

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

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 17</u></b> <b><u>Actual</u></b>	<b><u>FY 18</u></b> <b><u>Working</u></b>	<b><u>FY 19</u></b> <b><u>Allowance</u></b>	<b><u>FY 18-19</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$59,943	\$60,432	\$62,231	\$1,798	3.0%
Adjustments	0	-1,171	476	1,647	
<b>Adjusted General Fund</b>	<b>\$59,943</b>	<b>\$59,261</b>	<b>\$62,707</b>	<b>\$3,446</b>	<b>5.8%</b>
Special Fund	161,578	169,102	171,562	2,460	1.5%
Adjustments	0	1,576	490	-1,086	
<b>Adjusted Special Fund</b>	<b>\$161,578</b>	<b>\$170,678</b>	<b>\$172,052</b>	<b>\$1,374</b>	<b>0.8%</b>
Federal Fund	27,078	30,909	31,050	141	0.5%
Adjustments	0	487	83	-404	
<b>Adjusted Federal Fund</b>	<b>\$27,078</b>	<b>\$31,396</b>	<b>\$31,133</b>	<b>-\$263</b>	<b>-0.8%</b>
Reimbursable Fund	12,078	12,585	12,011	-574	-4.6%
Adjustments	0	0	26	26	
<b>Adjusted Reimbursable Fund</b>	<b>\$12,078</b>	<b>\$12,585</b>	<b>\$12,037</b>	<b>-\$548</b>	<b>-4.4%</b>
<b>Adjusted Grand Total</b>	<b>\$260,677</b>	<b>\$273,920</b>	<b>\$277,928</b>	<b>\$4,008</b>	<b>1.5%</b>

Note: FY 18 Working includes targeted reversions, deficiencies, and across-the-board reductions. FY 19 Allowance includes contingent reductions and cost-of-living adjustments.

- The Department of Natural Resources (DNR) budget includes fiscal 2018 deficiencies, which would increase DNR's overall appropriation by a net of \$2,629,245 comprised of a decrease of general fund appropriations by \$500,000, an increase of special fund appropriations by \$2,500,000, and an increase of federal fund appropriations by \$629,245.

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

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- The overall adjusted change in DNR's budget is an increase of \$4.0 million, or 1.5%. The major changes are an increase of \$3.6 million for Maryland Park Service (MPS) enhancements, primarily from transfer tax and Forest or Park Reserve Fund special funds, and an increase of \$2.5 million in general funds for the Revenue Equity Program as required by Chapter 692 of 2017 (State Forest, State Park, and Wildlife Management Area Revenue Equity Program).

## ***Personnel Data***

	<b><u>FY 17</u></b> <b><u>Actual</u></b>	<b><u>FY 18</u></b> <b><u>Working</u></b>	<b><u>FY 19</u></b> <b><u>Allowance</u></b>	<b><u>FY 18-19</u></b> <b><u>Change</u></b>
Regular Positions	1,314.50	1,332.50	1,340.25	7.75
Contractual FTEs	<u>438.53</u>	<u>492.35</u>	<u>545.29</u>	<u>52.94</u>
<b>Total Personnel</b>	<b>1,753.03</b>	<b>1,824.85</b>	<b>1,885.54</b>	<b>60.69</b>

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

Turnover and Necessary Vacancies, Excluding New Positions	72.96	5.56%
Positions and Percentage Vacant as of 12/31/17	130.25	9.77%

- DNR's regular positions increase by 25.75 between the fiscal 2017 actual and the fiscal 2019 allowance. The changes are as follows: 19.0 new positions – 17.0 Natural Resources Police (NRP) candidates for a new academy and 2.0 new aviation unit positions – were added and 1.0 position was abolished – a natural resources planner IV in the Critical Area Commission – in the fiscal 2018 legislative appropriation. In the fiscal 2019 allowance there are 7.0 new MPS (7.0 contractual full-time equivalent (FTE) conversions) and 2.0 new Critical Area Commission (1.0 contractual FTE conversion and 1.0 regular new position) positions that are offset partially by a reduction of 1.0 position in Fishing and Boating Services and 0.25 position in Chesapeake and Coastal Service.
- DNR's contractual FTE increase by 52.94 in the fiscal 2019 allowance. The majority of the contractual FTEs – 55.94 – reflect additional seasonal staff to handle the increase in visitation in State parks since annual visitation has increased from 12.94 million in fiscal 2016 to 13.99 million in fiscal 2017. The contractual FTEs are largely funded by additional transfer tax and Forest or Park Reserve Fund special funds.
- DNR had 130.25 vacant positions as of December 31, 2017. Of these vacant positions, 11.0 have been vacant for longer than a year. DNR notes that 6.0 positions have already started or will start by March 2018; 1.0 position is in the hiring process, and candidate selection will occur soon, and 4.0 positions either have been or will be reclassified.

- DNR’s turnover rate decreased from 5.94% in the fiscal 2018 working appropriation to 5.56% in the fiscal 2019 allowance, which reflects a decrease to 72.96 necessary vacancies, which DNR should be able to handle, given that there are 130.25 vacancies as of December 31, 2017. The new positions in DNR’s fiscal 2019 allowance are budgeted at 8.32% turnover because all but one of the new positions are contractual FTE conversions.

## *Analysis in Brief*

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### **Major Trends**

***Parks Visitation Increasing with More Injuries:*** State parks visitation is increasing, which may be contributing to more injuries in parks.

***NRP Response Time Worsens Despite Increase in Positions:*** The number of conservation inspections and homeland security patrol checks conducted are both increasing in tandem with higher NRP staffing levels, but it is taking officers longer to arrive on the scene.

***Percent of Maryland Environmental Trust Easements Monitored Decreases:*** The percent of Maryland Environmental Trust (MET) easements monitored annually has decreased due to local land trust data and staffing challenges, volunteer turnover, and MET staffing limitations.

### **Issues**

***Chesapeake and Atlantic Coastal Bays 2010 Trust Fund:*** 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. The largest funding change between fiscal 2018 and 2019 is an increase of \$1.6 million for cost-effective nonpoint source projects. The collaboration between the Cecil Land Trust and Ecosystem Investment Partners in the Principio Watershed in Cecil County is one of the signature attempts at performance-based financing – paying for nutrient and sediment reductions as opposed to simply the implementation of best management practices. **The Department of Legislative Services (DLS) recommends that DNR comment on the potential for landscape-scale projects using the performance-based financing model in other parts of Maryland and the overall plans for its use in projects funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.**

***State Parks Quarterly Reports:*** The fiscal 2018 budget bill restricted \$100,000 of DNR special fund appropriations until the submission of quarterly reports on MPS goals. The most recent quarterly report discusses the hiring of a business development manager. DNR notes that the new business development manager will work on the following: leveraging more public-private and government partnerships to extend the State’s capacity to manage State parks and provide visitor services; improving the quality and profitability of park concession contracts and operations to improve customer service and enhance fiscal sustainability; marketing underutilized parks, events, and services to spread visitation across the

system and generate new revenue streams; developing recommendations to enhance fiscal sustainability by analyzing reservations and visitation and identifying cost and revenue trends; and pursuing corporate sponsorships. **DLS recommends that DNR comment on how the business and marketing manager will help to increase revenues in parks given the lack of turnover that occurs at popular parks during the summer and the lack of charge system facilities at certain parks.**

***Environmental Trust Fund Depleted:*** The Power Plant Research Program is funded through an assessment on electricity used in the State, which accrues to the Environmental Trust Fund. The Environmental Trust Fund electricity surcharge is at the statutory maximum amount, and yet DNR advises that the projected fiscal 2019 ending balance is negative. The reasons for the negative balance include the surcharge not being increased since legislation originally enacted it in 1972; increased demands from legislatively mandated studies; the adoption of energy conservation practices and purchase of energy efficient appliances and products that reduce electricity use, and thus, revenues; and the increase in the number of energy generation projects reviewed per year as a result of an increased number of solar projects submitted for review. **DLS recommends that DNR comment on the options for addressing the shortfall in the Environmental Trust Fund.**

## Operating Budget Recommended Actions

	<u>Funds</u>
1. Adopt committee narrative on Maryland Park Service funding.	
2. Delete funding for the Fair Hill Natural Resources Management Area improvements.	\$ 2,500,000
<b>Total Reductions to Fiscal 2018 Deficiency Appropriation</b>	<b>\$ 2,500,000</b>
<b>Total Reductions to Allowance</b>	

## Updates

***MPS Own-sourced Revenue:*** Chapter 23 of 2017 (Budget Reconciliation and Financing Act) required the Governor to include in the State budget an appropriation to MPS equal to 100% of own-sourced revenues collected in the Forest or Park Reserve Fund from the second preceding fiscal year, less any administrative costs and prior-year closing fund balance.

