

KA05
Department of Natural Resources – Capital

Capital Budget Summary

Grant and Loan Capital Improvement Program
(\$ in Millions)

Program	2016 Approp.	2017 Approp.	2018 Request	2019 Est.	2020 Est.	2021 Est.	2022 Est.
POS – Land Acquisition and Local Program	\$56.009	\$46.809	\$71.690	\$138.299	\$146.061	\$153.294	\$141.796
POS – Natural Resources Development Fund	7.232	3.062	11.797	13.482	12.737	12.000	12.000
POS – Critical Maintenance Projects	6.089	6.001	6.000	7.000	7.000	7.000	7.000
Rural Legacy Program	10.082	17.663	23.914	26.425	26.967	27.486	26.574
Ocean City Beach Maintenance	1.500	1.000	2.000	2.000	2.000	2.000	2.000
Waterway Improvement Program	6.226	12.600	11.400	7.100	7.100	7.100	7.100
Community Parks and Playgrounds	5.000	2.500	2.500	2.500	2.500	2.500	2.500
Oyster Restoration Program	7.600	3.300	2.729	8.900	8.800	3.900	4.100
Coastal Resilience Program	0.000	0.000	0.540	4.525	6.185	4.600	0.700
Total	\$99.738	\$92.935	\$132.570	\$210.231	\$219.350	\$219.879	\$203.770

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

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Fund Source	2016 Approp.	2017 Approp.	2018 Request	2019 Est.	2020 Est.	2021 Est.	2022 Est.
PAYGO SF	\$14.609	\$74.285	\$117.901	\$185.706	\$193.265	\$200.279	\$187.870
PAYGO FF	\$2.298	\$7.850	\$3.900	\$3.600	\$3.600	\$3.600	\$3.600
GO Bonds	51.482	10.800	10.769	20.925	22.485	16.000	12.300
Bond Premiums	31.349	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$99.738	\$92.935	\$132.570	\$210.231	\$219.350	\$219.879	\$203.770

FF: federal funds

GO: general obligation

PAYGO: pay-as-you-go

POS: Program Open Space

SF: special funds

Note: The fiscal 2016 appropriation reflects \$31.3 million in bond premium funding for Program Open Space – Land Acquisition and Local and for the Rural Legacy Program. The fiscal 2019 through 2022 special fund appropriations reflect repayment of transfer tax transferred to the General Fund in fiscal 2006 (\$90.0 million) and between fiscal 2016 and 2018 (\$152.2 million, which reflects that \$72.0 million already has been repaid).

Summary of Issues

Vessel Excise Tax Cap Made Permanent but Most Recent Impact Report Not Submitted and Dredging Needs Unaddressed: The Waterway Improvement Program’s (WIP) funding needs, both operating and pay-as-you-go (PAYGO) budgets, outstrip the funding availability. This has been exacerbated in recent years by the decline in vessel excise tax revenues, from a high of \$29.4 million in fiscal 2007 to the current fiscal 2018 estimate of \$20.2 million, and the ongoing need for channel dredging due to sediment coming into the Chesapeake Bay system and the funding constraints that have limited the U.S. Army Corps of Engineers’ ability to fund federal shallowly water channels. The vessel excise tax cap may be one reason for some of the revenue loss, but a recently required report has not been submitted that would provide further data on this concern. **The Department of Legislative Services (DLS) recommends that the Department of Natural Resources (DNR) comment on why it has not submitted the 2016 *Recreational Boating and Fiscal Analysis Study* as required by statute. In addition, DLS recommends that DNR comment on how it will handle the need for dredging funding, particularly given the uncertainty surrounding whether the U.S. Army Corps of Engineers will maintain its federal shallow water channels in Maryland.**

Oyster Restoration Slows Until Two Remaining Tributaries to Be Restored Are Named: In January 2014, Maryland signed the new Chesapeake Bay Agreement, which updated the number of tributaries that Maryland is called upon to restore with oysters. The previous Chesapeake Bay

Agreement cited the restoration of 20 tributaries – 10 in each of Maryland and Virginia – by the 2025 Chesapeake Bay restoration deadline. The 2014 Chesapeake Bay Agreement reduced the goal by half – 5 tributaries restored in each of Maryland and Virginia. The next 2 tributaries to be restored have not been determined yet, and oyster shell is at a premium. **DLS recommends that DNR comment on how each of the following factors will be weighed in determining the final 2 oyster restoration tributaries: the level of financial investment, proximity to the Choptank River complex, sanctuary size, the potential to restore oyster bottom, and chance of success.**

Positions and Funding Needed for Administering Additional Critical Maintenance and Natural Resources Development Fund Projects: Chapter 10 of 2016 provides an additional \$3.0 million to each of the Natural Resources Development Fund and the Critical Maintenance Program from fiscal 2019 through 2022. The fiscal note for the bill included general fund personnel expenditures of \$670,147 in fiscal 2019 and similar amounts in future years, which accounted for additional funding being available for park development and critical maintenance projects. The estimate reflected the cost of hiring 7 project management and engineering personnel in DNR and the Department of General Services (DGS) (3 positions in DNR and 4 positions in DGS). **DLS recommends that DNR comment on how it will make up for insufficient staffing in order to expeditiously use the additional funding budgeted in the out-years for the Natural Resources Development Fund and the Critical Maintenance Program.**

Coastal Resiliency Program Cobbles Together Techniques from Other Programs: The Coastal Resilience Program (CRP) receives first-time funding in fiscal 2018 and is programmed to receive out-year funding in the 2017 *Capital Improvement Program* (CIP). CRP functions appear to overlap with the Shoreline Erosion Control Revolving Loan Fund in DNR’s operating budget, the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in DNR’s operating budget, the Waterway Improvement Program in DNR’s PAYGO capital budget, and the Water Quality Revolving Loan Fund (WQRLF) in the Maryland Department of the Environment’s (MDE) PAYGO capital budget. This raises the question of the need for the program, the degree of overlap with other programs, alternative financing models, and the criteria by which projects are selected. **DLS recommends that DNR comment on why the CRP belongs in the capital budget when the Shoreline Erosion Control Revolving Loan Fund was moved to DNR’s operating budget partially because living shorelines were not considered capital projects.**

Summary of Updates

Deep Creek Lake Dredging Not on Fiscal 2018 Project List: DNR’s fiscal 2016 and 2017 PAYGO capital budgets both restricted \$250,000 in WIP special funds for Deep Creek Lake dredging projects. DNR notes that the \$250,000 in fiscal 2016 funding was allocated out of the “Statewide/Emergency Dredging” portion of the previously approved fiscal 2016 WIP project list, that the funding was obligated, and that the Maryland Environmental Service (MES) was contracted by Garrett County on September 6, 2016, to examine issues surrounding the dredging project. DNR did not receive a grant application from Garrett County for fiscal 2018 WIP funding, which was due in August 2016, and so the Deep Creek Lake dredging project is not on the proposed list of local projects.

Bloede Dam Removal Status: Bloede Dam is located in Patapsco River State Park and was built in 1907. The dam is a public safety threat and is an obstacle for fish passage. The overall removal cost has increased to \$16,757,000, of which the State has provided \$1,269,000 through the Natural Resources Development Fund. The fiscal 2018 allowance includes \$2,000,000 for dam removal, which brings the total State contribution to \$3,269,000, or 19.5%, of the current total cost. DNR notes that the project continues to advance toward construction phase, which is currently slated to begin in April 2017. DNR also notes that all permits have been issued, and most funding is in place for the project.

Program Open Space Local Allocation: HB 105 (Program Open Space (POS) – Apportionment Formula and Committee) is a departmental bill that has been introduced in the 2017 session. DNR notes that HB 105 is a result of recommendations included in the report on Maryland’s Land Preservation Programs and the recommendations of the subsequent workgroup. The bill would repeal provisions requiring the POS – Local Apportionment Committee to prepare and adopt an apportionment formula for POS – Local funding and meet at least annually to review and update the formula. Instead, DNR would be responsible for preparing and adopting the apportionment formula in consultation with a newly established committee.

Summary of Recommended PAYGO Actions

1. Concur with Governor’s allowance for the Outdoor Recreation Land Loan.
2. Concur with Governor’s allowance for the Ocean City Maintenance local funding.
3. Concur with Governor’s allowance for the Waterway Improvement Program.

Summary of Recommended Bond Actions

1. Community Parks and Playgrounds

Approve the \$2,500,000 general obligation bond authorization for Community Parks and Playgrounds.

2. Rural Legacy Program

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Approve the \$5,000,000 general obligation bond authorization for the Rural Legacy Program.

3. Coastal Resiliency Program

Approve the \$540,000 in general obligation bonds for the Coastal Resiliency Program.

4. Oyster Restoration Program

Approve the \$2,729,000 general obligation bond authorization for the Oyster Restoration Program.

Program Description

The mission of the DNR capital program may be summarized as the protection of Maryland's open space lands, shorelines, waterways, and natural resources while providing outdoor recreation opportunities in cooperation with federal and local governments. The capital program is comprised of POS (including the Natural Resources Development Fund and Critical Maintenance Program), the Rural Legacy Program, Ocean City Beach Maintenance, the WIP, Community Parks and Playgrounds, Oyster Restoration Program, and the new CRP for fiscal 2018. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund received general obligation (GO) bond authorization in fiscal 2013 through 2015 but is not programmed to receive funding beyond fiscal 2015. Descriptions of the programs follow.

- ***POS – Land Acquisition and Local Program:*** Title 5, Subtitle 9 of the Natural Resources Article established POS for the purpose of expediting the acquisition of outdoor recreation and open space areas and the provision of recreation facilities before land is devoted to other purposes. The POS appropriation has historically been split between the State and local government. While both State acquisitions and local grants fund projects that protect open space and provide recreation facilities, State acquisitions tend to place a greater emphasis on natural resource management. State POS funds are allocated for State land acquisition and operation. In addition, POS funds are allocated to capital improvements and critical maintenance, which are described as separate programs. Local recreation and parks departments use local POS funds for acquisition, development, and planning projects. Primary funding for POS has historically been provided by the State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another. POS administers the Heritage Conservation Fund, which is used to acquire land that provides habitat for rare, threatened, and endangered species through an easement or fee simple purchase and supported by 1.8% of the annual transfer tax revenue.
- ***POS – Natural Resources Development Fund:*** State law allows up to 25.0% of the POS funds allocated to the State to be used for capital development projects and for operating expenses at State forests and parks. The Natural Resources Development Fund provides support to design and construct development projects on DNR property. Capital development projects include

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shower buildings, building renovations, road parking and trail improvements, and general park improvements. In addition, the Natural Resources Development Fund has taken on the funding for dam rehabilitations.

- ***POS – Critical Maintenance Program:*** DNR maintains over 1,500 buildings, hundreds of miles of roadway, parking lots, and a variety of water-associated facilities that serve millions of visitors annually. Critical maintenance projects include structural repairs to buildings, bridge repairs, well and septic system replacement, and road and utility repairs. Based on project requests submitted by DNR facility managers during the past year, there is a \$36.4 million (585 projects) backlog in necessary critical maintenance projects at all DNR facilities – State forests and parks, wildlife management areas, fisheries facilities, and others – which is a decrease in both the overall cost and the number of projects since February 2016 (\$39.9 million and 637 projects). DNR and DGS both manage Critical Maintenance Projects. DNR handles procurement for projects that cost \$50,000 or less (the majority of projects), and DGS handles procurement for projects that cost more than \$50,000.
- ***Rural Legacy Program:*** The purpose of the Rural Legacy Program is to protect agricultural and natural resources land from sprawl development and thus to promote resource-based economies and to develop greenbelts. Program funds are used to purchase conservation easements on land based on Rural Legacy Areas approved by the Rural Legacy Board (composed of the Secretary of Natural Resources, the Secretary of Planning, and the Secretary of Agriculture). Under § 5-9A-09 of the Natural Resources Article, the Governor is required to include at least \$5.0 million in the annual capital budget for the Rural Legacy Program separate and apart from what the program is allocated through the transfer tax formula.
- ***Ocean City Beach Maintenance:*** The Ocean City Beach Maintenance Fund was established to fund annual maintenance for the Ocean City beach replenishment project. When the fund was established, the State entered into a funding agreement with Worcester County and Ocean City. The funding agreement stipulates that the following amounts be provided annually: not less than \$1.0 million from the State and not less than \$500,000 each from the county and the city. Periodic nourishment is deemed the most cost-effective method of maintaining the beach over a 50-year period. Transfer tax revenue within POS or GO bonds are used to fund the State’s contribution to this effort. Upon reaching a \$15.0 million cap in the fund, no funding is required to be provided by the State or local governments. Nourishment of the Ocean City beach is usually done on a four-year cycle. The U.S. Army Corps of Engineers is responsible for developing estimates, plans, and managing construction contracts for the periodic nourishment efforts and costs are usually shared: 53.0% federal and 47.0% local – State, Ocean City, and Worcester County.
- ***Waterway Improvement Fund:*** The Waterway Improvement Fund (WIF) finances projects to expand and improve public boating access throughout the State. The 5.0% excise tax paid on the sale of motorized vessels within the State, up to \$15,000 per vessel, and 0.5% of the motor vehicle fuel tax support the fund, per Chapter 180 (Natural Resources – Vessel Excise Tax – WIF). Funding is provided in the form of grants and/or long-term, interest-free loans to local

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governments, DNR, and some federal government agencies, as follows: (1) grants (100.0%) not to exceed \$5,000; (2) grants (100.0%) less than \$100,000; (3) public navigation improvement and DNR boating facility construction grants (100.0%) of unlimited amounts; (4) matching grants with a maximum State cost share (50.0%); and (5) interest-free loans (100.0%) with a 25-year maximum. Additional funding specifications are provided for dredging/navigation projects and boating access facility/boating safety projects.

