGO budget in fiscal 2009, and funding is still encumbered in that former PAYGO program but is now budgeted in the Chesapeake and Coastal Services (\$1,806,487); for DNR's COMPASS online licensing and registration system's Licensing and Registration Service application component due to a procurement delay in fiscal 2014 that required the cancellation of funding that is now available from a number of funds and is budgeted in Office of the Secretary – Information Technology Service (\$650,000); for allocation of the COLA effective January 1, 2015, (\$486,980); for tree planting crew contracting and tree planting material purchases to mitigate State construction projects from the Restoration Fund and used in the Forest Service (\$220,800); for construction of a pole barn at the new Forest Service office in Rocky Gap State Park for storage and maintenance equipment associated with operations in Allegany County from the Forest or Park Reserve Fund in the Forest Service (\$101,000); and for allocation of the position classifications for Park Technicians as part of the Annual Salary Review (\$48,978).

DNR's federal fund appropriation increases by \$3,575,952 by budget amendment. Funding is reflected for an increase of \$1,629,146 for truck, tractor, outboard motor, and other vehicle-related purchases (\$683,298); contractual services for 11 animal research studies and construction of four buildings and a security gate (\$671,300); salary costs related to turnover (\$173,000); agricultural equipment purchases (\$83,200); and a seasonal bird monitoring data entry employee from the

K00A – Department of Natural Resources

U.S. Department of the Interior's Wildlife Restoration and Basic Hunter Education in the Wildlife and Heritage Service (\$18,348); for the Maritime Law Enforcement Information Network vessel video project costs and Maritime Tactical Equipment Initiative purchases from the U.S. Department of Homeland Security's Port Security Grant Program in the NRP – General Direction (\$956,984); for an increase of \$919,858 for the purchase of services and equipment and matching other federal awards as allowed for seized and forfeited asset revenue from the U.S. Department of Justice's Equitable Sharing Program (High Intensity Drug Trafficking Areas) (\$418,994), for salary expenses from the U.S. Department of Homeland Security's Boating Safety Financial Assistance (\$368,865), and for overtime expenses and equipment purchases as part of fishery law enforcement from the U.S. Department of Commerce's Financial Assistance for National Centers for Coastal Ocean Science (\$131,999) in the NRP – Field Operations; and for the allocation of the COLA effective January 1, 2015, (\$69,964).

DNR's reimbursable fund appropriation increases by \$1,092,145 by budget amendment. Funding is reflected for the Saving Maryland's Critical Civil War Battlefields project as part of a multi-year grant to purchase six fee simple acquisitions and one conservation easement in Frederick County transferred from SHA to the Maryland Environmental Trust (\$742,703); for supporting AmeriCorps activities, which is budgeted for the September 1, 2014, to August 31, 2015, time period, from funding transferred from the Governor's Office of Community Initiatives to the Maryland Park Service (\$305,442); and for contractual services related to designing a new framework to address climate change as it relates to the water quality, habitat, and development goals of the Chesapeake Bay Critical Area Protection Act transferred internally from the Chesapeake and Coastal Service to the Critical Area Commission (\$44,000).

Audit Findings

Audit Period for Last Audit:	March 18, 2010 – February 4, 2013
Issue Date:	August 2014
Number of Findings:	6
Number of Repeat Findings:	2
% of Repeat Findings:	33.3%
Rating: (if applicable)	n/a

- Finding 1:** Sufficient controls were not established over the processing of void and gratis transactions and the assignment of system users to avoid duplicate user accounts.
- Finding 2:** DNR lacked assurance that COMPASS was sufficiently protected against operational and security risks, including access to personally identifiable information.
- Finding 3:** Procedures did not ensure that certain collections were deposited using the initial receipt record as verification and separation of duties was not implemented.
- Finding 4:** Certain disbursements were made without obtaining sufficient supporting documentation, and DNR did not ensure certain procurement activities were in compliance with State regulations in terms of posting contract awards greater than \$25,000 on *eMaryland Marketplace* within 30 days and using statewide fuel contracts.
- Finding 5:** DNR's public land leases and curatorships were not adequately monitored to ensure compliance with contractual terms for conditions such as a payment of gross receipts for a bed and breakfast long-term lease and the required amount of renovation work for curatorships.
- Finding 6:** DNR inventory records were not reconciled with the physical inventory counts and the State's records, and recordkeeping was deficient such as the inclusion of equipment acquisitions in the detail record.