***Maryland Outdoor Recreation Economic Commission:*** Executive Order 01.01.2017.24 established the Maryland Outdoor Recreation Economic Commission on October 13, 2017, in order to advise and make recommendations to the Governor on actions that will strengthen the outdoor economy in Maryland. An interim report is required by December 1, 2018, and a final report by December 1, 2019. To date, the names of potential members are being vetted by the Governor's office.

***Aviation Unit Status:*** The aviation unit has been reconstituted in DNR with a 1972 Bell Jet Ranger. The aviation unit is currently staffed by one law enforcement officer pilot. In calendar 2017, the pilot flew 224 missions supporting conservation law enforcement, boating safety, and search and rescue among other support flights for units with DNR and allied agencies. Interdicted activities included oyster poaching in a sanctuary, oyster power dredging in a hand tong only area, waterfowl baiting, felony theft, boating safety violations, and marijuana growing. In addition, the aviation unit supported the Chesapeake Bay Swim by checking for oncoming boats.

***Protection and Restoration of State-owned Lakes:*** Chapters 404 and 405 of 2017 (Natural Resources – Protection and Restoration of State-Owned Lakes) established a State Lakes Protection and Restoration Fund, administered by the Secretary of Natural Resources, to protect and restore State-owned lakes. There is no funding in the fiscal 2019 budget for the State Lakes Protection and Restoration Fund. However, DNR’s fiscal 2019 pay-as-you-go capital budget includes \$1,115,000 in the Waterway Improvement Program to dredge Arrowhead Cove in Deep Creek Lake. In addition, SB 501 and HB 801 (State Lakes Protection and Restoration Fund – Purpose, Use, and Funding – Alterations) have been introduced in the 2018 session to require the Governor to include in the annual budget bill an appropriation of \$3.0 million to the fund.

***Mallows Bay – Potomac River National Marine Sanctuary Proposal Nearing Completion:*** In October 2015, the National Oceanic and Atmospheric Administration (NOAA) announced its intent to designate the Mallows Bay as a Potomac River National Marine Sanctuary in order to help conserve nationally significant shipwrecks and related maritime heritage resources in Maryland. DNR, the Maryland Historical Trust, Charles County, and NOAA are concurrently reviewing all final designation documents for the proposed national marine sanctuary. The final designation documents include the Final Rule and the Final Environmental Impact Statement, which includes a Memorandum of Agreement between NOAA, the State, and Charles County for joint management of the sanctuary. Once the designation documents are cleared, subsequent steps include a 45-day congressional review period as well as publishing the final notice in the *Federal Register*. It is anticipated that the process could be completed by late summer 2018.

***DNR Initiates Two New Programs:*** DNR has initiated at least two new programs within the last year: the Veteran Conservation Corps (VCC) Program within MPS and the Clean Up and Green Up Small Grants Program within MET. The VCC program was constituted to employ veterans and to provide skilled labor for State park maintenance projects and operations. In fiscal 2018, MPS expects to hire five veterans for the conversation corps crew and has budgeted \$150,000 for the full-year program. The new Clean Up and Green Up Small Grants Program was started in MET in fiscal 2017 by a \$10,000 budget amendment under MET’s Keep Maryland Beautiful Program; fiscal 2018 funding will need to be brought in by budget amendment. The intent of the program is to help community groups and nonprofit organizations with neighborhood beautification activities such as litter removal, greening activities, community education, and citizen stewardship. The grants are capped at \$5,000 per award.

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## ***Operating Budget Analysis***

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### **Program Description**

The Department of Natural Resources (DNR) leads Maryland in securing a sustainable future for its environment, society, and economy by preserving, protecting, restoring, and enhancing the State's natural resources. To accomplish this mission, DNR is structured into the programmatic units described below.

- ***Office of the Secretary:*** Provides leadership, public outreach, customer service, legislative, financial, administrative, information technology, and legal services.
- ***Forest Service:*** Manages the State forests and supports Maryland's forest and tree resources by providing private forestland management expertise, wildfire protection, and urban and community forestry assistance.
- ***Wildlife and Heritage Service:*** Provides technical assistance and expertise to the public and private sectors for the conservation of Maryland's wildlife resources, including the management of threatened and endangered species, game birds, and mammals and the operation of over 123,000 acres of State-owned lands classified as Wildlife Management Areas.
- ***Maryland Park Service (MPS):*** 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 and leads the preparation of the Maryland Land Preservation and Recreation Plan.
- ***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 (NRP):*** Preserves and protects Maryland's natural resources and its citizens through enforcement of conservation, boating, and criminal law; provides primary law enforcement services for Maryland's public lands owned by DNR; and serves as the State's lead on maritime homeland security.
- ***Engineering and Construction:*** Provides engineering, project management, and in-house construction services.

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- ***Critical Area Commission:*** Implements the cooperative resource protection program between the State and local governments in the 1,000-foot-wide Critical Area surrounding the Chesapeake Bay by reviewing local development proposals, providing technical planning assistance to local governments, approving amendments to local plans, and providing grants for the implementation of 64 local critical area programs.
- ***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 (MET):*** 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 Service:*** 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. In addition, with the reorganization in fiscal 2017, the unit also administers the Waterway Improvement Program's (WIP) capital projects – public boating access facilities and navigation channel dredging – and coordinates the Clean Marina Initiative and Pumpout Program.
- ***Fishing and Boating Services:*** Manages commercial and recreational harvests to maintain sustainable fisheries and to optimize recreational and economic use of these resources. In addition, with the reorganization in fiscal 2017, the unit also oversees a State-owned marina and places regulatory markers and navigation aids in support of sustainable development, use, and enjoyment of Maryland waterways for the general boating public.

DNR's mission is to lead Maryland in securing a sustainable future for its environment and society and by preserving, protecting, and enhancing the State's natural resources. DNR's vision is that in a sustainable Maryland, the State recognizes that the health of its society and its economy are dependent on the health of its environment. Therefore, the State chooses to act both collectively and individually to preserve, protect, restore, and enhance the State's environment for this and future generations. DNR's goals are as follows.

- ***Goal 1*** – Healthy terrestrial ecosystems.
- ***Goal 2*** – Healthy aquatic ecosystems.
- ***Goal 3*** – Fiscal responsibility: efficient use of energy and resources and support of long-term economic prosperity.



- **Goal 4** – Citizen stewardship, outdoor recreation, and opportunities to take action.
- **Goal 5** – Vibrant communities and neighborhoods.

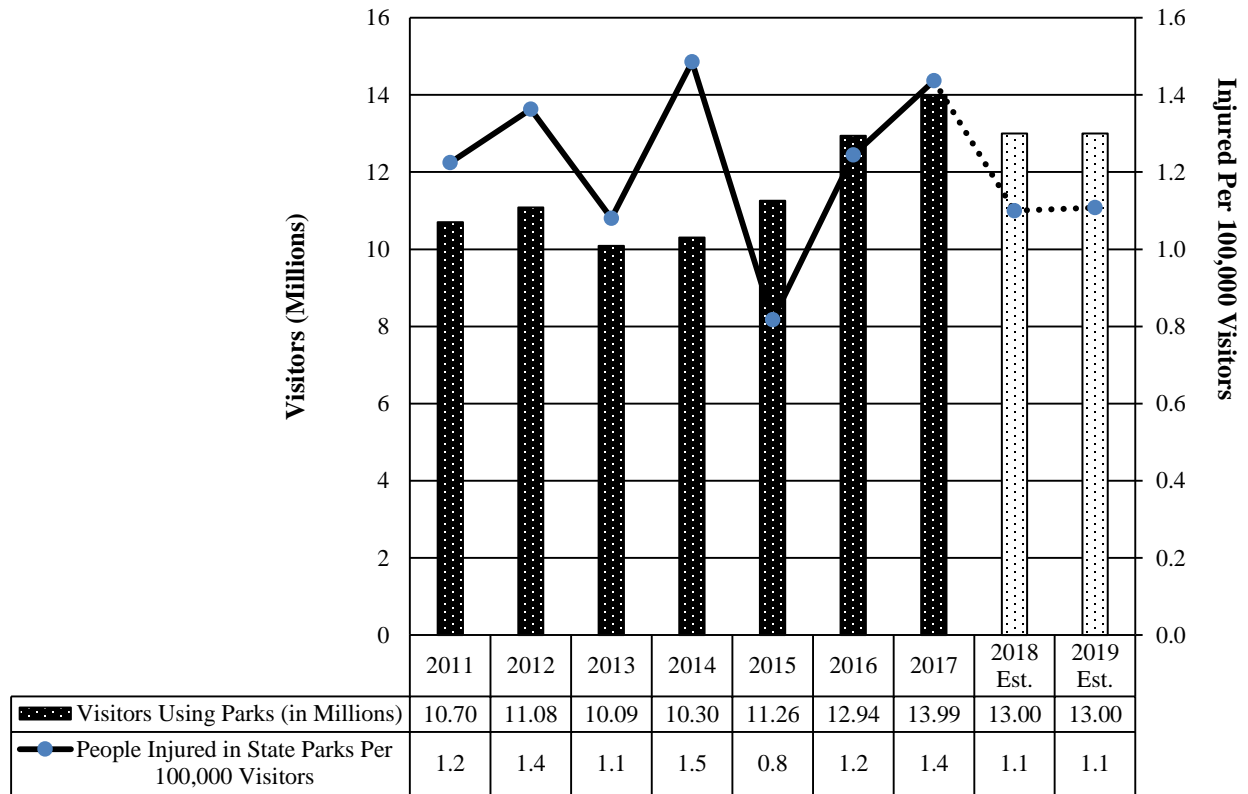
## **Performance Analysis: Managing for Results**