- ***Community Parks and Playgrounds:*** The program provides flexible grants to municipalities and Baltimore City – counties are no longer eligible – to (1) rehabilitate, expand, improve, or maintain existing parks; (2) purchase land to create new parks; (3) develop new parks; (4) purchase and install playground equipment in urban neighborhoods and rural areas throughout the State; or (5) be used for environmentally oriented parks and recreation projects. While land acquisition costs are considered, highest priority is given to capital costs associated with park and playground development and improvement.
- ***Oyster Restoration Program:*** The Oyster Restoration Program provides funding to construct and rehabilitate oyster bar habitat and provide for aquaculture infrastructure improvements. Funding is guided by Maryland’s oyster plan, which includes goals to rehabilitate oyster bar habitat identified in a best oyster bar survey conducted in fall 2009 and to increase commercial oyster production by aquaculture. In addition, Maryland is guided by the new Chesapeake Bay Agreement signed in June 2014, which has the following goal: “Restore native oyster habitat and populations in 10 tributaries by 2025 and ensure their protection.” Based on a U.S. National Oceanic and Atmospheric Administration (NOAA) oyster workgroup, the program has adopted the following restoration goals: (1) restoring 50.0% to 100.0% of currently restorable oyster habitat at the tributary level; and (2) achieving a mean density of 50 oysters per square meter and 50 grams dry weight per square meter, containing at least two generations, and covering at least 30.0% of the reef area at the reef level.
- ***Coastal Resiliency Program:*** The CRP is a new addition to DNR’s portfolio in fiscal 2018. Funding is provided to restore actively eroding shoreline using living shoreline techniques and offshore breakwaters along the State’s coast. Project selection is guided by the Maryland Coastal Resiliency assessment published in March 2016. The assessment is a collaborative effort between DNR’s Chesapeake and Coastal Service and The Nature Conservancy and was designed to inform coastal conservation and restoration decisions by determining where living shoreline technique and offshore breakwaters can help Maryland’s coastal communities become more resilient. Fiscal 2018 funding was based on the following factors: (1) the vulnerability of the habitat and community; (2) project readiness and status (designed/permitted); (3) location and priority tier within the Maryland Coastal Resiliency Assessment; and (4) level of community engagement.

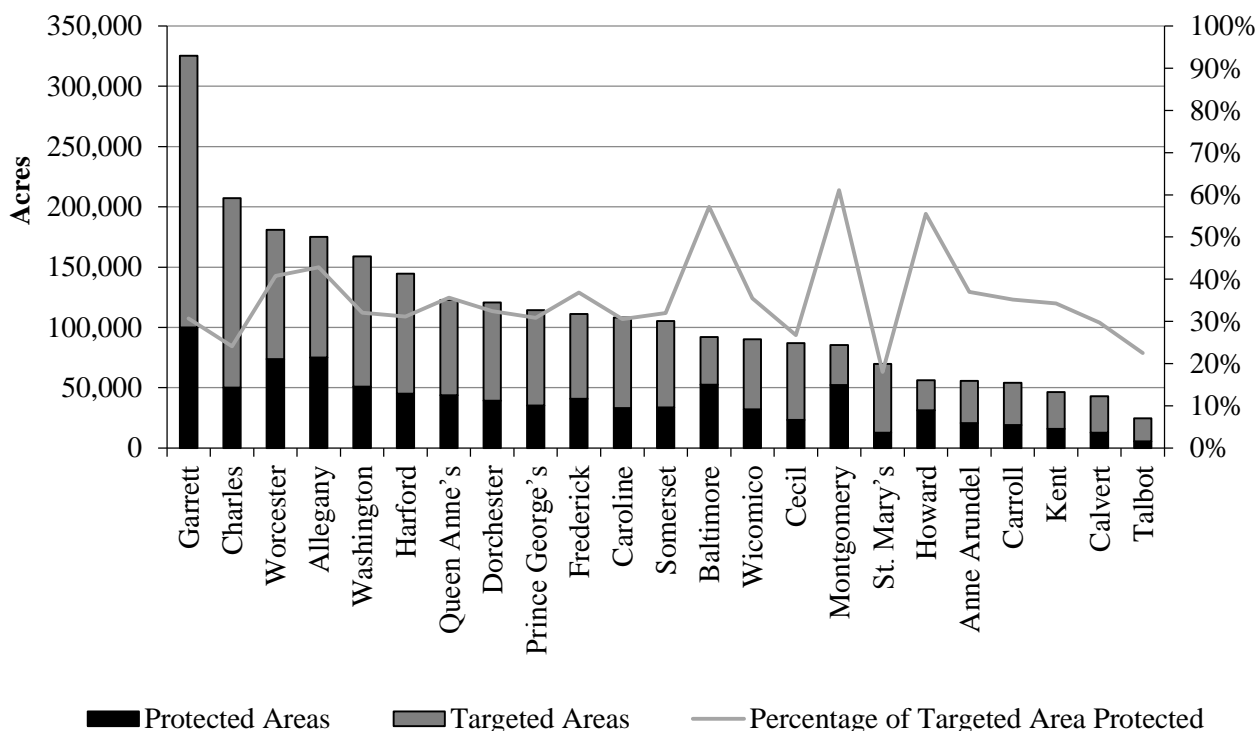
Performance Measures and Outputs

Program Open Space

DNR uses a two-step process for targeting and ranking land conservation. First, there is an ecological screen, which involves DNR using an ecological baseline to select targeted ecological areas – areas with the highest ranking for green infrastructure, species diversity, and water quality – and review properties relative to connected hubs and corridors, ecologically significant areas, and restoration opportunities. Second, DNR uses a parcel screen to assess a potential acquisition based on ecological value, special adjustments made for multiple benefits, management and operations responsibility identification, consistency with local land use, and vulnerability to additional development. All of this information is summarized in GreenPrint, the online geographic information system tracking program for preserved land and targeted ecological areas, which is available for local governments to use in their planning and zoning work. DNR notes that it will still buy some lands outside of the targeted ecological areas for exceptional recreational, cultural, historical, educational, water access, resource-based economic, and in-holding/management purposes in existing DNR managed lands.

Maryland’s targeted ecological areas total 2,578,651 acres, no changes from last year. To date, 897,952 acres have been protected, up from 887,868 acres at this time last year, leaving 1,680,699 acres still to be protected. As shown in **Exhibit 1**, Garrett (325,208 acres), Charles (207,129 acres), and Worcester (181,008 acres) counties continue to be the top three counties in terms of targeted ecological areas. The three counties with the highest percentage of targeted ecological areas protected are Montgomery (61%), Baltimore (57%), and Howard (55%) counties.

Exhibit 1
Protected and Targeted Ecological Areas
February 2017

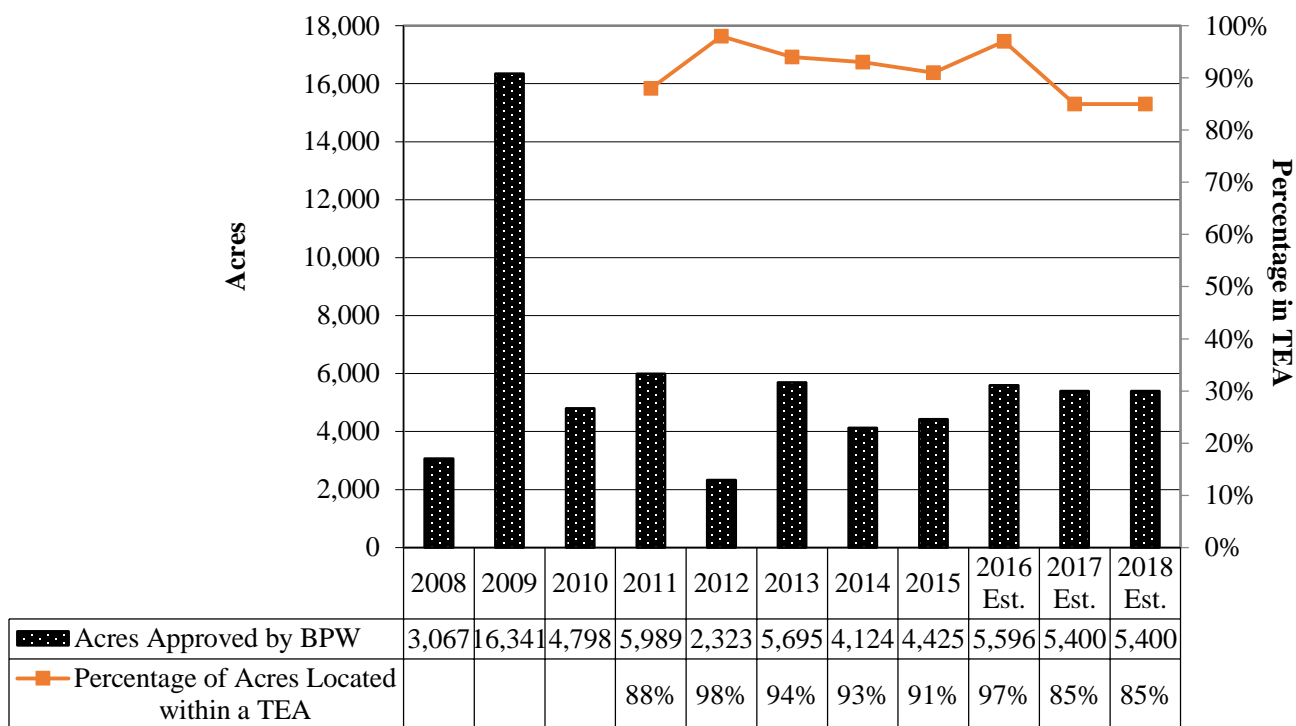


Note: The acres shown as protected within targeted ecological areas include total acres protected by all State, local, and federal programs as well as by nonprofit organizations.

Source: Department of Natural Resources

As illustrated in **Exhibit 2**, there was an increase in the POS – State and POS – local acquisition acres approved by the Board of Public Works (BPW) between fiscal 2015 (4,425 acres) and 2016 (5,596 acres). DNR projects a similar number of POS acquisition acres in fiscal 2017 and 2018, as in fiscal 2016 despite the increase in the estimated transfer tax revenue, perhaps due to the lag time between the receipt of funding and the actual closing of land purchases. DNR has a measure that reflects the percentage of acres funded by POS-State that are located within a targeted ecological area. The highest percentage shown is 98% in fiscal 2012 and most recently was 97% in fiscal 2016. In terms of historical POS acquisition acreage numbers, the fiscal 2009 acreage approved reflects two large property purchases – the Maryland Province properties (4,474 acres) and the Smith Foster Furnace property (4,769 acres) – and the fiscal 2013 acreage included 2,352 acres of easements in Dorchester and Queen Anne’s counties donated to POS by the Conservation Fund.

Exhibit 2
POS Acquisition Acres Approved by the Board of Public Works
Fiscal 2008-2018 Est.



BPW: Board of Public Works
 POS: Program Open Space
 TEA: Targeted Ecological Area

Note: The fiscal 2013 acreage includes 2,352 acres donated to Program Open Space by the Conservation Fund. The acres approved by BPW reflect both POS – State and POS – Local funding, while the percentage of acres located within a targeted ecological area only reflects POS-State funding.

Source: Governor’s Budget Books, Fiscal 2006-2016; Department of Budget and Management

POS funding expanded the number of State parks acres available to the public in fiscal 2017. Through February 8, 2017, 245 acres have been added, as shown in **Exhibit 3**. The greatest number of acres added to a single park is 180 acres added to Elk Neck State Park.

Exhibit 3
Maryland State Parks Acreage Increase from Program Open Space Acquisitions
July 27, 2016, through January 25, 2017

<u>County</u>	<u>BPW Date</u>	<u>Area</u>	<u>Managing Unit</u>	<u>Acres</u>
Washington	7/27/2016	South Mountain State Park	Parks	11
Frederick	7/27/2016	South Mountain State Park	Parks	20
Anne Arundel	8/17/2016	Franklin Point State Park	Parks	7
Frederick	9/7/2016	South Mountain State Park	Parks	6
Washington	9/7/2016	Fort Frederick State Park	Parks	<1
Queen Anne’s	12/21/2016	Wye Island Natural Resources Management Area	Parks	20
Cecil	12/21/2016	Elk Neck State Park	Parks	180
Frederick	1/25/2017	Washington Monument State Park	Parks	2
Total				245