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

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

<u>Object/Fund</u>	<u>FY 14 Actual</u>	<u>FY 15 Working Appropriation</u>	<u>FY 16 Allowance</u>	<u>FY 15 - FY 16 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,294.50	1,301.50	1,328.50	27.00	2.1%
02 Contractual	369.83	444.69	437.68	-7.01	-1.6%
Total Positions	1,664.33	1,746.19	1,766.18	19.99	1.1%
Objects					
01 Salaries and Wages	\$ 107,086,723	\$ 115,139,007	\$ 122,315,885	\$ 7,176,878	6.2%
02 Technical and Spec. Fees	9,618,914	12,365,529	11,732,722	-632,807	-5.1%
03 Communication	2,427,130	2,316,865	2,926,509	609,644	26.3%
04 Travel	568,725	517,734	582,573	64,839	12.5%
06 Fuel and Utilities	5,124,344	5,053,387	5,012,118	-41,269	-0.8%
07 Motor Vehicles	8,678,078	9,870,701	10,323,087	452,386	4.6%
08 Contractual Services	41,761,821	39,228,437	32,006,375	-7,222,062	-18.4%
09 Supplies and Materials	6,767,195	7,475,464	7,127,236	-348,228	-4.7%
10 Equipment – Replacement	1,165,173	1,678,323	1,200,933	-477,390	-28.4%
11 Equipment – Additional	1,629,708	2,097,644	1,155,844	-941,800	-44.9%
12 Grants, Subsidies, and Contributions	12,228,702	47,530,575	54,850,896	7,320,321	15.4%
13 Fixed Charges	2,928,621	3,065,688	3,106,800	41,112	1.3%
14 Land and Structures	101,267	117,932	117,172	-760	-0.6%
Total Objects	\$ 200,086,401	\$ 246,457,286	\$ 252,458,150	\$ 6,000,864	2.4%
Funds					
01 General Fund	\$ 49,415,494	\$ 51,014,045	\$ 60,452,856	\$ 9,438,811	18.5%
03 Special Fund	114,603,306	153,641,084	154,715,693	1,074,609	0.7%
05 Federal Fund	26,158,079	30,593,508	26,399,396	-4,194,112	-13.7%
09 Reimbursable Fund	9,909,522	11,208,649	10,890,205	-318,444	-2.8%
Total Funds	\$ 200,086,401	\$ 246,457,286	\$ 252,458,150	\$ 6,000,864	2.4%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.

Fiscal Summary
Department of Natural Resources

<u>Program/Unit</u>	<u>FY 14 Actual</u>	<u>FY 15 Wrk Approp</u>	<u>FY 16 Allowance</u>	<u>Change</u>	<u>FY 15 - FY 16 % Change</u>
01 Office of the Secretary	\$ 16,689,311	\$ 17,236,175	\$ 17,924,315	\$ 688,140	4.0%
02 Forestry Service	11,521,569	12,222,895	12,275,469	52,574	0.4%
03 Wildlife and Heritage Service	10,463,409	11,940,028	12,440,598	500,570	4.2%
04 Maryland Park Service	38,051,334	42,082,107	41,170,736	-911,371	-2.2%
05 Capital Grants and Loan Administration	4,444,429	5,275,595	4,990,014	-285,581	-5.4%
06 Licensing and Registration Service	3,291,967	3,798,580	3,958,501	159,921	4.2%
07 Natural Resources Police	37,655,351	41,876,068	43,652,488	1,776,420	4.2%
09 Engineering and Construction	4,384,759	4,455,714	4,761,281	305,567	6.9%
10 Chesapeake Bay Critical Area Commission	1,730,035	2,098,110	2,116,454	18,344	0.9%
11 Maryland Geological Survey	5,505,298	6,933,150	7,128,760	195,610	2.8%
12 Resource Assessment Service	16,228,823	17,346,875	18,229,410	882,535	5.1%
13 Maryland Environmental Trust	1,032,414	1,636,504	1,386,750	-249,754	-15.3%
14 Watershed Services	25,431,004	54,232,388	58,179,440	3,947,052	7.3%
17 Fisheries Service	23,656,698	25,323,097	24,243,934	-1,079,163	-4.3%
Total Expenditures	\$ 200,086,401	\$ 246,457,286	\$ 252,458,150	\$ 6,000,864	2.4%
General Fund	\$ 49,415,494	\$ 51,014,045	\$ 60,452,856	\$ 9,438,811	18.5%
Special Fund	114,603,306	153,641,084	154,715,693	1,074,609	0.7%
Federal Fund	26,158,079	30,593,508	26,399,396	-4,194,112	-13.7%
Total Appropriations	\$ 190,176,879	\$ 235,248,637	\$ 241,567,945	\$ 6,319,308	2.7%
Reimbursable Fund	\$ 9,909,522	\$ 11,208,649	\$ 10,890,205	-\$ 318,444	-2.8%
Total Funds	\$ 200,086,401	\$ 246,457,286	\$ 252,458,150	\$ 6,000,864	2.4%

Note: The fiscal 2015 working appropriation does not include January 2015 Board of Public Works reductions and deficiencies. The fiscal 2016 allowance does not reflect contingent or across-the-board reductions.