The Managing for Results (MFR) analysis shows that (1) State parks visitation is increasing, which may be contributing to more injuries in parks; (2) the number of conservation inspections and homeland security patrol checks conducted are both increasing with increasing NRP staffing levels, but an increase in the number of calls has increased the average time for officers to arrive on scene; and (3) the percent of Maryland Environmental Trust easements monitored annually has decreased due to local land trust data and staffing challenges, volunteer turnover, and Maryland Environmental Trust staffing limitations.

### **1. Parks Visitation Increasing with More Injuries**

DNR's fourth goal is citizen stewardship, outdoor recreation, and opportunities to take action. Under this goal, DNR has the objective to annually provide outdoor recreational, historical, and cultural resource experiences for over 10 million visitors to State parks. This goal of 10 million visitors has been exceeded each year since at least fiscal 2011 as shown in **Exhibit 1**. However, the substantial increase in visitors in recent years – increasing from 10.09 million in fiscal 2013 to 13.99 million in fiscal 2017 – has had an impact on the parks. For instance, the number of people injured in State parks per 100,000 visitors increased from 0.8 in fiscal 2015 to 1.4 in fiscal 2017, one possible reason for which is the overall increase in visitation. DNR also notes that visitation to particular popular State parks in the peak visitor season has resulted in frequent park closures – there were 117 closures due to parks being at capacity in fiscal 2017.

**Exhibit 1**  
**Maryland Parks Visitation Statistics**  
**Fiscal 2011-2019 Est.**  
**(\$ in Millions)**

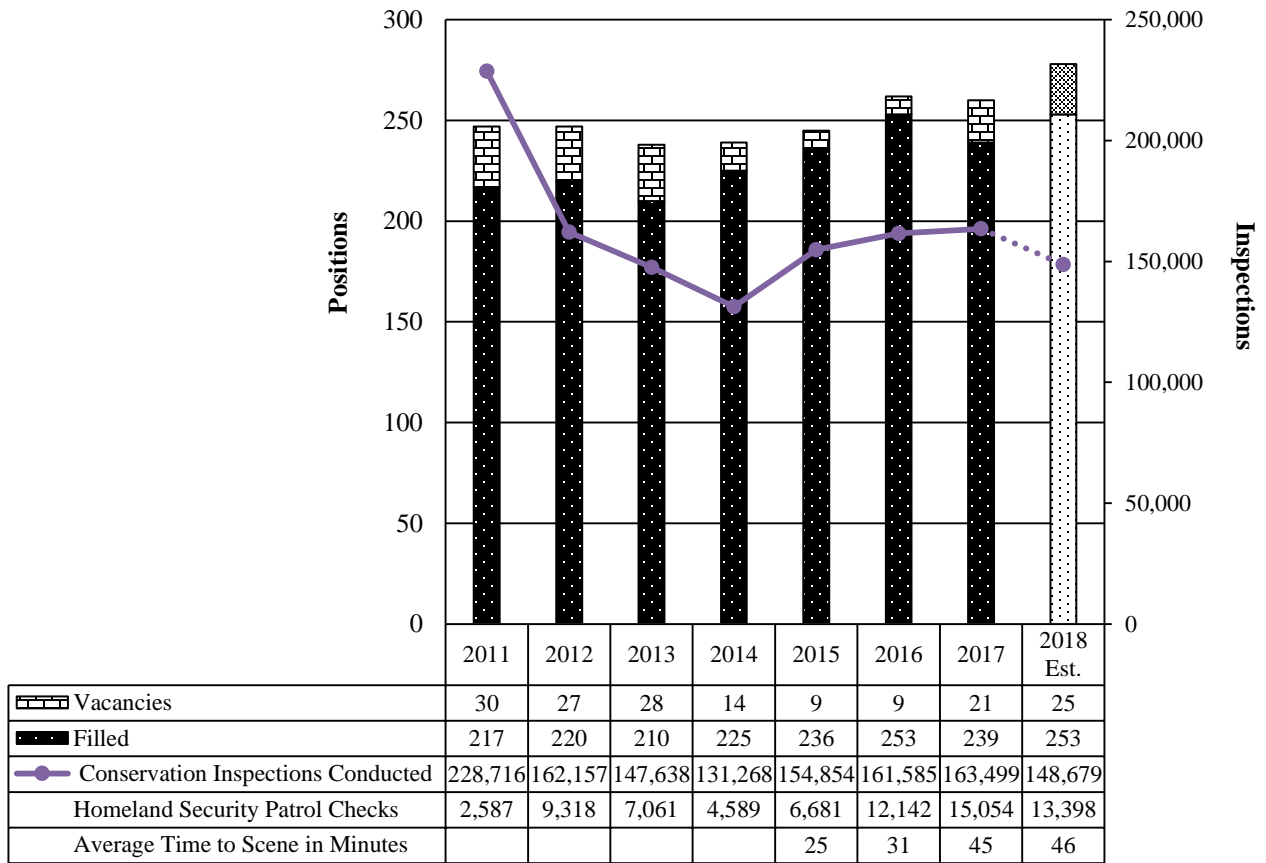


Source: Department of Budget and Management

## 2. NRP Response Time Worsens Despite Increase in Positions

DNR's second goal is healthy aquatic ecosystems. This goal's objective is to preserve and protect Maryland's aquatic and wildlife habitats and populations by increasing the number of conservation inspections conducted to 150,000 by 2017. As illustrated in **Exhibit 2**, DNR has met the objective in all but fiscal 2013 and 2014 over the fiscal 2011 to 2018 estimate time period. There has been an increasing trend since fiscal 2014.

**Exhibit 2**  
**Natural Resources Police Statistics**  
**Fiscal 2011-2018 Est.**



Note: The data is from January 2018.

Source: Department of Natural Resources

As previously noted, DNR's fourth goal is citizen stewardship, outdoor recreation, and opportunities to take action. An associated objective is to conduct and perform daily patrols and activities that support maritime homeland security designed to provide a safe and secure environment for Maryland citizens and visitors alike. The trends are favorable for this objective, and they are favorable as well for the number of homeland security patrol checks, which has increased from 2,587 in fiscal 2011 to 15,054 in fiscal 2017; DNR attributes this trend to increasing numbers of patrol officers. In particular, DNR notes that the increase from 12,142 homeland security patrol checks in fiscal 2016 to 15,054 checks in fiscal 2017 is due to the availability of officers since DNR did not hire an academy class in fiscal 2017, and thus patrol officers were not required to complete background investigations for the class.

The positive trends for conservation inspections conducted and homeland security patrol checks are not replicated by the average time on scene. This metric reflects the amount of time it takes NRP officers to respond to calls. While historical data is not available prior to fiscal 2015 since DNR converted to the new computer-aided dispatch/records management system in mid-2014, the data since fiscal 2015 reflects an increase in response times. DNR notes that the increase in response times may be due to the type of calls received (land versus water calls) and a significant increase in the number of calls received. It anticipates that the response time may decrease in fiscal 2020 when recruits from the academy associated with that year graduate and complete training.