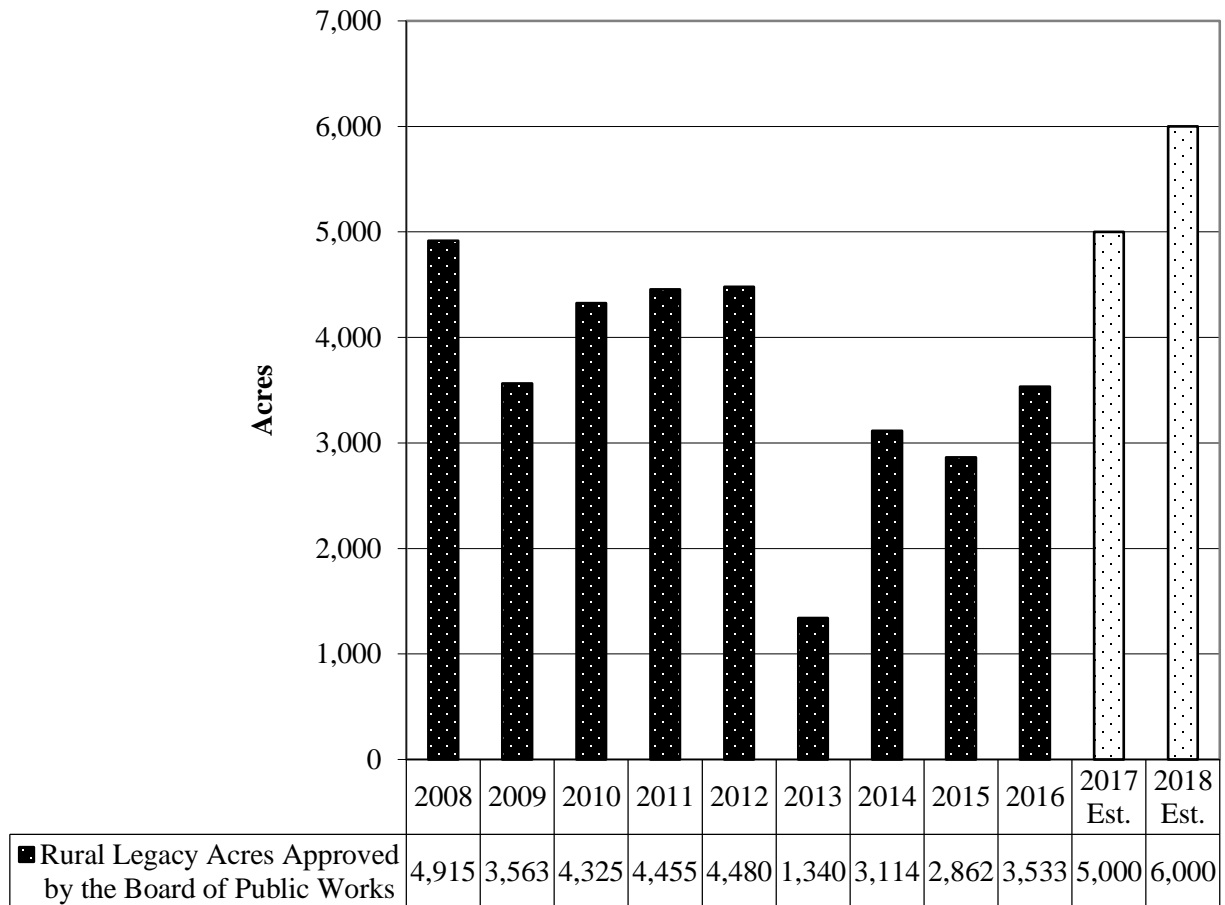
BPW: Board of Public Works

Source: Department of Natural Resources

Rural Legacy Program

Exhibit 4 shows that the number of approved Rural Legacy Program easement and fee simple acres increased 23% from 2,862 acres in fiscal 2015 to 3,533 in fiscal 2016 despite a decrease in funding between the two years. DNR has noted that all funding is encumbered when the year’s annual grant awards are taken to BPW, but it may take up to a year for signed projects to be brought to BPW to be approved. DNR has noted that the Rural Legacy Program receives requests that total \$97 million on average each year, which reflects a slight decrease in recent years because DNR has requested that the Rural Legacy Areas only submit their top priority projects due to limited funding. In terms of goals, 88,120 Rural Legacy Program acres are counted toward the calendar 2022 1,030,000-acre preservation goal from SJR 10 of 2002. Another goal is for each Rural Legacy Area to be at least 80% permanently preserved, including land protected by other State, local, and federal programs and by nonprofit organizations.

Exhibit 4
Rural Legacy Easement and Fee Simple Acres
Approved by the Board of Public Works
Fiscal 2008-2018 Est.



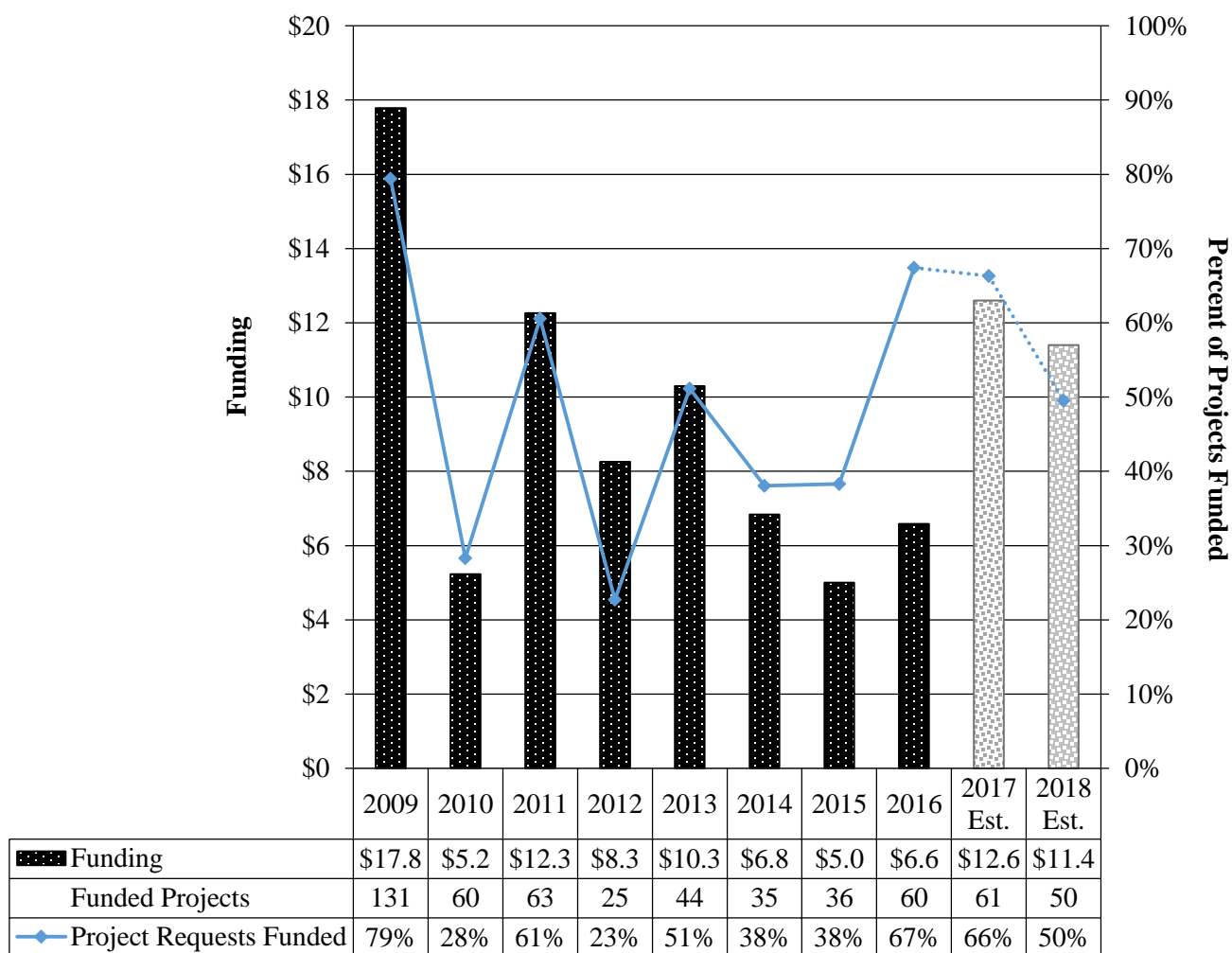
Source: Governor’s Budget Books, Fiscal 2007-2016; Department of Budget and Management

Waterway Improvement Program

As illustrated in **Exhibit 5**, the fiscal 2018 allowance will allow the WIP to fund an estimated 50% of the waterway project requests submitted; DNR has noted in the past that it has informed local jurisdictions to limit grant requests to those of the highest priority. For fiscal 2018, there are two large projects – second-year funding replacement of the M/V J.M. Tawes ice breaking buoy tender

(\$2,000,000) and Rogues Harbor Boat Ramp – Breakwater Installation (\$1,250,000) – as well as a number of fairly large dredging projects that reduce the funding available for smaller projects and thus helps to explain why a decrease of \$1.2 million between fiscal 2017 and 2018 translates to 11 fewer projects funded. DNR’s goal is to fund 80% of project requests; therefore, the fiscal 2018 allowance is 30 percentage points lower than the goal.

Exhibit 5
Waterway Project Requests Funded
Fiscal 2009-2018 Est.
(\$ in Millions)

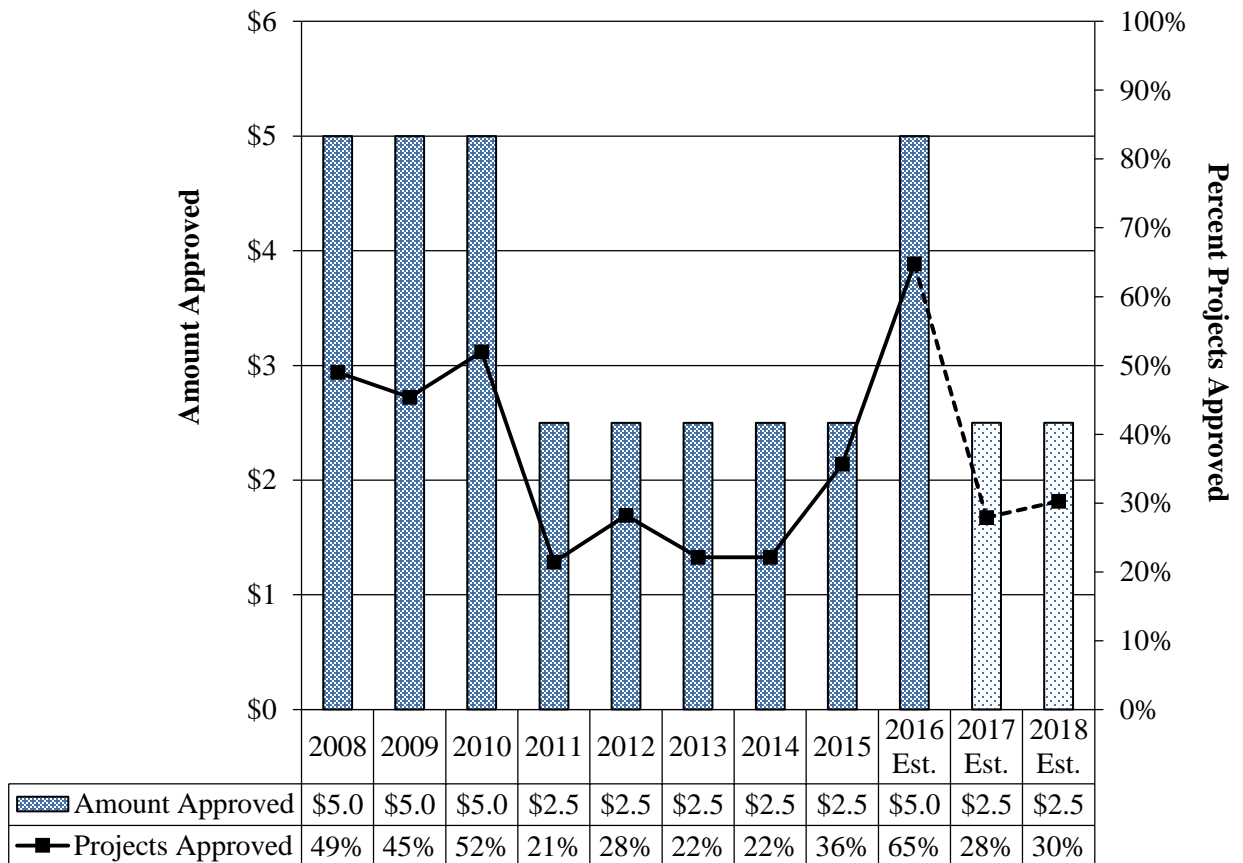


Source: Department of Budget and Management; Department of Natural Resources

Community Parks and Playgrounds

Exhibit 6 reflects the amount of funding approved for Community Parks and Playgrounds projects and the percent of projects requested that are approved. As can be seen, in recent years, the reduction in available funding from \$5.0 million to \$2.5 million has reduced the percent of projects that are approved. In fiscal 2016, the General Assembly added \$2.5 million to the Governor’s authorization, and thus, the number of projects approved increased. DNR notes that, in addition to the number of projects that seek funding, the per project cost must also be considered when looking at year-to-year comparisons.

Exhibit 6
Community Parks and Playgrounds Funding
Fiscal 2008-2018 Est.
(\$ in Millions)



Source: Department of Budget and Management; Department of Natural Resources

Budget Overview

Fiscal 2017 Budget Actions

Budget Amendment

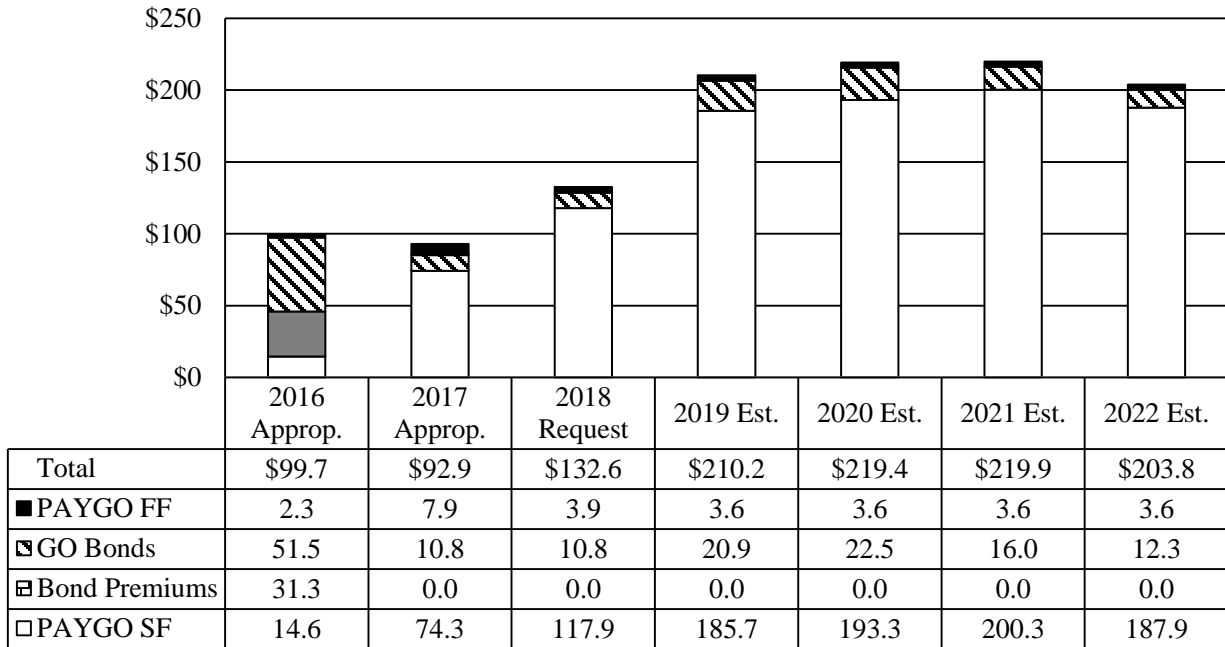
A fiscal 2017 budget amendment allocated POS funding as a grant to the Maryland Zoo in Baltimore as authorized by Chapter 10 (POS – Transfer Tax Repayment – Use of Funds) but used the fiscal 2017 POS appropriation instead of unencumbered balance because there is no balance from which to draw.

Fiscal 2018 Budget

Fiscal 2018 Budget

The fiscal 2018 allowance includes \$117.9 million in special funds, \$3.9 million in federal funds, and \$10.8 million in GO bonds. **Exhibit 7** shows the restoration of the transfer tax special funds since there are no more planned transfers to the General Fund, the repayment of the fiscal 2006 and fiscal 2016 to 2018 transfers to the General Fund, and the overall increase in funding due to the estimated transfer tax revenue increases over the five-year planning period in the 2017 CIP.

**Exhibit 7
DNR Capital Programs Funding
Fiscal 2016-2022 Est.
(\$ in Millions)**



DNR: Department of Natural Resources
FF: federal funds
GO: general obligation

PAYGO: pay-as-you-go
SF: special funds

Source: Governor’s Capital Budget; Department of Budget and Management Capital Budget Worksheets

Fiscal 2018 Transfer Modification

The fiscal 2018 budget plan includes the modification of transfer tax transfers to the General Fund that were originally authorized by Chapter 425 of 2013 and then subsequently modified by Chapter 10. In conjunction, the bills accomplish the following:

- reduce the fiscal 2018 authorized transfer by \$40.0 million from \$86.0 million to \$46.0 million;
- repurpose the \$40.0 million in fiscal 2018 for PAYGO capital programs to be appropriated as follows:
 - POS – State – \$3,412,000;

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- POS – Local – \$11,000,000;
 - Rural Legacy Program – \$9,000,000;
 - Critical Maintenance Program – \$2,000,000;
 - Natural Resources Development Fund – \$5,088,000;
 - Ocean City Beach Maintenance – \$500,000; and
 - Maryland Agricultural Land Preservation Foundation – \$9,000,000;
- specify a new allocation of POS – State allocation for Baltimore City in the amount of \$1.5 million in fiscal 2017, \$3.5 in fiscal 2018, \$5.5 million in fiscal 2019, and \$6.0 million in fiscal 2020 and each subsequent fiscal year;
 - provide for repayment of the \$90.0 million transferred in fiscal 2006 that will be paid out for the Next Generation Farmland Acquisition Program in fiscal 2018 (\$5.0 million); transfer tax funded capital programs for fiscal 2019 to 2021 that will be allocated through the formula (\$15.0 million per year, or \$45.0 million total); and park development and Critical Maintenance Program funding for fiscal 2019 to 2025 (\$6.0 million per year with the exception of \$4.0 million for fiscal 2025, or \$40.0 million total); and
 - provide for repayment of the fiscal 2016 to 2018 transfers, minus the \$72.0 million already replaced, that is to be allocated through the transfer tax formula and repaid one-third at a time by June 30, 2021 (\$50.7 million), June 30, 2025 (\$50.7 million), and June 30, 2029 (\$50.7 million).

Exhibit 8 shows the revenue and expenditure differences for the transfer tax between fiscal 2017 and 2018. On the revenue side, the revenue estimate increases by \$29.9 million, the overattainment (the revenue actual that is greater than the estimate for two years prior) is \$17.2 million, and the transfer to the General Fund is \$16.7 million less, which provides for a \$63.8 million increase in the funding available for distribution. On the expenditure side, there is an increase of \$55.8 million for distribution to capital programs and \$6.9 million for the Forest and Park Service, as well as \$0.9 million for the 3% administrative expenses allocation and \$0.2 million for debt service on the \$70.0 million issued for the POS Acquisition and Opportunity Loan of 2009.

Exhibit 8
Transfer Tax Difference
Fiscal 2017 and 2018

	<u>2017</u>	<u>2018</u>	<u>Difference</u>
Revenues			
Revenue Estimate	\$184,977,000	\$214,830,392	\$29,853,392
Overattainment (Fiscal 2015 and 2016, Respectively)	0	17,209,015	17,209,015
Transfer to General Fund	-62,771,000	-46,028,000	16,743,000
Total Revenue	\$122,206,000	\$186,011,407	\$63,805,407
Expenditures			
Administrative Expenses	\$5,549,310	\$6,444,912	\$895,602
Distribution for Capital Programs	79,513,225	135,324,442	55,811,217
Heritage Areas Authority	3,000,000	3,000,000	0
Forest and Park Service	27,567,982	34,506,853	6,938,871
Debt Service	6,575,484	6,735,201	159,717
Total Expenditures	\$122,206,001	\$186,011,408	\$63,805,407

Source: Department Budget and Management; Department of Legislative Services

Exhibit 9 reflects the difference between the 2016 and 2017 session estimates for fiscal 2018 transfer tax funding. As can be seen, the major changes are the revenue estimate increase of \$20,147,392 and the fiscal 2016 overattainment amount of \$17,209,015. As a result, there is \$37.4 million more available for distribution in fiscal 2018 than was estimated in the 2016 session. The majority of this funding, once again, is distributed to the capital programs.

Exhibit 9
Fiscal 2018 Transfer Tax Funding
2016 and 2017 Session Estimates

	<u>2018 Est.</u> <u>2016 Session</u>	<u>2018 Allow.</u> <u>2017 Session</u>	<u>Difference</u>
Revenues			
Revenue Estimate	\$194,683,000	\$214,830,392	\$20,147,392
Fiscal 2016 Overattainment	0	17,209,015	17,209,015
Transfer to General Fund	-46,028,000	-46,028,000	0
Total Revenue	\$148,655,000	\$186,011,407	\$37,356,407
Expenditures			
Administrative Expenses	\$5,840,490	\$6,444,912	\$604,422
Distribution for Capital Programs	104,096,280	135,324,442	31,228,162
Heritage Areas Authority	3,000,000	3,000,000	0
Forest and Park Service	28,983,029	34,506,853	5,523,824
Debt Service	6,735,201	6,735,201	0
Total Expenditures	\$148,655,000	\$186,011,408	\$37,356,408

Source: Department of Budget and Management

Exhibit 10 shows the fiscal 2018 allocation with the enhancement. As can be seen, the \$40.0 million enhancement – allocated per Chapter 10 of 2016 – provides for \$135.3 million in capital program funding from the transfer tax in fiscal 2018.

Exhibit 10
Transfer Tax Distribution for Capital Programs Receiving Enhancements
Fiscal 2018

<u>Program</u>	<u>Statutory Allocation</u>	<u>BRFA of 2013 General Fund Transfer</u>	<u>Estimated Allowance Before Enhancement 2018</u>	<u>2018 Enhancement 2018</u>	<u>Allowance 2018</u>
DNR – Land Acquisition and Planning					
Program Open Space – State Share	\$52,821,663	-\$24,757,000	\$28,064,663	\$3,412,000	\$31,476,663
Program Open Space – Local Share	49,960,279	-23,747,000	26,213,279	11,000,000	37,213,279
Rural Legacy Program	19,279,725	-9,366,000	9,913,725	9,000,000	18,913,725
Natural Resources Development Fund	14,308,000	-7,599,000	6,709,000	5,088,000	11,797,000
Critical Maintenance Program	6,000,000	-2,000,000	4,000,000	2,000,000	6,000,000
Ocean City Beach Maintenance	1,000,000	-500,000	500,000	500,000	1,000,000
Maryland Department of Agriculture – Maryland Agricultural Land Preservation Foundation	37,982,775	-18,059,000	19,923,775	9,000,000	28,923,775
Distribution for Programs with Enhancements	\$181,352,442	-\$86,028,000	\$95,324,442	\$40,000,000	\$135,324,442

BRFA: Budget Reconciliation and Financing Act
DNR: Department of Natural Resources

Note: The Program Open Space – State share fiscal 2018 funding includes \$3,500,000 for the Baltimore City Direct Grant. Of this amount, \$2,000,000 is required by Chapter 10 of 2016 to be used for the following purposes: Herring Run Park – \$500,000; Clifton Park – \$600,000; Druid Hill Park Trail Head – \$300,000; James Mosher Park – \$300,000; and Patterson Park – \$300,000.

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

Exhibit 11 shows a comparison between fiscal 2017 and 2018 funding for capital projects from the transfer tax.

Exhibit 11
Transfer Tax Distribution for Capital Programs
Fiscal 2017-2018

<u>Program</u>	<u>2017</u>	<u>2018</u>	<u>Difference</u>
DNR – Land Acquisition and Planning			
Program Open Space – State Share	\$19,368,428	\$31,476,663	\$12,108,235
Program Open Space – Local Share	21,690,973	37,213,279	15,522,306
Rural Legacy Program	12,663,385	18,913,725	6,250,341
Natural Resources Development Fund	3,062,000	11,797,000	8,735,000
Critical Maintenance Program	6,000,696	6,000,000	-696
Ocean City Beach Maintenance	500,000	1,000,000	500,000
Maryland Department of Agriculture – Maryland Agricultural Land Preservation Foundation	16,227,744	28,923,775	12,696,031
Distribution for Programs	\$79,513,225	\$135,324,442	\$55,811,217

DNR: Department of Natural Resources

Note: The Program Open Space – State Share includes funding for Baltimore City as follows: fiscal 2017 – \$4.0 million enhancement for a grant to the Eager Park project as part of the East Baltimore Development Initiative; \$1.5 million for the Baltimore City Direct Grant; and \$0.5 million for the Maryland Zoo in Baltimore; and fiscal 2018 – \$3.5 million for the Baltimore City Direct Grant.

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

Exhibit 12 reflects the transfer tax repayment to capital programs as required by Chapter 10. The repayment covers the \$90.0 million transferred in fiscal 2006, both distributed through the transfer tax formula and provided in specific amounts to the Critical Maintenance Program and Natural Resources Development Fund, and the \$152.1 million transferred between fiscal 2016 and 2018, which accounts for the \$72.0 million already repaid.

Exhibit 12
Transfer Tax Repayment to Capital Programs
Fiscal 2019-2029
(\$ in Millions)

<u>Repayment</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-2029</u>	<u>Total</u>
Fiscal 2006 Transfer – Distributed through Formula	\$15.0	\$15.0	\$15.0	\$0.0	\$0.0	\$45.0
Fiscal 2006 Transfer – Critical Maintenance/Natural Resources Development Fund	6.0	6.0	6.0	6.0	16.0	40.0
Fiscal 2016 to 2018 Transfers – Distributed through Formula*	16.9	16.9	16.9	12.7	88.8	152.2
Total	\$37.9	\$37.9	\$37.9	\$18.7	\$104.8	\$237.2

* Statute requires repayment of \$50.7 million by close of fiscal 2021. The Governor’s plan is to repay in \$16.9 million installments over three years.

Note: Chapter 10 of 2016 requires the repayment of one-third by fiscal 2021, two-thirds by fiscal 2015, and the full amount by fiscal 2029.

Source: Department of Budget and Management

Exhibit 13 shows the differences in funding that would flow to the capital programs supported by the transfer tax for the five years covered in the 2017 CIP (fiscal 2018 through 2022). Note that the amount of replacement to the capital programs is less than the total amount of replacement funds. This results from running the additional funds from repayments through the transfer tax formula as stipulated for a portion of the repayments in Chapter 10. As a result, a portion of the funds available for local POS would be directed to support the operations of the DNR Park Service consistent with how the transfer tax formula funds the park service from a portion of the allocation to local POS. For fiscal 2019, as a reference, this results in \$4.8 million of funding that enhances the park service operations instead of local POS. This difference applies also to fiscal 2020 and 2021 but is reduced to only \$1.9 million in fiscal 2022, since the amount of repayment through the formula is reduced from \$37.9 million to \$18.7 million in fiscal 2022 in the repayment plan.