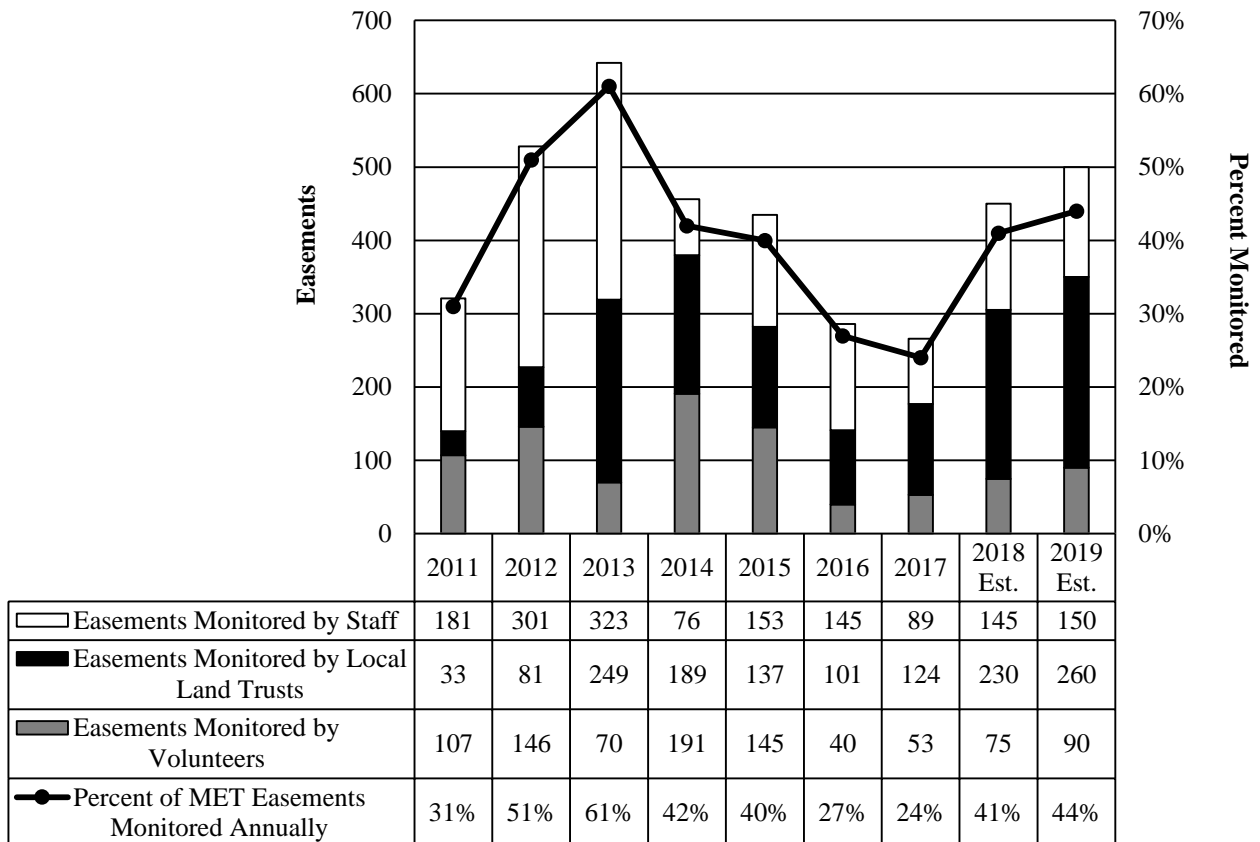
### **3. Percent of Maryland Environmental Trust Easements Monitored Decreases**

DNR's fifth goal is vibrant communities and neighborhoods. One of the objectives for this goal is to protect an additional 1,000 acres annually with MET conservation easements and seek to visually inspect (monitor) each property once annually. As shown in **Exhibit 3**, MET is struggling with this objective – in fiscal 2017, only 24% of MET easements were monitored annually. DNR notes that a 2005 Land Trust Alliance study documented the increased risk for violations with changes in ownership, aging easements and landowners, and increased numbers of property transfers to new landowners. In order to monitor easements, DNR relies on three populations. These populations and the challenges experienced by each of them are as follows.

- **Local Land Trusts:** Local land trusts have experienced diminished charitable contributions since the Great Recession and thus have experienced staffing constraints, which has impacted the ability to complete and report on easement monitoring activities. In addition, local land trusts do not have the capacity to copy and submit large numbers of monitoring reports. As a result, MET is working with several major easement co-holders in order to improve reporting. In order to do this, MET is working on a pilot linked database project using a Salesforce application called LOCATE.
- **Volunteers:** Several long-time volunteers were no longer available to perform easement monitoring due to health issues, advancing age, or departure from the State. MET was unable to recruit for the replacement of these volunteers due to other priorities. However, in fall 2017 MET began partnering with Maryland Conservation Corps (MCC) volunteers in order to extend its easement monitoring work and will conduct a new volunteer recruitment in spring 2018.
- **MET Staff:** MET staff has been redirected to other activities – such as restoration activities on easement lands and drafting current conditions reports for older easements – which has reduced the amount of time spent monitoring easements by staff. MET notes that it still only has 1.0 regular position for easement stewardship, of which monitoring is one job responsibility, despite the 170% increase in the number of easements since 1997, when the position was created. However, there are now 2.0 contractual full-time equivalents (FTE) to coordinate volunteer and local land trust co-monitoring and report review activities. In addition, MET has redirected easement planners to cover many monitoring tasks, which helps to address physical

and tenure changes on easement properties such as subdivision into multiple landowners, building of new residences on subdivided lots, and conversion to different types of land cover.

**Exhibit 3**  
**Maryland Environmental Trust Easement Monitoring**  
**Fiscal 2011-2019 Est.**



MET: Maryland Environmental Trust

Source: Department of Budget and Management

## Fiscal 2018 Actions

Three categories of actions impact the DNR fiscal 2018 budget: proposed deficiencies, cost containment, and an across-the-board employee and retiree health insurance reduction.

## **Proposed Deficiency**

The Governor has submitted appropriations for the fiscal 2018 operating budget for five programs, which would increase DNR's appropriation overall by a net of \$2,629,245 comprised of a decrease of general fund appropriations by \$500,000, an increase of special fund appropriations by \$2,500,000, and an increase of federal fund appropriations by \$629,245. The appropriation changes would be as follows.

- **Forest Service:** There is an increase of \$80,040 in federal funds from Various Federal Contracts – deferred nonbudgeted federal funds received from the Federal Interagency Wildfire Reimbursement – for the purchase of three trucks for emergency fire response to out-of-state assignments.
- **MPS:** There is an increase of \$2,500,000 in special funds from anticipated private donations for contractual services related to the design and construction of improvements to the Fair Hill Natural Resources Management Area. The improvements are proposed for the turf track in order to increase safety and the types of equestrian events that could be held in preparation for a three-star equestrian event in calendar 2018. At this point, the entity holding the event – Federation Equestre Internationale – has not determined whether it will hold a four- or five-star event at Fair Hill in calendar 2019, so DNR requests the \$2,500,000 in order to be prepared for the final determination and to be able to accept future donated funds from private parties seeking to assist in the improvement of equestrian-specific facilities at the Fair Hill special event zone. This type of funding would typically be included in DNR's pay-as-you-go (PAYGO) capital budget, but there is insufficient detail at this point to allocate funding in this manner. The four- and five-star equestrian events would require different levels of service, thus the uncertainty about how the funding will be used, although DNR notes that there are still ongoing needs to continue the level of service for the existing three-star event in calendar 2018. **DLS recommends that the fiscal 2018 \$2,500,000 special fund deficiency appropriation for the Fair Hill Natural Resources Management Area improvements be deleted since it has not been determined whether a four- or five-star equestrian event will be held and so the funding is not needed in fiscal 2018.**
- **NRP – General Direction:** An increase of \$380,000 in federal funds from the U.S. Department of Justice's Equitable Sharing Program for equipment replacement funded by High Intensity Drug Trafficking Agreements.
- **NRP – Field Operations:** A decrease of \$500,000 in general funds for salaries in order to recognize fiscal 2018 savings. This funding reflects vacant law enforcement positions that have been held open prior to the initiation of the next academy class.
- **Chesapeake and Coastal Service:** An increase of \$169,205 in federal funds from the U.S. Department of Commerce – National Oceanic and Atmospheric Administration's (NOAA) Coastal Zone Management Administration Awards for contractual services related to implementing projects by the Coastal Zone Management Program. DNR notes that it

anticipates funding the following: \$56,000 for Association of Climate Change Officers training and strategic planning; \$15,608 for updating and clarifying enforceable policies; \$23,425 to update and expand the GreenPrint Online Parcel Evaluation Tool to include climate resiliency planning and ecosystem service calculations; \$50,000 to undertake a climate resilience and riverine flooding assessment in the Patapsco Valley State Park; and \$24,172 to continue support of a planner and address Maryland’s coastal hazard-related risks through restoration.