Exhibit 13
Transfer Tax Comparison of Capital Program Funding Levels
Fiscal 2018 Governor Proposed – Fiscal 2019-2022 Programmed
(\$ in Millions)

	Transfer Tax Allocation Before <u>Chapter 10 of 2016</u>	Transfer Tax Allocation After <u>Chapter 10 of 2016</u>	<u>Difference</u>
2019			
POS – Stateside	\$55.4	\$68.3	\$12.9
POS – Local	48.3	55.5	7.2
Rural Legacy	18.9	20.5	1.6
Critical Maintenance Program	4.0	7.0	3.0
Ocean City – POS Share	1.0	1.0	0.0
Natural Resources Development Fund	10.5	13.5	3.0
Agricultural Land Preservation Program	36.7	42.2	5.4
Total	\$174.9	\$208.0	\$33.1
2020			
POS – Stateside	\$60.0	\$72.8	\$12.9
POS – Local	50.3	57.5	7.2
Rural Legacy	19.4	21.0	1.6
Critical Maintenance Program	4.0	7.0	3.0
Ocean City – POS Share	1.0	1.0	0.0
Natural Resources Development Fund	9.7	12.7	3.0
Agricultural Land Preservation Program	38.3	43.7	5.4
Total	\$182.7	\$215.8	\$33.1
2021			
POS – Stateside	\$64.1	\$77.0	\$12.9
POS – Local	52.2	59.4	7.2
Rural Legacy	19.8	21.4	1.6
Critical Maintenance Program	4.0	7.0	3.0
Ocean City – POS Share	1.0	1.0	0.0
Natural Resources Development Fund	9.0	12.0	3.0
Agricultural Land Preservation Program	39.7	45.1	5.4
Total	\$189.8	\$222.9	\$33.1

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	Transfer Tax Allocation Before <u>Chapter 10 of 2016</u>	Transfer Tax Allocation After <u>Chapter 10 of 2016</u>	<u>Difference</u>
2022			
POS – Stateside	\$67.3	\$72.4	\$5.1
POS – Local	54.0	56.9	2.9
Rural Legacy	20.2	20.8	0.6
Critical Maintenance Program	4.0	7.0	3.0
Ocean City – POS Share	1.0	1.0	0.0
Natural Resources Development Fund	9.0	12.0	3.0
Agricultural Land Preservation Program	41.1	43.2	2.2
Total	\$196.6	\$213.4	\$16.8

POS: Program Open Space

Note: The Governor’s repayment plan for diverted transfer tax as required by Chapter 10 of 2016 would provide \$37.9 million in each of fiscal 2019 through 2021. The amount that is directed to capital programs totals \$33.1 million, which reflects a portion of the repayment to POS – Local allocated to the Department of Natural Resources Forest and Park Service resulting from the replacement allocation through the transfer tax formula. For fiscal 2022, the repayment amount is \$18.7 million with \$16.8 million allocated to capital programs and the difference allocated to the Forest and Park Service.

Source: Department of Budget and Management

Future Transfer Tax Revenues

As shown in **Exhibit 14**, the transfer tax estimate for fiscal 2018 is \$214.8 million, which increases to \$251.3 million in fiscal 2022. The difficulty in estimating the transfer tax can be seen in the fiscal 2018 numbers: the December 2012 through 2016 estimates for fiscal 2018 have been \$221.3 million, \$209.3 million, \$184.0 million, \$194.7 million, and \$214.8 million, respectively. This underscores the difficulty of funding annual programs from a volatile funding source.

Exhibit 14
Property Transfer Tax Revenue Projections
Fiscal 2009-2022
(\$ in Millions)

<u>Fiscal</u> <u>Years</u>	<u>Dec.</u> <u>2007</u> <u>Est.</u>	<u>Dec.</u> <u>2008</u> <u>Est.</u>	<u>Dec.</u> <u>2009</u> <u>Est.</u>	<u>Dec.</u> <u>2010</u> <u>Est.</u>	<u>Dec.</u> <u>2011</u> <u>Est.</u>	<u>Dec.</u> <u>2012</u> <u>Est.</u>	<u>Dec.</u> <u>2013</u> <u>Est.</u>	<u>Dec.</u> <u>2014</u> <u>Est.</u>	<u>Dec.</u> <u>2015</u> <u>Est.</u>	<u>Dec.</u> <u>2016</u> <u>Est.</u>
2009	\$166.3	\$121.5	\$113.7							
2010	181.4	114.7	116.5							
2011	184.0	121.4	149.9	\$113.8						
2012	187.5	130.0	169.2	118.9	\$118.5					
2013	191.5	135.4	176.2	134.0	131.3					
2014	n/a	138.1	190.8	157.4	153.4	\$164.0				
2015	n/a	n/a	201.3	174.2	179.6	187.1	\$193.5	\$161.0		
2016	n/a	n/a	208.5	177.8	196.8	200.6	203.8	174.5	\$184.9	
2017	n/a	n/a	n/a	n/a	206.7	213.2	203.6	181.5	185.0	\$203.2
2018	n/a	n/a	n/a	n/a	n/a	221.3	209.3	184.0	194.7	214.8
2019	n/a	n/a	n/a	n/a	n/a	n/a	215.6	191.4	203.0	225.1
2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a	198.0	211.2	234.3
2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	219.2	243.0
2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	251.3

Source: Comptroller of Maryland; Department of Budget and Management

Program Highlights

The changes in funding for fiscal 2018 are reflected in **Exhibit 15**.

Exhibit 15
DNR Capital Budget Changes
Fiscal 2017-2018
(\$ in Millions)

<u>Program</u>	<u>2017</u>	<u>2018</u>	<u>Difference</u>
POS – Land Acquisition and Local Program	\$46.8	\$71.7	\$24.9
POS – Natural Resources Development Fund	3.1	11.8	8.7
Rural Legacy Program	17.7	23.9	6.3
Ocean City Beach Maintenance	1.0	2.0	1.0
Coastal Resiliency Program	0.0	0.5	0.5
Community Parks and Playgrounds	2.5	2.5	0.0
POS – Critical Maintenance	6.0	6.0	0.0
Oyster Restoration Program	3.3	2.7	-0.6
Waterway Improvement Program	12.6	11.4	-1.2
Total	\$92.9	\$132.6	\$39.6

DNR: Department of Natural Resources
 POS: Program Open Space

Source: Department of Legislative Services

The highlighted changes in funding are as follows.

- POS – Land Acquisition and Local Program:** The fiscal 2018 allowance includes \$68.7 million in special funds and \$3.0 million in federal funds. Of this appropriation, \$31.5 million in special funds is allocated to POS – State and \$37.2 million in special funds is allocated to POS – Local; the \$3.0 million in federal funds could be used by either POS – State or POS – Local. Of note, 13 counties have met their POS – Local land acquisition goals, as stated in their 2012 Land Preservation, Parks, and Recreation Plans: Allegany, Caroline, Carroll, Dorchester, Frederick, Garrett, Kent, Queen Anne’s, Somerset, Talbot, Washington, Wicomico, and Worcester. The overall Baltimore City Direct Grant includes the \$1.5 million base amount provided in previous years and \$2.0 million in additional funding mandated by Chapter 10 to be provided for the Herring Run Park, Clifton Park, Druid Hill Park Trail Head, James Mosher Park, and Patterson Park projects. The use of funds for these projects is reflected in **Exhibit 16**. The overall increase in funding of \$24.9 million between fiscal 2017 and 2018, primarily reflects the increased transfer tax special fund revenues noted previously: the increase in the revenue estimate; the reduction in the amount transferred to the General Fund; and the availability of overattainment from fiscal 2016. The fiscal 2018 funding for POS – State land acquisition would conserve approximately 7,000 acres.

Exhibit 16
Baltimore City Direct Grant Funding Specified in Chapter 10 of 2016
Fiscal 2018

<u>Project</u>	<u>Amount</u>	<u>Description</u>
Herring Run Park	\$500,000	Renovate athletic fields in Herring Run Park.
Clifton Park	600,000	Renovate athletic field in Clifton Park.
Druid Hill Park Trail Head	300,000	Create a trail head for the Jones Falls Trail and Stony Run Trail in Druid Hill Park that will include parking to serve the trail, adjacent pool, tennis courts, and athletic fields in the area; and construct a paved walking path between Jones Falls Trail and Stony Run Trail.
Patterson Park	300,000	Install park lighting, expand the community garden, renovate park entrances, and construct path improvements including improvements to ADA accessibility.
James Mosher Park	300,000	DNR notes that Baltimore City is working with other organizations to complete athletic field renovations at James Mosher Park. HB 1154 (Program Open Space – Baltimore City Grants – Use of Grant Funds) has been introduced in the 2017 legislative session to specify that the funding be used for athletic field renovations at Gwynns Falls Park instead.
Total	\$2,000,000	

ADA: Americans with Disabilities Act

DNR: Department of Natural Resources

Source: Department of Natural Resources

- POS – Natural Resources Development Fund:** The POS – Natural Resources Development Fund appropriation includes \$11.8 million in transfer tax special funds for fiscal 2018. The fiscal 2018 budget reflects an increase of \$8.7 million relative to the fiscal 2017 appropriation and \$1.7 million relative to the amount programmed in the 2016 CIP for fiscal 2018. The fiscal 2018 appropriation would provide funding for the following projects: Point Lookout State Park – lighthouse restoration (\$3.5 million), Cunningham Falls State Park – day-use improvements (\$3.0 million), Bloede Dam – removal (\$2.0 million), Rocks State Park – comfort station replacement (\$1,089,000), Garrett County State Park – trail construction (\$780,000), Wellington Wildlife Management Area – building renovation (\$596,000), Rocky Gap State Park – dam repairs (\$500,000), Smallwood State Park – campground improvements (\$239,000), and Bill Burton Fishing Pier – structural assessment (\$150,000). DNR notes that recent bids have been running high relative to estimated costs that were compiled a few years ago. For instance, the bids came in too high for the Wellington Wildlife Management Area – building renovation project. The contract elements are being revised, and \$596,000 in additional funding

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is being requested in fiscal 2018 with the intent to rebid the project and award a contract in summer 2017.

- ***Rural Legacy Program:*** The Rural Legacy Program’s fiscal 2018 allowance provides \$18.9 million in special funds and \$5.0 million GO bonds as mandated under Section 5-9A-09 of the Natural Resources Article. The funding increase between fiscal 2017 and 2018 of \$6.3 million reflects the additional transfer tax special funds for the reasons noted above. The fiscal 2018 cost per acre is estimated to be \$3,500, which would allow for the preservation of approximately 6,800 acres.
- ***Ocean City Beach Maintenance:*** The Ocean City Beach Maintenance appropriation is \$2.0 million in special funds comprised of \$1.0 million from the State and \$1.0 million in special funds for Worcester County (\$475,000), Ocean City (\$475,000), and fund interest (\$50,000) shares of the next regularly scheduled beach nourishment project. The fiscal 2018 funding is an increase of \$1.0 million relative to the fiscal 2017 appropriation but is level with the fiscal 2018 amount programmed in the 2016 CIP. DNR notes that the 2017 CIP reflects an increase in Ocean City Beach Maintenance funding programmed for fiscal 2019 and 2020 due to the costs of winter storm Jonas, and the fact that DNR has determined that the \$15.0 million Ocean City Beach Replenishment Fund cap may need to be raised pending the determination of the cost estimate for the upcoming nourishment project. The beach nourishment project is now planned to begin in fiscal 2017 and extend into fiscal 2018 as a result of the damage from the January 22 through 24, 2016 winter storm, Jonas. DNR has noted that there will be two components to the overall beach nourishment project, which will involve the use of approximately 800,000 cubic yards of sand, as follows: (1) emergency repairs due to winter storm Jonas that will be 100% funded by the federal government for an estimated total of \$8.5 million and will include pumping sand onto the beach, storm berm, and dunes to bring the project up to the pre-storm condition; and (2) full design level of protection and nourishment, that will be cost shared between the federal government (\$6.1 million or 53%) and the State, Worcester County, and Ocean City (\$5.4 million, or 47%) to include sand replenishment, dune repairs, fencing repairs, cross-over repairs, dune grass plantings, and replacement of bulkhead access ramps and stairs. Therefore, DNR plans on encumbering \$5.4 million for the nourishment portion of Ocean City Beach Maintenance in fiscal 2017.
- ***Coastal Resiliency Program:*** The fiscal 2018 allowance of first-time funding for the CRP includes \$540,000 in GO bonds. The funding provides for planning funding for shoreline improvements at six projects in five jurisdictions as shown in **Exhibit 17**. One of the components of CRP is the allocation of adaptive management funding for projects. This funding reflects the need to revisit a site to make sure the natural engineering solutions are growing as intended. Future year construction funding is programmed in the 2017 CIP and the State’s share is 100% of the total project cost. CRP is discussed as an Issue in this analysis.

Exhibit 17
Coastal Resiliency Program Project Funding
Fiscal 2018

Shoreline Improvement Projects	Jurisdiction	Amount	Future Request	Description
Franklin Point Park	Anne Arundel	\$120,000	\$2,880,000	Construct 4,200 linear feet of living shoreline at Franklin Point Park using breakwaters and climate-resilient features.
Long View Community	Anne Arundel	15,000	85,000	Construct 200 linear feet of living shoreline at the Long View using sills and other living shoreline techniques and climate-resilient features.
Hurst Creek	Dorchester	190,000	1,310,000	Dredge Hurst Creek to improve navigation; the dredge material will be used for a climate-resilient living shoreline project off of the Choptank River.
Eagle Harbor	Prince George's	150,000	1,000,000	Construct over 1,000 liner feet of living shoreline at Eagle Harbor using living shoreline techniques and upland treatment to address storm flows from high-intensity rain events.
Deal Island	Somerset	35,000	265,000	Construct 1,200 linear feet of shoreline at Deal Island using breakwaters and a dunal system that will provide for an enhanced wetland migration corridor.
St. Catherine's Island	St. Mary's	30,000	470,000	Improve 1,200 linear feet of shoreline at St. Catherine's Island using breakwaters and sills to increase resiliency from erosion associated with sea-level rise and storm surge.
Total		\$540,000	\$6,010,000	

Source: Department of Budget and Management

- Community Parks and Playgrounds:** The fiscal 2018 allowance includes \$2.5 million in GO bonds for the Community Parks and Playgrounds program, which is level with both the fiscal 2017 appropriation and the 2016 CIP amount programmed for fiscal 2018. The fiscal 2018 funding provides for 23 projects in 13 subdivisions.

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- ***POS – Critical Maintenance Program:*** There is \$6.0 million in special funds in the fiscal 2018 allowance for the POS – Critical Maintenance Program. The fiscal 2018 funding level is roughly equal with the fiscal 2017 appropriation and the 2016 CIP amount programmed for fiscal 2018. The fiscal 2018 budget includes funding for 58 projects and 4 statewide general project categories as follows: statewide – building razing (\$250,000); statewide – bridge inspections and repairs (\$220,000); statewide – housing assessment program (\$220,000); and statewide – contingencies (\$16,000). The fiscal 2018 funding provides for the construction of the following selected larger projects: Washington Monument State Park – resurface the roads and parking area (\$400,000); Cedarville State Forest – resurface the Bee Oak Road and visitor center parking lot (\$375,000); Greenbrier State Park – resurface the entrance road, contact station, and shop lot (\$375,000); Green Ridge State Forest – repair Twig and Gordon Roads (\$300,000); Cunningham Falls State Park – replace guardrails at the Houck Campground (\$275,000); Point Lookout State Park – replace a culvert pipe (\$270,000); Assateague State Park – repair and realign the camploop road (\$250,000); Soldier’s Delight Natural Environment Area – replace heating, ventilation, and air conditioning system at the visitor’s center (\$250,000); and Fair Hill Natural Resources Management Area – pave the fairgrounds (\$250,000).
- ***Oyster Restoration Program:*** The fiscal 2018 allowance includes \$2.7 million in GO bond authorization for the Oyster Restoration Program. This is less than both the fiscal 2017 appropriation of \$3.3 million and the 2016 CIP amount of \$7.6 million and reflects the plan to wait to determine the fourth and fifth tributaries to be restored before providing construction funding. The fiscal 2018 funding will provide for \$2.2 million for reef construction in the Little Choptank River – 28 acres of habitat out of the remaining 118 acres \$9.3 million – and \$0.5 million for oyster spat maintenance planting on previously constructed reef in Harris Creek – 33 acres using 135 million spat at \$3,695 per million spat. Of note, no funding is provided for Maryland Agricultural and Resource-Based Industry Development Corporation aquaculture loans in fiscal 2018. The 2017 CIP reflects \$8.9 million in fiscal 2019, \$8.8 million in fiscal 2020, \$3.9 million in fiscal 2021, and \$4.1 million in fiscal 2022 over the five-year planning period. On a historical note, the \$1.0 million in fiscal 2016 federal funding that was reported as being lost by Maryland due to a delay in restoration in the Tred Avon River was in fact shifted during federal fiscal 2016 from the U.S. Army Corps of Engineers’ Baltimore District to the Norfolk District, which meant that this funding was not spent in Maryland for oyster restoration in federal fiscal 2016. However, the Baltimore District did spend \$1.0 million in federal fiscal 2017 for the same proposed project in Maryland – a contract of approximately \$1.0 million was awarded to Blue Forge LLC on September 26, 2016, and work resumed on December 14, 2016 – and therefore, the \$1.0 million in question was simply spent in a different federal fiscal year and was not, in fact, lost by Maryland when both federal fiscal 2016 and 2017 are considered. The Oyster Restoration Program is discussed further as an Issue in this analysis.
- ***Waterway Improvement Program:*** The WIP’s fiscal 2018 allowance includes \$10.5 million in special funds and \$0.9 million in federal funds. This reflects a \$0.3 million increase in federal funds relative to the 2016 CIP and a decrease of \$1.2 million in federal funds relative to the

fiscal 2017 appropriation. The shift in federal funds reflects that DNR does not anticipate receiving a federal Tier II Boating Infrastructure Grant for \$1.5 million in fiscal 2018 but does anticipate completing one federal Boating Infrastructure Grant Tier I project for \$200,000, along with three proposed federal boating access projects for approximately \$700,000 for a total of \$900,000. As noted in last year's analysis, the WIP's out-year \$10.5 million special fund levels programmed in the 2016 CIP were based on fund balance that has been spent down. Therefore, the 2017 CIP reflects \$6.5 million per year out-year spending levels, although a further reduction in out-year spending levels may be needed if operating expenses continue to increase as they have in recent years and if revenues do not keep pace. The fiscal 2018 project list includes second-year funding of \$2.0 million for the replacement of the State-owned M/V J.M. Tawes ice breaking buoy tender. DNR has notes that the 72-year old vessel replacement is necessary due to its inefficiency, expensive repairs, and safety concerns. Overall, the vessel replacement cost was estimated to be \$5.0 million to \$6.0 million in last year's analysis but has since increased to \$7.0 million. Other large projects in the fiscal 2018 allowance include the following: Rogues Harbor Boat Ramp – Breakwater Installation in Cecil County – \$1,250,000; U.S. Fish and Wildlife-funded projects statewide – \$900,000; dredging projects for Bird River and Railroad Creek in Baltimore County – \$740,000; Chesapeake City Back Creek Basin in Cecil County – \$620,000; City Yacht Basin in Harford County – \$574,000; Broadwater Creek in Anne Arundel County – \$526,575; Kent Narrows in Queen Anne's County – \$500,000; and Carrs Creek in Anne Arundel County – \$407,509. The fiscal 2018 allowance provides for 50 projects throughout the State.

Issues

1. Vessel Excise Tax Cap Made Permanent but Most Recent Impact Report Not Submitted and Dredging Needs Unaddressed

As noted in previous years, the WIP's funding needs, both operating and PAYGO budgets, outstrip the funding availability. This has been exacerbated in recent years by the decline in vessel excise tax revenues, from a high of \$29.4 million in fiscal 2007 to the current fiscal 2018 estimate of \$20.2 million, and the ongoing needs for channel dredging due to sediment coming into the Chesapeake Bay system and the funding constraints that have limited the U.S. Army Corps of Engineers' ability to fund federal shallow water channels. The vessel excise tax cap may be one reason for some of the revenue loss, but a recently required report has not been submitted that would provide further data on this concern.

Vessel Excise Tax Cap

Chapter 180, in addition to establishing the vessel excise tax \$15,000 cap, also (1) required DNR to report, on or before August 1 of 2014, 2015, and 2016, on the effect of the \$15,000 per vessel cap on the number and type of vessels registered in the State and the health of the boating industry; and (2) established a Task Force to Study Enhancing Boating and the Boating Industry in Maryland that was to consider, among other things, the impact of modifying the State vessel excise tax rate and boat

registration fees. Chapters 656 and 657 of 2016 (Natural Resources – Vessel Excise Tax Cap – Amount and Repeal of Termination) made permanent the \$15,000 limit on the amount of vessel excise tax that may be imposed on any vessel but required the cap to increase by \$100 on July 1 of each year beginning on July 1, 2016.

The impact on special fund revenues in fiscal 2017 and future years cannot be reliably estimated due to the uncertainty of the effect of the cap on the number and fair market value of vessels subject to the tax. For illustrative purposes only, based on fiscal 2015 vessel excise tax collections, the maximum loss of revenue that could have resulted from the cap in fiscal 2015 was approximately \$3.0 million. Assuming the cap increased the number and fair market value of vessels paying the tax, as was estimated in a fiscal analysis of calendar 2014 collections, the revenue loss may have been significantly less.

DNR notes that it does not currently have updated numbers for the impact of the \$15,000 per vessel cap on the number and type of vessels registered in the State since the 2016 *Recreational Boating and Fiscal Analysis Study* is pending approval prior to release. However, as noted above, the report was required to be submitted on August 1, 2016.

Dredging Needs Underfunded

DNR notes that there is uncertainty surrounding whether the U.S. Army Corps of Engineers will maintain its federal shallow water channels in Maryland. Should the U.S. Army Corps of Engineers completely abdicate responsibility for maintaining its federal shallow water channels, then DNR estimates the funding needed to operate its operating and PAYGO/capital budgets would increase from \$35.0 million to \$41.0 million. For instance, in fiscal 2018, DNR received 22 applications for dredging projects totaling more than \$9.0 million, which understates the need for dredging because counties will only prepare applications based on what is likely to be funded in a given year. The fiscal 2018 budget only provides for \$4.3 million for dredging projects. **DLS recommends that DNR comment on why it has not submitted the 2016 *Recreational Boating and Fiscal Analysis Study* as required by statute. In addition, DLS recommends that DNR comment on how it will handle the need for dredging funding, particularly given the uncertainty surrounding whether the U.S. Army Corps of Engineers will maintain its federal shallow water channels in Maryland.**

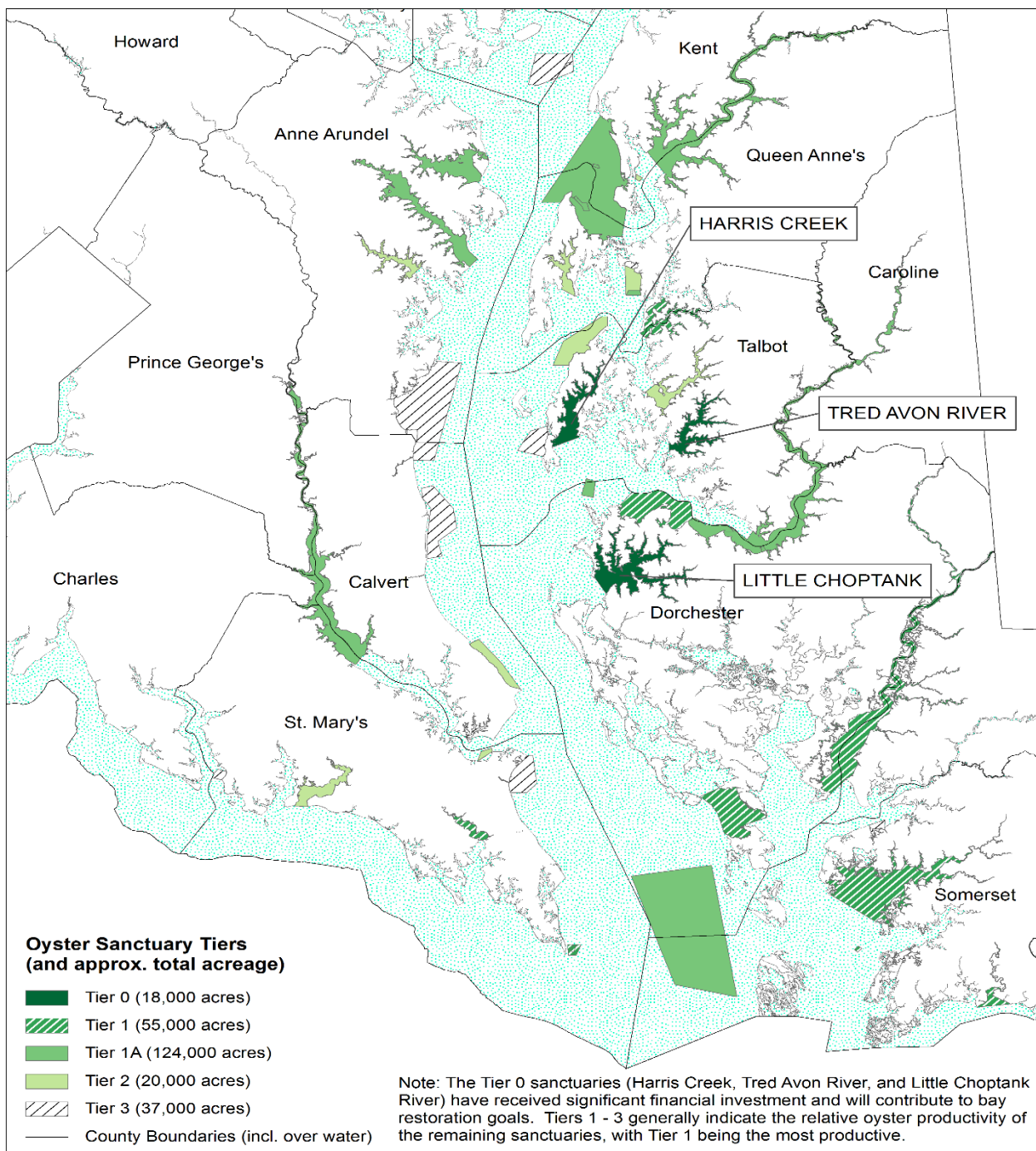
2. Oyster Restoration Slows Until Two Remaining Tributaries to Be Restored Are Named

In January 2014, Maryland signed the new Chesapeake Bay Agreement, which updated the number of tributaries that Maryland is called upon to restore with oysters. The previous Chesapeake Bay Agreement cited the restoration of 20 tributaries – 10 in each of Maryland and Virginia – by the 2025 Chesapeake Bay restoration deadline. The 2014 Chesapeake Bay Agreement reduced the goal by half – 5 tributaries restored in each of Maryland and Virginia.

Oyster Restoration Tributaries

So far, Maryland has selected three tributaries – Harris Creek, Little Choptank River, and Tred Avon River – for oyster restoration as shown in **Exhibit 18**. The recently completed *Oyster Management Review: 2010-2015* showed that in general oyster sanctuaries experienced increased oyster biomass and reproductive potential. The *Consolidated Strawman Management Plan Proposal: Proposed Changes to Current Oyster Management Areas* presentation to the Oyster Advisory Commission by DNR on February 13, 2017, informs the selection of the two remaining tributaries to be restored.

Exhibit 18 Oyster Sanctuary Tiers



Source: Department of Natural Resources; Department of Legislative Services

DNR notes that the timeline for selecting the two remaining tributaries is as follows.

- **July 2016:** The Oyster Advisory Commission re-formed and began discussing the next two tributaries, among other tasks.
- **September to January 2017:** The Oyster Advisory Commission was briefed on the contents and data in the *Oyster Management Review: 2010-2015*, learned about the candidate tributaries and discussed options, developed criteria for the next two tributaries and created a list of eight candidates.
- **February 2017:** The Oyster Advisory Commission discussed the next two tributaries in the context of sanctuary proposals received from the oyster industry and environmental groups.
- **May 2017:** The next two tributaries to be restored will be named.

The *Consolidated Strawman Management Plan Proposal: Proposed Changes to Current Oyster Management Areas* reflects the following oyster restoration guidelines: keep the financial investment low; make sure the selected sanctuaries are not in close proximity to the Choptank River complex; moderate between the sanctuaries being too big or too small; ensure there is potential to restore oyster bottom; and require a good chance of success. In terms of restoration activity, the plan notes the following: that shell is limited and the desire is to use it in the public fishery areas, a mixture of alternative substrate and shell should be used in the eventual five restoration partnership sanctuaries, and that stone should always be capped with shell. The possible sanctuaries based on preliminary votes of the Oyster Advisory Commission are shown in **Exhibit 19**.