## **Cost Containment**

Cost containment of \$1,020,000 in general funds was allocated through the September 6, 2017 Board of Public Works reductions that reduced Forest Service funding in order to be backfilled by Program Open Space (POS) funding from the MPS (\$1,000,000) and eliminated the print edition of the Fishing Guide in Fishing and Boating Services since an electronic version will continue to be produced (\$20,000). There are offsetting budget amendments of \$1,000,000 to reflect the shift of POS-backed special fund appropriations from the MPS – Statewide Operations program to the Forest Service in order to backfill for the fiscal 2018 cost containment general fund reduction.

## **Across-the-board Employee and Retiree Health Insurance Reduction**

The budget bill includes an across-the-board reduction for employee and retiree health insurance in fiscal 2018 to reflect a surplus balance in the fund. DNR’s share of this reduction is \$671,475 in general funds, \$924,335 in special funds, and \$142,111 in federal funds, or a total of \$1,737,921.

## **Proposed Budget**

DNR’s fiscal 2019 adjusted allowance increases by \$4.0 million, or 1.5%, relative to the fiscal 2018 adjusted working appropriation, as shown in **Exhibit 4**. The changes by fund reflect a \$3.4 million increase in general funds, an increase of \$1.4 million in special funds, a decrease of \$0.3 million in federal funds, and a \$0.5 million decrease in reimbursable funds. The major changes are an increase of \$3.6 million for MPS enhancements, primarily from transfer tax revenues and Forest or Park Reserve Fund special funds, and an increase of \$2.5 million in general funds for the Revenue Equity Program as required by Chapter 692 of 2017 (State Forest, State Park, and Wildlife Management Area Revenue Equity Program). Changes in personnel funding are discussed first, followed by other changes.

**Exhibit 4**  
**Proposed Budget**  
**Department of Natural Resources**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
Fiscal 2017 Actual	\$59,943	\$161,578	\$27,078	\$12,078	\$260,677
Fiscal 2018 Working Appropriation	59,261	170,678	31,396	12,585	273,920
Fiscal 2019 Allowance	<u>62,707</u>	<u>172,052</u>	<u>31,133</u>	<u>12,037</u>	<u>277,928</u>
Fiscal 2018-2019 Amount Change	\$3,446	\$1,374	-\$263	-\$548	\$4,008
Fiscal 2018-2019 Percent Change	5.8%	0.8%	-0.8%	-4.4%	1.5%

**Where It Goes:****Personnel Expenses**

Employee and retiree health insurance including one-time reduction .....	\$1,615
General salary increase .....	1,074
New Maryland Park Service (7.0) and Critical Area Commission (2.0) positions .....	520
One-time Natural Resources Police deficiency .....	500
Turnover adjustments .....	497
Workers' compensation premium assessment .....	404
Abolished Fishing and Boating Services (1.0) and Coastal Service (0.25) positions .....	-143
Law enforcement officers pension system .....	-313
Regular earnings .....	-1,402
Other fringe benefit adjustments .....	-26

**Other Changes*****Maryland Park Service***

Fiscal 2019 enhancements from transfer tax and Forest or Park Reserve Fund .....	3,610
Revenue equity program .....	2,469
Contractual full-time equivalents (FTE) increase by 55.4 .....	518
Payment-in-lieu-of-taxes decrease .....	-469

***Environmental Restoration***

Chesapeake Bay Implementation Grant contract funding .....	828
State Highway Administration stormwater funding .....	-522
Oyster bar rehabilitation .....	-741
Chesapeake and Coastal Service Program coastal and ocean research contract .....	-884
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund grants .....	-1,095

***Routine Operations***

M/V J. Millard Tawes ice breaking boat replacement .....	1,400
Equipment in Engineering and Construction .....	438
Calvert County Gaming Tax Fund .....	391



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**Where It Goes:**

Contractual FTEs decrease by 2.46 in the rest of DNR .....	-218
Waterway improvement project funding in Engineering and Construction .....	-500
Maryland Environmental Trust Civil War grant.....	-743
One-time fiscal 2018 deficiencies.....	-3,129
Other .....	-71
<b>Total</b>	<b>\$4,008</b>

DNR: Department of Natural Resources

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

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## **Personnel**

### **Changes by Category**

DNR's overall personnel expenditures increase by \$2,726,206 in the fiscal 2019 adjusted allowance. The personnel changes are as follows.

- ***Employee and Retiree Health Insurance Including One-time Reduction:*** Employee and retiree health insurance costs increase by a net of \$1,615,200, which reflects an increase of \$1,737,921 for the one-time fiscal 2018 reduction in health insurance and a decrease of \$122,722 for fiscal 2019 health insurance.
- ***General Salary Increase:*** The fiscal 2019 allowance includes funds for a 2% general salary increase for all State employees, effective January 1, 2019. These funds are budgeted in the Department of Budget and Management's (DBM) statewide program and will be distributed to agencies during the fiscal year. DNR's share of the general salary increase is \$475,839 in general funds, \$489,766 in special funds, \$82,656 in federal funds, and \$26,091 in reimbursable funds for a total of \$1,074,352. In addition, employees will receive another 0.5% increase and a \$500 bonus effective April 1, 2019, if actual fiscal 2018 general fund revenues exceed the December 2017 estimate by \$75 million. These funds have not been budgeted. The Administration will need to process a deficiency appropriation if revenues are \$75 million more than projected.
- ***New MPS and Critical Area Commission Positions:*** Funding for new positions increases by \$519,757 for 7.0 positions in MPS – Statewide Operation and 2.0 positions in the Critical Area Commission. The 7.0 positions in the MPS – Statewide Operation will work in new State parks as park rangers and as an administrative assistant at Deep Creek Lake Natural Resources Management Area. The 7.0 positions are consistent with the recommendation of the 2016 Five-year Strategic Park Investment Plan that identified the need for approximately one additional staff person for every State park, or 70 new positions phased in over time. The 2.0 positions in the Critical Area Commission will reinstate the Circuit Rider Program and

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provide support services to 31 municipalities on the Eastern Shore and 4 municipalities on the Western Shore. Specific services would include review of building permits, variances, subdivisions, and consistency reports as well as assistance in performing required six-year comprehensive reviews of local Critical Area programs. The overall reasons for position changes between fiscal 2018 and 2019 are shown in **Exhibit 5**.

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**Exhibit 5**  
**Regular Position Changes**  
**Fiscal 2018-2019**

<b><u>Unit</u></b>	<b><u>2018 Interagency Transfers</u></b>	<b><u>2019 Abolitions</u></b>	<b><u>2019 New Positions</u></b>	<b><u>Explanation and Impact</u></b>
Office of the Secretary	-3.00			Two positions were transferred to the Maryland Park Service (MPS) at Patapsco Valley State Park, and 1.0 position was transferred to the Resource Assessment Service to support unit needs.
MPS	2.00		7.00	The interagency transfers supported the need for additional maintenance and administrative staff support at Patapsco Valley State Park. The 7.0 new positions will be filled as park ranger positions in State parks with unmet operational needs, including two new parks, and an administrative assistant position at Deep Creek Lake Natural Resources Management Area.
Land Acquisition and Planning	-1.00			A trails planner position in Land Acquisition and Planning was transferred to the Critical Areas Commission. The work that was assigned to this position is being done by staff in Land Acquisition and Planning and other Department of Natural Resources units.