Exhibit 19
Oyster Advisory Commission Preliminary Votes on Two Remaining Oyster
Restoration Sanctuaries
February 2017

<u>Sanctuary</u>	<u>Tier</u>	<u>Year Est.</u>	<u>Acres:</u>		<u>Oyster Trends</u>	<u>Votes For</u>	<u>Votes Against</u>
			<u>Total</u>	<u>Historic</u>			
Manokin River	1	2010	16,320	11,040	Abundance: increasing Biomass: increasing Survival: increasing	9	3
Breton Bay	2	2010	3,212	888	Abundance: no change Biomass: decreasing Survival: increasing	9	0
St. Mary's River	1	2010	1,304	89	Abundance: no change Biomass: increasing Survival: increasing	8	5

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<u>Sanctuary</u>	<u>Tier</u>	<u>Year Est.</u>	<u>Acres: Total/Historic Oyster Bottom</u>	<u>Oyster Trends</u>	<u>Votes For</u>	<u>Votes Against</u>
Hooper Strait	1	2009	7,307/5,317	Abundance: increasing Biomass: no data Survival: no change	8	2
Nanticoke River	1	2010	16,699/576	Abundance: increasing Biomass: increasing Survival: increasing	7	2
Magothy River	1A	2010	5,607/230	Abundance: no data Biomass: no data Survival: no data	6	2
Severn River	1A	1998	7,804/1,376	Abundance: increasing Biomass: no data Survival: decreasing	3	3
South River	2	2000 (MDE restricted area)	2,327/141	Abundance: no change Biomass: no data Survival: decreasing	3	1

MDE: Maryland Department of the Environment

Source: Department of Natural Resources

Man O’War Shoal

As noted in last year’s analysis, obtaining sufficient inexpensive shell substrate is a key component of DNR’s oyster restoration success. The Man O’War Shoal near the mouth of the Patapsco River is a leading candidate for shell provision. DNR submitted a permit to dredge up to 5 million bushels of shell from Man O’War Shoal in July 15, 2015. Public hearings in early February 2016 reflected mostly opposition at the Baltimore hearing and mostly support at the Cambridge hearing. The permit is still under review by the U.S. Army Corps of Engineers’ regulatory division. Maryland responded to a second set of questions on February 13, 2017, and understands that the U.S. Army Corps of Engineers will likely reply with a decision within several months.

DLS recommends that DNR comment on how each of the following factors will be weighed in determining the final two oyster restoration tributaries: the level of financial investment, proximity to the Choptank River complex, sanctuary size, the potential to restore oyster bottom, and chance of success.

3. Positions and Funding Needed for Administering Additional Critical Maintenance and Natural Resources Development Fund Projects

Chapter 10 provides an additional \$3.0 million to each of the Natural Resources Development Fund and Critical Maintenance Program from fiscal 2019 through 2022. The fiscal note for the bill included general fund personnel expenditures of \$670,147 in fiscal 2019 and similar amounts in future years, which accounted for additional funding being available for park development and critical maintenance projects under the specific appropriations for those purposes in fiscal 2019 and future years under the bill. The estimate reflected the cost of hiring 7 project management and engineering personnel in DNR and DGS (3 positions in DNR and 4 positions in DGS). The additional personnel were accounted for since existing personnel in each agency assigned to DNR park development and critical maintenance projects cannot handle the administration of the additional projects that are undertaken with the significant additional funding provided under the bill.

DNR’s fiscal 2018 budget would be expected to include some increase in funding to reflect the need for the additional positions. In fact, there is a reduction in the turnover rate in DNR’s Engineering and Construction unit, but this amounts to only approximately \$135,000 in additional funding. In addition, there currently is only 1 vacant position in the Engineering and Construction unit – an Agency Project Engineer-Architect. Therefore, the reduction in the turnover rate appears to allow DNR to hire for 1 vacant position and thus will require DNR to request 2 more positions or reclassify other vacancies in the agency, let alone the 4 positions required in DGS. DNR also recently lost 4 long-standing staff members to retirement and, while almost fully staffed again, it will be challenged by the loss of institutional knowledge and experience. DNR notes that it is always looking for ways to increase its productivity, such as by combining similar projects and thus allowing it to complete a number of projects in the same amount of planning and design time. **DLS recommends that DNR comment on how it will make up for insufficient staffing in order to expeditiously use the additional funding budgeted in the out-years for the Natural Resources Development Fund and Critical Maintenance Program.**

4. Coastal Resiliency Program Cobbles Together Techniques from Other Programs

CRP receives first-time funding in fiscal 2018 and is programmed to receive out-year funding in the 2017 CIP. CRP functions appear to overlap with the Shoreline Erosion Control Revolving Loan Fund in DNR’s operating budget, the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in DNR’s operating budget, the WIP in DNR’s PAYGO capital budget, and the WQRLF in MDE’s PAYGO capital budget. This raises the question of the need for the program, the degree of overlap with other programs, alternative financing models, and the criteria by which projects are selected. The concerns are discussed as follows.

- **CRP Need:** DNR notes that risks from extreme weather and climate-related events are increasing and that sea level rises and storm surges represent substantial fiscal and physical threats to coastal communities. In response, DNR proposes that CRP eventually fund 15 high

priority demonstration projects, of which 6 are funded in fiscal 2018 for design, with another 9 lower priority projects that could benefit from the types of climate-resilient features reflected in the projects: living shorelines, marshes, dunes, mid-bay islands, maritime forests, and reconnecting streams with their floodplains to reduce the flashiness of storm flows. As an example, DNR gives the Ferry Point project on Kent Island. This project involved a combination of federal, State, local, and nonprofit funding and the use of clean fill from the dredging of Kent Narrows in order to provide for shoreline protection. Overall, it was estimated that the project protected \$79 million in infrastructure associated with the marinas, commercial businesses, and residential areas in the lee of Ferry Point.

- ***Overlap:*** The CRP borrows the techniques from at least four other operating and PAYGO capital programs. For instance, CRP uses the following: the Shore Erosion Control Revolving Loan Fund’s living shorelines techniques in a number of projects; the WIP’s dredging for the Hurst Creek – Shoreline Improvements project; and both the WQRLF and Chesapeake and Atlantic Coastal Bays 2010 Trust Fund’s stormwater remediation work for the Eagle Harbor – Shoreline Improvements project. In fact, CRP most closely resembles the Shore Erosion Control Revolving Loan Fund, which was previously budgeted as a PAYGO capital program before the Shore Erosion Control Revolving Loan Fund’s focus shifted from structural to living shoreline practices and it was determined that the Shore Erosion Control Revolving Loan Fund was no longer appropriately budgeted as a PAYGO capital program. DNR notes that the Shore Erosion Control Revolving Loan Fund is constrained by user requests rather than allowing DNR the flexibility to target resources, the WIP is overburdened, and both the WQRLF and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund are narrowly focused on water quality outcomes and not on the complex interplay between upland events and the coast.
- ***Alternative Financing Arrangements:*** In terms of alternative financing opportunities, there is the possibility of the creation of special benefit districts – taxing districts – or the requirement for some kind of cost sharing. DNR notes that the targeted grants of the CRP would fit better within the proposal of funding targeted construction-ready projects within a year. Although, DNR notes that in the future, it would evaluate the use of competitive solicitations and other mechanisms to secure local and private funding matches as a means to broaden the reach of the State’s investment and thus move away from a grant model.
- ***Project Selection Criteria:*** The CRP project selection criteria is based on the Maryland Coastal Resiliency Assessment, which in turn addresses the following questions: where are the hazards, where are the people, and where are the habitats? Based on the answers to the questions, a Shoreline Hazard Index is calculated, which estimates the relative exposure to coastal hazards for the entire Maryland shoreline; delineation of Coastal Community Flood Risk Areas; selection of Priority Shoreline Areas for conservation and/or restoration; and the calculation of a Marsh Protection Potential Index. As noted previously, the fiscal 2018 projects selected are based on the following factors: (1) the vulnerability of the habitat and community; (2) project readiness and status (designed/permitted); (3) the location and priority tier within the Maryland Coastal Resiliency Assessment; and (4) the level of community engagement. In general, the projects are selected based on the protection of areas where communities are at high risk, not

just singular private properties, and are constructed on public lands – waters of the State below the mean high-water mark.

DLS recommends that DNR comment on why the CRP belongs in the capital budget when the Shore Erosion Control Revolving Loan Fund was moved to DNR’s operating budget partially because living shorelines were not considered capital projects.

Updates

1. Deep Creek Lake Dredging Not on Fiscal 2018 Project List

DNR’s fiscal 2016 and 2017 PAYGO capital budgets both restricted \$250,000 in WIP special funds for Deep Creek Lake dredging projects. DNR notes that the \$250,000 in fiscal 2016 funding was allocated out of the statewide/emergency dredging portion of the previously approved fiscal 2016 WIP project list, that the funding was obligated, and that MES was contracted by Garrett County on September 6, 2016, to examine issues such as the acquisition of all necessary permits; environmental impact; disposal site identification; the practicality of dredging; cost; and outreach to Garrett County personnel, citizens, and special interest groups for the project. The feasibility study, previously called the *Deep Creek Lake Monitoring of Sediment Impacts on Boating Channels* study, will be completed before May 31, 2017, when the contract with MES ends. The fiscal 2017 funding has been set aside pending the results of the feasibility study.

DNR notes that staff typically visit proposed project sites with the proposed project sponsor in order to determine whether the project qualifies for State funding. DNR did not receive a grant application from Garrett County for fiscal 2018 WIP funding, which was due in August 2016, and so the Deep Creek Lake dredging project is not on the proposed list of local projects.

2. Bloede Dam Removal Status

Bloede Dam is located in Patapsco River State Park and was built in 1907. The dam is a public safety threat and is an obstacle for fish passage. The overall removal cost has increased to \$16,757,000, of which the State has provided \$1,269,000 through the Natural Resources Development Fund – \$269,000 in GO bonds in fiscal 2012 and \$1,000,000 in GO bonds in fiscal 2016 in order to backfill a fiscal 2015 withdrawn appropriation. The fiscal 2018 allowance includes \$2,000,000 for the dam removal, which brings the total State contribution to \$3,269,000, or 19.5% of the current total cost. The non-State funding of \$13,488,000 consists of the following:

- ***Miscellaneous Active Funding Requests:*** \$5,704,000;
- ***NOAA Community-based Restoration Funds:*** \$3,196,000;

- **National Fish and Wildlife Foundation:** (from the U.S. Department of the Interior) Hurricane Sandy Resiliency Funds – \$2,424,000;
- **NOAA Coastal Resiliency Program:** \$1,000,000;
- **U.S. Fish and Wildlife Service Hurricane Sandy Resiliency Funds:** \$964,000; and
- **The Coca-Cola Foundation:** \$200,000.

DNR notes that the project continues to advance toward construction phase, which is currently slated to begin in April 2017. DNR also notes that all permits have been issued and most funding is in place for the project. Presumably as part of the miscellaneous active funding requests, the State Highway Administration (SHA) is negotiating with the Inter-agency Review Team for mitigation credits for stream restoration in return for providing funds for the project. DNR notes that it is anticipated that negotiations with SHA will be completed in March 2017.

3. Program Open Space Local Allocation

Committee narrative in the 2015 *Joint Chairmen's Report* requested a report on an evaluation of land preservation and easement acquisition programs – Maryland Agricultural Land Preservation Program, POS – State and Local, Rural Legacy Program, and Maryland Environmental Trust – covering the roles the programs play relative to each other and current statute and the funding each receives through the transfer tax formula. Topics of study requested included the pros and cons of combining some or all of the land preservation and easement acquisition programs, and the possible expansion of State and local revenue generating opportunities from multi-use State working lands. The Land Preservation Workgroup formed to address the report request met over the 2015 interim and published the report, *Maryland's Land Preservation Programs*, on December 1, 2015. One of the agreed upon recommendations was to encourage the meeting of POS – Local apportionment stakeholders to determine the allocation and whether further meetings are needed.

HB 105 (POS – Apportionment Formula and Committee) is a departmental bill that has been introduced in the 2017 session. DNR notes that HB 105 is a result of recommendations included in the report on Maryland's Land Preservation Programs and the recommendations of the subsequent workgroup. The bill would repeal provisions requiring the POS – Local Apportionment Committee to prepare and adopt an apportionment formula for POS – Local funding and meet at least annually to review and update the formula. Instead, DNR would be responsible for preparing and adopting the apportionment formula in consultation with a newly established committee. The new committee would be required to meet by December 1, 2017, and every five years thereafter, or at the request of the Secretary of Natural Resources, to review and update the apportionment formula. The committee would also be required to take into account current population, transfer tax revenue collections instead of projected population, and other factors the committee deems desirable in determining the apportionment formula. The current and proposed versions of the POS – Local Apportionment Committee are shown in **Exhibit 20**.