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<u>Unit</u>	<u>2018 Interagency Transfers</u>	<u>2019 Abolitions</u>	<u>2019 New Positions</u>	<u>Explanation and Impact</u>
Natural Resources Police (NRP)	-1.00			In March 2017, NRP recognized that it could use additional assistance with efforts to diversify its workforce and sought to dedicate a position and therefore, transferred a position to the new agency Diversity and Inclusion Office in the Human Resource Services unit, which would be forming in the coming months.
Critical Area Commission	1.00		2.00	Transferred 1.0 vacant grade 18 position in April 2017 from Land Acquisition and Planning to be reclassified as a natural resource planner IV in the Critical Area Commission, but it lacked funding in fiscal 2018. The 2.0 new positions in fiscal 2019 reflect the new Circuit Rider Program. One position will be a contractual full-time equivalent conversion.
Resource Assessment Service	1.00			This position was transferred from the Office of the Secretary in order to provide for an administrative specialist III to handle additional duties assigned to the current administrative aide.
Chesapeake and Coastal Service	0.10	-0.25		The 0.25 portion remaining of a filled part-time position is slated to be abolished in fiscal 2019.
Fishing and Boating Services	0.90	-1.00		The 1.0 position abolished in fiscal 2019 will reduce work done the Fishery Management Plan.
<b>Total</b>	<b>0.00</b>	<b>-1.25</b>	<b>9.00</b>	

Source: Department of Natural Resources

- ***One-time NRP Deficiency:*** The fiscal 2019 budget includes a one-time reduction of \$500,000 in general funds in NRP – Field Operations to recognize salary savings in NRP – Field Operations in fiscal 2018.

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- ***Turnover Adjustments:*** Turnover is reduced from 5.94% to 5.56%, which accounts for an increase of \$497,103.
- ***Workers' Compensation Premium Assessment:*** The workers' compensation premium assessment increases by \$404,194.
- ***Abolished Fishing and Boating Services and Chesapeake and Coastal Service Positions:*** There is a reduction of \$142,880 due to 1.25 positions being abolished. There is 1.0 position abolished in Fishing and Boating Services that worked on the Fishery Management Plan and 0.25 position in Chesapeake and Coastal Service representing the portion remaining of a filled part-time position.
- ***Law Enforcement Officer Pension System:*** The law enforcement officer pension system appropriation decreases by \$313,479 between fiscal 2018 and 2019 due to a reduction of the salary base in fiscal 2019.
- ***Regular Earnings:*** There is a reduction of \$1,402,324 for regular earnings.

#### **Other Changes**

Overall, the nonpersonnel portion of DNR's fiscal 2019 adjusted allowance increases by \$1.3 million. The areas of change may be broadly categorized as MPS, environmental restoration, and routine operations.

#### **MPS**

- ***Fiscal 2019 Enhancements from Transfer Tax and Forest or Park Reserve Fund:*** Aside from changes in regular position funding, contractual FTEs, and payment-in-lieu-of-taxes considerations related to existing payments and the new payments under Chapter 692, there is an increase of \$3,609,501 in MPS. This reflects the overall increase in transfer tax revenues and the budgeting of 100% of own-sourced revenues from the Forest or Park Reserve Fund per Chapter 23 of 2017 (Budget Reconciliation and Financing Act (BRFA)). These new expenditures reflect a number of one-time items, rather than multi-year funding needs, due to the likelihood of future revenue fluctuations. The increases include funding for fuel and utilities (\$101,302); vehicles (\$326,375); supplies and materials for replacement of fire rings, picnic tables, updated signage, and other forms of park upkeep (\$1,412,556); and new and replacement equipment such as mowers, chainsaws, tractors, chippers, dump trucks, tractor loaders, and loader backhoes (\$1,341,325). As part of the funding increase, federal funding is budgeted in the expectation that the U.S. National Park Service may help fund operations of the jointly administered Harriet Tubman Underground Railroad State Park Visitor Center.
- ***Revenue Equity Program:*** Funding increases by \$2,469,000 in general funds in fiscal 2019 per Chapter 692 to make annual payments, beginning in fiscal 2019, to counties that meet

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specified criteria, including having certain amounts of acreage of State forests, State parks, and wildlife management areas that are exempt from property taxes. The annual payment to each affected county is equal to the county's property tax rate multiplied by the assessed value, as determined by the State Department of Assessments and Taxation, of the State forests, State parks, and wildlife management areas in the county that are exempt from property taxes. The payments replace existing payment-in-lieu-of-taxes revenue-sharing payments in the affected counties. The three counties that qualify for the payments in fiscal 2019 are Allegany (\$510,714), Garrett (\$1,491,021), and Somerset (\$467,265) counties.

- ***Contractual FTEs Increase by 55.4 in MPS:*** There is an increase of \$517,545 for contractual FTEs in MPS. This reflects an increase of 55.4 contractual FTEs in MPS in order to provide additional seasonal staff to handle the increase in visitation in State parks since annual visitation has increased from 12.94 million in fiscal 2016 to 13.99 million in fiscal 2017.
- ***Payment-in-lieu-of-taxes Payments Decrease:*** Payment-in-lieu-of-taxes payments decrease by \$468,970 in special funds as result of a decrease of \$136,690 for the Forest Service and \$332,280 for MPS. This is primarily as a result of funds no longer being budgeted for Allegany, Garrett, and Somerset counties now that they are receiving funding through Chapter 692.

#### **Environmental Restoration**

- ***Chesapeake Bay Implementation Grant Contract Funding:*** There is an increase of \$828,061 in federal funds in the Chesapeake Bay Implementation Grant subprogram within the Chesapeake and Coastal Service. This primarily reflects increases of \$559,968 for U.S. Environmental Protection Agency emerging issues, \$355,421 for watershed assistance provided by the Chesapeake Bay Trust, and \$300,000 for green infrastructure projects with local governments, which are partially offset by a decrease of \$397,170 for various service agreements.
- ***State Highway Administration (SHA) Stormwater Funding:*** There is a decrease of \$521,579 in reimbursable funds in Chesapeake and Coastal Service from SHA Administration for cost-effective restoration alternatives to meet SHA's municipal separate storm sewer system permit requirements.
- ***Oyster Bar Rehabilitation:*** There is a decrease of \$741,462 (\$572,764 in federal funds, \$158,698 in reimbursable funds, and \$10,000 in special funds) for oyster bar rehabilitation work done by the Oyster Recovery Partnership.
- ***Chesapeake and Coastal Service Program Coastal and Ocean Research Contract:*** There is a decrease of \$883,944 in federal funds in the Chesapeake and Coastal Service Program primarily as a result of an \$880,001 reduction for an interagency agreement with the University of Maryland on coastal and ocean research.

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- ***Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Grants:*** Funding decreases by \$1,094,706 in fiscal 2019 for the nonpoint source nutrient reduction program grants supported by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund due to declining revenues.

**Routine Operations**

- ***M/V J. Millard Tawes Ice Breaking Boat Replacement:*** There is an increase of \$1,400,000 in the fiscal 2019 allowance for the replacement of the M/V J. Millard Tawes ice breaking boat. The funding is being provided over multiple years.
- ***Equipment in Engineering and Construction:*** Funding increases by \$438,000 (\$398,000 in general funds and \$40,000 in special funds) for equipment in Engineering and Construction, including the replacement of total station theodolite survey instruments that are 13 years old.
- ***Calvert County Gaming Tax Fund:*** There is an increase of \$390,785 in special funds for the Calvert County Gaming Tax Fund for a total of \$1,431,588. Of note, the Payments to Civil Divisions of the State appropriation is typically equal to the funding that goes to the Calvert County Gaming Tax Fund, and yet the Payments to Civil Divisions of the State funding is \$1,200,000 in fiscal 2019. DNR notes that it is budgeting prior year balance in fiscal 2019.
- ***Contractual FTEs Decrease by a Net of 2.46 in the Rest of DNR:*** There is a decrease of \$218,379 for contractual FTEs outside of MPS. This reflects a net reduction of 2.46 contractual FTEs. DNR's overall contractual FTE changes are shown in **Exhibit 6**.
- ***Waterway Improvement Project Funding in Engineering and Construction:*** There is a reduction of \$500,000 in reimbursable funds in Engineering and Construction for waterway improvement projects funded by the Waterway Improvement Fund in the Chesapeake and Coastal Service.
- ***MET Civil War Grant:*** Funding decreases by \$742,703 in reimbursable funds as a result of fiscal 2018 being the final year of a grant from the Civil War Trust received by MET.
- ***One-time Fiscal 2018 Deficiencies:*** The nonpersonnel fiscal 2018 deficiencies are all one-time funding, so there is a reduction of \$3,129,245 comprised of \$2,500,000 in special funds and \$629,245 in federal funds.