Exhibit 20
Program Open Space – Local Apportionment
Current and Proposed under HB 105

Parameter	<u>Current Law</u>	<u>HB 105 Proposed</u>
Last Met	1982	Not applicable.
Frequency	Annually	On or before December 1, 2017, and every five years thereafter or at the request of the Secretary of Natural Resources
Constitution	Appointed by the Governor and consisting of two members of the Senate, three members of the House of Delegates, and four members of the public at large	The Secretary of Natural Resources, or designee; the Secretary of Budget and Management or designee; the Secretary of the Maryland Department of Planning, or designee; one representative of the Maryland Association of Counties (self-appointed); one representative of the Maryland Association of County Park and Recreation Administrators (self-appointed); and one representative of the Maryland Municipal League (self-appointed)
Factors to Consider	Current population, projected population, and other factors it deems desirable; underutilization of available funds may be considered and unused allocations may be transferred; hearings on apportionment formula changes are required	Current population, transfer tax revenue collections, and other factors the committee deems desirable

Source: Department of Legislative Services

Operating Budget Impact Statement

Executive’s Operating Budget Impact Statement – State-owned Projects (\$ in Millions)

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Smallwood State Park – Campground Improvements					
Estimated Operating Cost	\$0.000	\$0.000	\$0.000	-\$0.006	-\$0.008
Estimated Staffing	0.00	0.00	0.00	0.00	0.00
Explanation: The Smallwood State Park – Campground Improvements project reflects increased campsite revenue, which offsets increased electricity usage, supplies to maintain campsites, and grills for campsites.					
Cunningham Falls State Park – Day-use Improvements					
Estimated Operating Cost	\$0.000	\$0.000	\$0.000	-\$0.006	-\$0.008
Estimated Staffing	0.00	0.10	0.25	0.25	0.25
Explanation: The Cunningham Falls State Park – Campground Improvements project reflects increased campsite revenue, which offsets increased electricity usage, supplies to maintain campsites, and grills for campsites.					
Garrett County State Parks – Trail Construction					
Estimated Operating Cost	\$0.000	\$0.069	\$0.139	\$0.141	\$0.144
Estimated Staffing (Contractual Full-time Equivalents (FTE))	0.00	1.50	3.00	3.00	3.00
Explanation: The Garrett County State Parks – Trail Construction project reflects seasonal technicians for maintenance, cell phone expenditures, fuel for equipment, motor vehicle operation funding, and trail maintenance materials. There may be the opportunity to collect fees for trail use, but there are no immediate plans to do so.					

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	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Rocks State Park – Comfort Station Replacement					
Estimated Operating Cost	\$0.000	\$0.001	\$0.003	\$0.003	\$0.003
Estimated Staffing	0.00	0.00	0.00	0.00	0.00
Explanation: The Rocks State Park – Comfort Station Replacement project reflects additional energy/fuel costs, trash removal, and cleaning supplies.					
Wellington Wildlife Management Area Building Renovation					
Estimated Operating Cost	\$0.015	\$0.009	\$0.009	\$0.009	\$0.009
Estimated Staffing	0.00	0.00	0.00	0.00	0.00
Explanation: The Wellington Wildlife Management Area Building Renovation project reflects utilities for the additional space – based on other Wildlife Management Area electricity usage; security system monitoring; and desks and chairs based on the assumption of moving in during fiscal 2017.					
Point Lookout State Park – Lighthouse Restoration					
Estimated Operating Cost	\$0.000	\$0.003	\$0.013	\$0.013	\$0.013
Estimated Staffing	0.00	0.06	0.25	0.25	0.25
Explanation: The Point Lookout State Park – Lighthouse Restoration project reflects seasonal staff needed for interpretation and educational programs as well as new displays and lighting requirements. Revenues are possible from rental of the dock area, but no estimates are available yet.					
Bloede Dam Removal					
Estimated Operating Cost	\$0.000	-\$0.012	-\$0.025	-\$0.025	-\$0.025
Estimated Staffing (Contractual FTEs)	0.00	-0.50	-1.0	-1.0	-1.0
Explanation: The Bloede Dam Removal project reflects reduced need for patrols by the Maryland Park Service, Natural Resources Police, and Fishing and Boating Services staff associated with the use of the dam as an attraction for visitors based on an estimated \$12/hour equivalent for maintaining, inspecting, and patrolling the facility.					

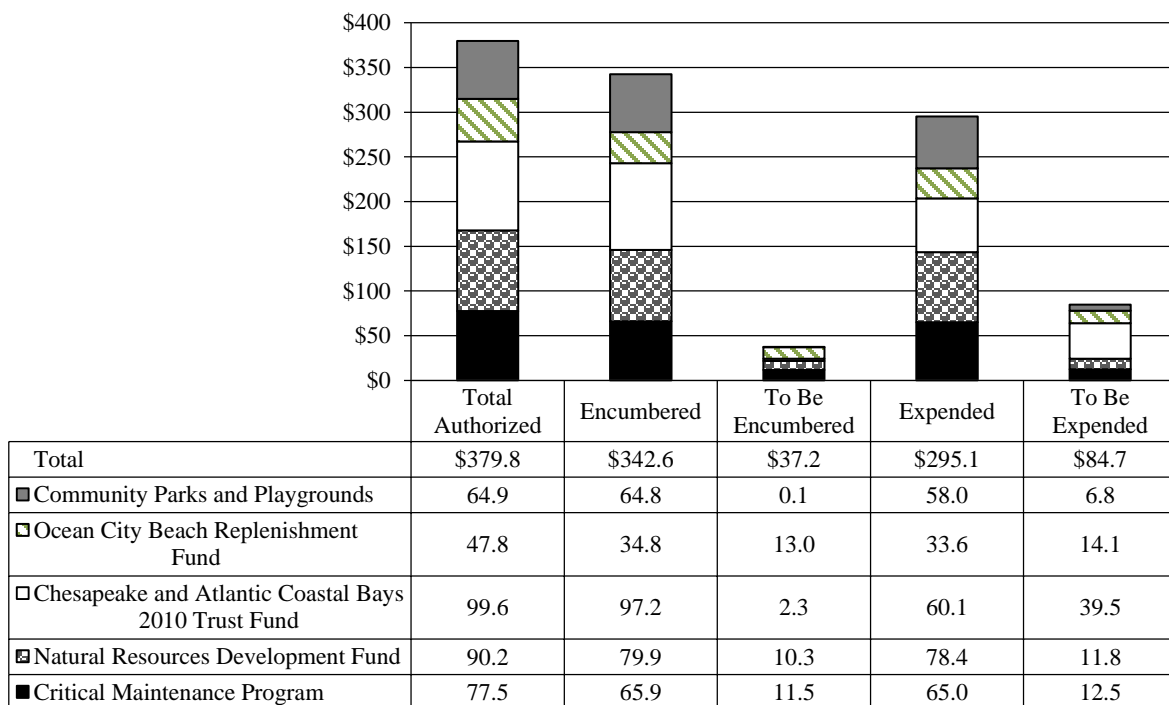
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	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total Operating Impact					
Estimated Operating Cost	\$0.015	\$0.074	\$0.147	\$0.145	\$0.146
Estimated Staffing	0.00	1.16	2.50	2.50	2.50

Encumbrances and Expenditures

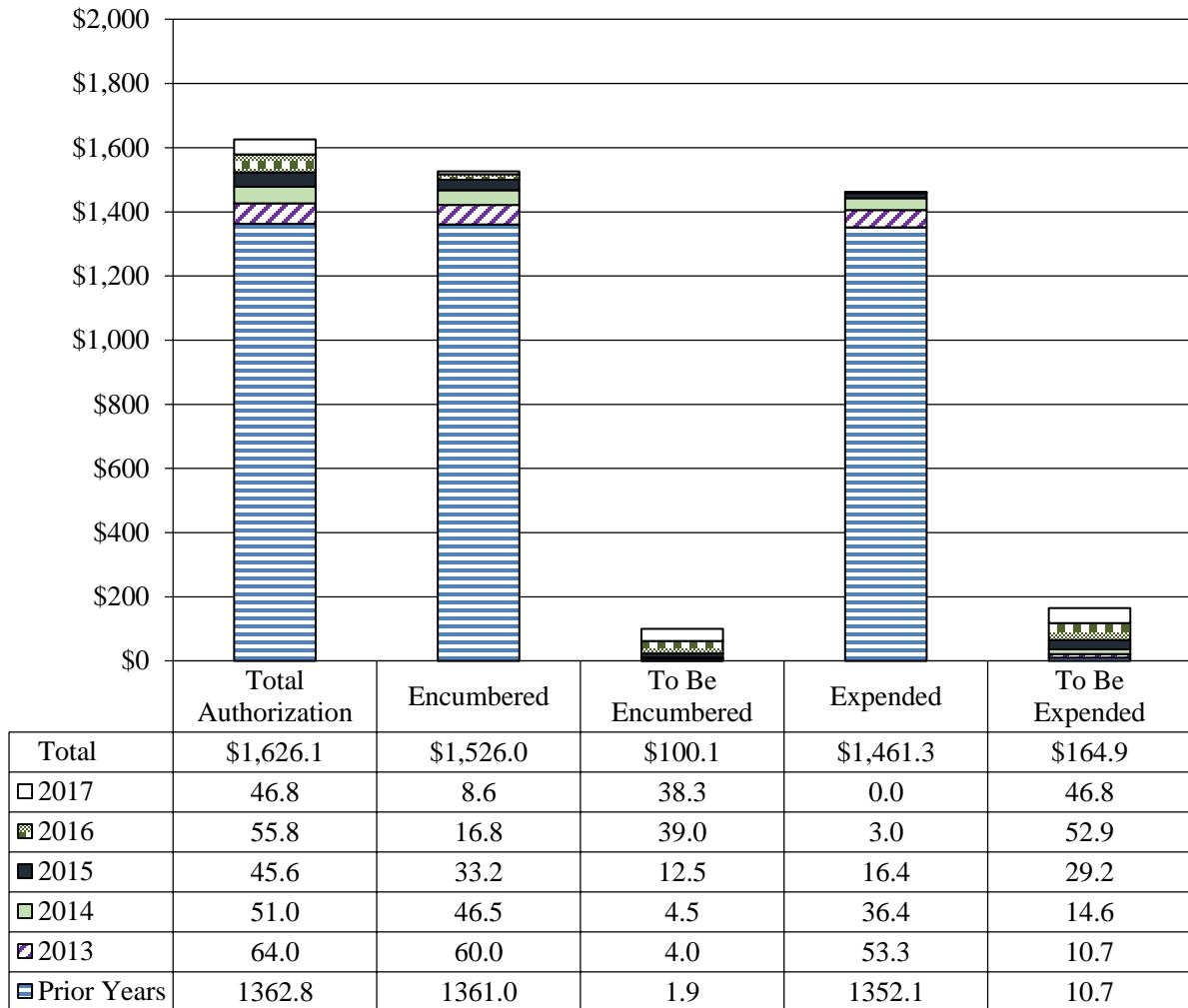
Progress toward encumbering and expending funding by program is shown in Exhibits 21 and 22 followed by a discussion of encumbrances and expenditures for selected programs.

Exhibit 21
Selected Program Encumbrances and Expenditures
Program Inception through January 2017
(\$ in Millions)



Source: Department of Budget and Management; Department of Natural Resources

Exhibit 22
Program Open Space Encumbrances and Expenditures
Program Inception through January 2017
(\$ in Millions)



Source: Department of Budget and Management; Department of Natural Resources

- POS:** DNR notes that through January 31, 2017, \$10.7 million in POS funding prior to fiscal 2013 remains to be expended. The majority of these funds are POS – Local funds, which are encumbered upon approval of BPW. However, the funds are only expended when a county or municipality submits a request for reimbursement subsequent to an inspection by program administrators to verify that the work covered by the request for reimbursement has been

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satisfactorily completed. In addition, DNR has noted that some projects can get delayed due to funding or staffing levels at the local level that can further delay the expenditure of funds.

- ***Ocean City Beach Maintenance:*** There are fairly large unencumbered and unexpended balances for the Ocean City Beach Maintenance, which will be reduced by the fiscal 2017 to 2018 spending plan to address the damage from winter storm Jonas and the simultaneous nourishment project.
- ***Natural Resources Development Fund:*** There has been a decrease in the amount to be encumbered from \$18.1 million to \$10.3 million between the 2016 session and this 2017 session. The total amount that is unexpended prior to fiscal 2013 is \$1.3 million. DNR notes that the majority of the unexpended funding is encumbered for specific projects that are either in the construction or the design phase. These funds will be expended as the project phases are completed and invoiced.
- ***Chesapeake and Atlantic Coastal Bays 2010 Trust Fund:*** There appears to be a slight decrease in the amount to be encumbered, which has decreased from \$3.5 million during the 2016 session to the \$2.3 million in this analysis. The amount to be expended has decreased even more from \$60.6 million to \$39.5 million. DNR has noted in the past that the funding still to be expended reflects that projects may have completed work but not yet invoiced DNR for the costs. Also, local partners have been encouraged to match the State’s contribution as much as possible and thus local match funding may be spent first before State funding.
- ***Community Parks and Playgrounds:*** DNR notes that the current unexpended balance for funds prior to fiscal 2013 is \$573,109 and that DNR staff has been in regular contact with all the municipalities with open projects. The projects associated with this funding are all either underway or complete, and DNR is awaiting the reimbursement request. DNR notes that if a project is not moving forward, funds are reverted to the program and awarded to another project applicant.
- ***Critical Maintenance Program:*** For the Critical Maintenance Program, there is a total of \$339,628 in total unexpended funds from before fiscal 2013. DNR notes that the majority of the unexpended funding is encumbered for specific projects that are either in the construction or the design phase. These funds will be expended as the project phases are completed and invoiced.

PAYGO Recommended Actions

1. Concur with Governor’s allowance of \$106,400,666 in special funds and \$3,000,000 in federal funds for the Outdoor Recreation Land Loan.
2. Concur with Governor’s allowance of \$1,000,000 in special funds for the Ocean City Maintenance local funding.
3. Concur with Governor’s allowance of \$10,500,000 in special funds and \$900,000 in federal funds for the Waterway Improvement Program.

GO Bond Recommended Actions

1. Approve the \$2,500,000 general obligation bond authorization for the Community Parks and Playgrounds to provide funds for grants to local governments to design and construct capital-eligible park and playground improvement projects.
2. Approve the \$5,000,000 general obligation bond authorization for the Rural Legacy Program to provide funds for the purchase of conservation easements and the acquisition of land.
3. Approve the \$540,000 in general obligation bonds for the Coastal Resiliency Program to provide funds for the acquisition, design, and construction of shoreline restoration and other projects to protect coastal infrastructure, and for post implementation monitoring and adaptive management.
4. Approve the \$2,729,000 general obligation bond authorization for the Oyster Restoration Program to provide funds to design and construct oyster habitat restoration projects and provide grants for aquaculture development projects.