**Exhibit 6**  
**Contractual Full-time Equivalent Changes**  
**Fiscal 2018-2019**

<u>Unit/Program</u>	<u>Change</u>	<u>Description</u>
Secretary	-0.5	The reduction of 0.5 full-time equivalent (FTE) that coordinated the Department of Natural Resources (DNR) Maryland Charity Campaign duties was eliminated. Those duties have been assigned to other staff members within the department.
Finance and Administrative Service	-1.5	With the increase of 1.0 FTE that was added for an administrative aide working in the Supportive Services section, 1.0 FTE was removed for a management associate position that was subsequently abolished because a recruitment was done for a permanent position and subsequently hired. 1.0 FTE was removed for a services specialist position that was subsequently eliminated because a recruitment was done for a permanent position and subsequently hired. 0.5 FTE was removed for an administrative officer II position that was subsequently eliminated because the duties were given to a temporary worker along with other duties.
Human Resource Service	1.0	This contractual FTE increase is for a Multi-Cultural Outreach Coordinator that is responsible for assisting in building better relationships with diverse and underrepresented communities.
Forest Service	1.37	The increase in the contractual FTE count is due to projected increased hours for existing seasonal contracts that have been requested in order to meet the deliverables for the Chesapeake Bay Implementation Grant, Special Rivers Grant, and Recreational Trail Grants for both Elk Neck State Forest and Potomac/Garrett State Forest and to fulfill project goals as specified in the Annual Work Plan.
Wildlife and Heritage Service	-1.6	The Wildlife and Heritage Service requested 1.6 fewer contractual FTEs in fiscal 2019 for two reasons: a conversion to a regular position in fiscal 2018 and federal funding not being requested in fiscal 2019 because the grant funds are no longer available.
Maryland Park Service (MPS) – Statewide Operation	55.4	The FTE increase represents an increase in seasonal employee positions to support park field operations with increasing visitation.

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<u>Unit/Program</u>	<u>Change</u>	<u>Description</u>
MPS – Revenue Operations	-0.05	This FTE reduction is related to seasonal staff scheduling and will have no impact on park concession operations.
Licensing and Registration Service	2.2	Two 0.6 contractual FTEs were required for the opening of the Western Regional Licensing Service Center, which is co-located within the Motor Vehicle Administration as part of the Governor’s “One Stop Shop” for license initiatives. The contractual FTEs serve the citizens in the western counties of the State where there are no DNR Licensing Service centers. One additional FTE is allotted to the Bel Air Regional Service Center to assist the center manager who is currently working 2.0 full-time positions: manager of the Licensing Regional Service Center and administrator for the COMPASS program – DNR’s online licensing system for hunting and fishing, boating, and commercial fishing transactions.
Natural Resources Police (NRP) – General Direction	-1.0	In fiscal 2016 a contractual FTE for the executive assistant to NRP’s Superintendent was created. This employee was converted into a regular position in February 2017 so this contractual FTE was not required in fiscal 2019.
Critical Area Commission	-1.6	A contractual FTE at grade 13 and an intern were reduced in order to support the funding for the proposed Circuit Rider program and to fund the transfer and reclassification of a vacant unfunded grade 18 regular position in fiscal 2017.
Resource Assessment Service	1.0	The unit is requesting an administrative specialist III for additional duties assigned to the current administrative aide.
Maryland Geological Survey	0.3	The unit is requesting a part-time administrative aide contractual FTE to assist the administrative officer and division director thus replacing an agency processing specialist.
Chesapeake and Coastal Service	-1.25	The 0.25 FTE in the Aquatic Resources Education Program was abolished and the 1.0 FTE biologist was converted to a regular position.
Fishing and Boating Services	-0.83	The 0.83 FTE was identified as assisting in Potomac River Watershed Brood Collection and is no longer needed for that purpose.
<b>Total</b>	<b>52.94</b>	

Source: Department of Natural Resources



## ***Issues***

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### **1. Chesapeake and Atlantic Coastal Bays 2010 Trust Fund**

Chapter 6 of the 2007 special session (HB 5) established the Chesapeake and Atlantic Coastal Bays 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.

**Exhibit 7** shows the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund history, including revenues, transfers, and expenditures. Fiscal 2019 reflects the third year that funding has not been transferred and thus available revenues for programs have exceeded \$50.0 million as originally projected for the fund.

**Exhibit 7**  
**Chesapeake and Atlantic Coastal Bays 2010 Trust Fund History**  
**Fiscal 2009-2019 Est.**  
**(\$ in Millions)**

<u>Appropriation</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Est.</u> <u>2018</u>	<u>Est.</u> <u>2019</u>
<b>Opening Balance</b>	\$0.0	\$3.6	\$5.8	\$3.2	\$3.4	\$3.4	\$0.0	\$2.1	\$4.2	\$3.2	\$0.4
<b>Revenue</b>	\$38.2	\$41.5	\$43.1	\$41.8	\$44.3	\$49.4	\$52.9	\$50.4	\$51.7	\$51.3	\$52.9
<b>Transfers to the GF</b>											
Chapter 414 of 2008	-\$25.0										
Chapter 487 of 2009		-\$21.5									
Chapter 484 of 2010		-10.5	-\$22.1								
Chapter 397 of 2011			-1.0	-\$20.2	-\$15.1	-\$11.5	-\$8.1	-\$4.6			
Chapter 1 of 2012 First Special Session					-8.0						
Chapter 464 of 2014						-10.4	-6.2				
Chapter 489 of 2015								-8.6			
<b>Subtotal GF Transfers</b>	<b>-\$25.0</b>	<b>-\$32.0</b>	<b>-\$23.1</b>	<b>-\$20.2</b>	<b>-\$23.1</b>	<b>-\$21.9</b>	<b>-\$14.3</b>	<b>-\$13.3</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
GF Deficiency					\$2.8						
<b>Available Revenue</b>	<b>\$13.2</b>	<b>\$13.1</b>	<b>\$25.9</b>	<b>\$24.9</b>	<b>\$27.5</b>	<b>\$30.9</b>	<b>\$38.6</b>	<b>\$39.2</b>	<b>\$55.8</b>	<b>\$54.5</b>	<b>\$53.3</b>
<b>Spending</b>											
MDA	-\$6.9	-\$3.9	-\$12.3	-\$13.2	-\$14.5	-\$15.6	-\$19.6	-\$19.6	-\$19.6	-\$19.6	-\$19.6
MDE	-1.8	-1.7	-2.1	0.0	0.0	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8
DNR	-0.8	-1.7	-8.2	-10.4	-10.3	-14.8	-16.2	-17.9	-32.6	-33.7	-32.6

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<u>Appropriation</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Est.</u> <u>2018</u>	<u>Est.</u> <u>2019</u>
<b>Subtotal Agency Spending</b>	<b>-\$9.6</b>	<b>-\$7.3</b>	<b>-\$22.6</b>	<b>-\$23.6</b>	<b>-\$24.8</b>	<b>-\$31.1</b>	<b>-\$36.5</b>	<b>-\$38.3</b>	<b>-\$52.9</b>	<b>-\$54.2</b>	<b>-\$52.9</b>
<b>Returned Funding – MDE</b>				\$1.9		\$0.1					
<b>Encumbrance Cancellations</b>				0.3	\$0.8	0.1		\$3.2	\$0.3		
<b>Available Balance</b>	<b>\$3.6</b>	<b>\$5.8</b>	<b>\$3.2</b>	<b>\$3.4</b>	<b>\$3.4</b>	<b>\$0.0</b>	<b>\$2.1</b>	<b>\$4.2</b>	<b>\$3.2</b>	<b>\$0.4</b>	<b>\$0.4</b>

DNR: Department of Natural Resources  
 GF: General Fund  
 MDA: Maryland Department of Agriculture  
 MDE: Maryland Department of the Environment

Notes: Under Transfers to the GF in the exhibit, the \$10.5 million transferred by Chapter 484 of 2010 included \$8.0 million in fiscal 2010 revenues and \$2.5 million in fund balance. Fiscal 2013 reflects a \$2.8 million general fund deficiency appropriation in order to backstop an estimated decrease in revenues. Chapter 464 of 2014 transferred \$2.4 million from fund balance and \$8.0 million in revenues in fiscal 2014. Numbers may not sum due to rounding.

Source: Department of Natural Resources; Department of Legislative Services

## Fiscal 2019 Allocation

**Exhibit 8** provides an overview of the currently planned trust fund allocations for fiscal 2019 as compared with fiscal 2018. Of note, the exhibit only reflects special funds from the motor fuel tax and short-term rental vehicle tax since no general obligation bond capital funding is provided in the Governor's capital budget, which was provided in fiscal 2013, 2014, and 2015. Final decisions on allocations typically are made by the BayStat agencies after the final funding levels have been determined. The spending amount in Exhibit 7 reflects the full appropriation authority for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund in fiscal 2018, while the planned expenditures reflected in Exhibit 8 are less than the full appropriation because the Chesapeake and Coastal Service – the administrator of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund – does not intend to spend the full amount of the appropriation due to declining revenues.

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**Exhibit 8**  
**Chesapeake and Atlantic Coastal Bays 2010 Trust Fund**  
**Planned Expenditures**  
**Fiscal 2018-2019**  
**(\$ in Millions)**

	<u>2018</u>	<u>2019</u>	<u>Difference</u> <u>2018 and 2019</u>
<b>Maryland Department of Agriculture</b>			
Agency Technical Assistance	\$3.3	\$3.3	\$0.0
Cover Crops	11.3	11.3	0.0
Conservation Reserve Enhancement Program Incentive	0.5	0.5	0.0
Manure to Energy Projects with Proven Technology	1.7	0.7	-1.0
Manure Transport	0.8	0.8	0.0
Grants to Farmers	2.0	3.0	1.0
Governor's Phosphorus Management Tool Initiative	0.2	0.2	0.0
<b>Subtotal</b>	<b>\$19.6</b>	<b>\$19.6</b>	<b>\$0.0</b>
<b>Maryland Department of the Environment</b>			
Stormwater Permit Expeditors	\$0.8	\$0.8	-\$0.1
<b>Subtotal</b>	<b>\$0.8</b>	<b>\$0.8</b>	<b>-\$0.1</b>

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	<u>2018</u>	<u>2019</u>	<u>Difference</u> <u>2018 and 2019</u>
<b>Department of Natural Resources</b>			
Agency Direct Costs	\$0.7	\$0.8	\$0.1
Strategic Monitoring (UM)	0.4	0.4	0.0
Implementation Tracking (DoIT)	0.2	0.2	0.0
Targeted Pooled Monitoring	0.3	0.3	0.0
Innovative Technology (UM)	1.0	1.0	0.0
Nutrient and Sediment Reduction on State Lands (Natural Filters)	6.0	6.0	0.0
Cost-effective Nonpoint Source Projects (Targeted) <sup>1</sup>	21.5	23.1	1.6
Field Restoration Specialist	0.8	0.8	0.0
<b>Subtotal</b>	<b>\$30.9</b>	<b>\$32.6</b>	<b>\$1.7</b>
 <b>Total</b>	 <b>\$51.3</b>	 <b>\$52.9</b>	 <b>\$1.7</b>

DoIT: Department of Information Technology  
UM: University of Maryland

<sup>1</sup> 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.

Source: Department of Natural Resources; Department of Legislative Services

## **Fiscal 2018 and 2019 Highlights**

Overall, there are relatively few changes in the fiscal 2018 and 2019 allocations of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. The major changes between fiscal 2018 and 2019 are as follows.

- ***Manure to Energy Projects with Proven Technology*** – Funding decreases by \$1.0 million for the Animal Waste Technology Fund. Funding is provided in order to support technologies that use excess animal waste – such as for energy production. A total of \$660,000 is provided in fiscal 2019.
- ***Grants to Farmers*** – Funding increases by \$1.0 million for grants to farmers. A total of \$3.0 million is provided for assisting farmers with implementing nutrient management regulations by offsetting the infrastructure costs to implement or enhance manure storage.

- ***Cost-effective Nonpoint Source Projects (Targeted)*** – The largest funding change is an increase of \$1.6 million for cost-effective nonpoint source projects. This funding represents competitively solicited projects and receives \$23.1 million in fiscal 2019.

## **Financing Updates**

DNR has achieved recent success with its Innovative Technology Fund and overall performance-based financing strategy for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund. One of the components of the Innovative Technology Fund is the Seed Capital Fund, which provided an investment in a company called Traffax that collects and processes traffic data in order to control stop light cycles and thus reduce vehicle idling and the creation of nitrogen oxide emissions. Traffax was acquired by the company TrafficCast in November 2015, and the State received a portion of the revenue.

The collaboration between the Cecil Land Trust and Ecosystem Investment Partners in the Principio Watershed in Cecil County is one of the signature attempts at performance-based financing – paying for nutrient and sediment reductions as opposed to simply the implementation of best management practices. The project is divided into two phases as follows.

- **Horst Farm (Phase 1)** – The first phase of the collaboration resulted in the restoration of 8,200 linear feet (LF) of stream and 25 acres of riparian buffer in November 2017 on the Horst Farm. The first milestone payment of 75% was paid in December 2017 with three years of post-completion monitoring planned before full expending of funds. The project will cost \$795 per pound of nitrogen reduced or \$53 per pound over the 15-year lifespan of the project.
- **Zartler Farm (Phase 2)** – The second phase of the project involves the plan to restore 16,360 LF of stream and 39 acres of riparian buffer. Cecil County has contributed \$500,000 to the project – which is currently completing design and permitting – in recognition of the cost effectiveness of this method of meeting water quality goals. The Zartler Farm project cost is \$327 per pound of nitrogen reduced or approximately \$22 per pound over 15 years, which the State will pay once construction and planting is completed and verified.

**The Department of Legislative Services (DLS) recommends that DNR comment on the potential for landscape-scale projects using the performance-based financing model in other parts of Maryland and the overall plans for its use in projects funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.**

## **2. Maryland State Parks Quarterly Reports**

The fiscal 2018 budget bill restricted \$100,000 of DNR special fund appropriations until the submission of quarterly reports on July 1, 2017; October 1, 2017; January 1, 2018; and April 1, 2018. The reports were requested to discuss the status of developing a resource management planning team, the role of the proposed business development manager, the goals being developed for a formal

long-range plan, the five-year strategic plans being developed for individual State parks, and the actual development of a Comprehensive Long Range Strategic Plan as contemplated for achievement of the National Gold Medal Award from the National Recreation and Park Association. To date, the first three quarterly reports have been submitted.

## **Background**

The 2016 *Joint Chairmen's Report* included the request for a similar report, but the report did not fully capture the spirit of the request – identifying funding sources and a reasonable timeline to achieve full implementation of the plan in order to position Maryland's parks to achieve a National Gold Medal Award from the National Recreation and Park Association.

## **Report Summary**

The report summary is as follows. The first quarter report information is summarized and then followed by the second and third quarter report updates.

- ***Development of a Resource Management Planning Team:*** MPS developed a resource management planning team, comprised of four natural resource planners, over the past year, which is working with park staff and subject matter experts to develop five-year strategic management plans for individual State parks.
- ***October Update:*** The planning team has completed a new Trail Signage and Wayfinding Plan for trail standards, reviewed more than 260 project proposals for construction and utility right-of-way projects, conducted capital project reviews, initiated partnership agreements with local jurisdictions, and is preparing to develop an interim public access plan for the Bohemia River State Park in Cecil County. DLS notes that the new Trail Signage and Wayfinding Plan reflects a contribution to systemwide long-range planning and standard setting.
- ***January Update:*** DNR leadership and the planning team are developing interim Operational Management Plans for the new Bohemia River State Park and Sang Run State Park, planned and constructed a new kayak launch at Wye Island Natural Resource Management Area, completed a solar and energy efficiency project at Sandy Point State Park that is projected to reduce energy usage by 47%, began removal of the Patapsco Valley State Park Bloede Dam by constructing a temporary river crossing, developed a conceptual Strategic Management Partnership Plan with Charles County to facilitate a lease arrangement of portions of Chapel Point State Park, are reviewing 328 construction projects, completed the first stormwater management retrofit project with SHA at Rosaryville State Park with additional projects under construction and design, reviewed the final design and construction documents for several major capital projects, and initiated development of a major trail assessment plan for the 2,000-acre North Hill property in Garrett County.

- ***Role of the Proposed Business Development Manager:*** DBM approved an administrator III classification for the proposed business development manager. Job recruitment is set to begin in June 2017 in order to leverage more grant resources and public-private partnerships (P3), pursue corporate sponsorships, and improve MPS concessions.
  - ***October Update:*** Interviews for the business development manager were scheduled for October 2017. DLS notes that an individual could be expected to be hired by the time of the next quarterly update.
  - ***January Update:*** Mr. Tim Hamilton started in the business development manager position on January 3, 2018. Mr. Hamilton has a background in marketing and financial strategy development, including as the marketing director for a large independent garden center.
- ***Goals Being Developed for a Formal Long-range Plan:*** The goals noted in the 2016 MPS report include pursuing opportunities to meet growing public demand, developing P3s, applying POS funding increases to critical operating funding needs, planning for \$40 million in capital investment needs between fiscal 2019 and 2025, improving efficiency of visitor access, and improving financial performance and administrative management efficiency.
  - ***October Update:*** POS funding increases in fiscal 2018 are being applied to staffing needs; a backlog of vehicle, equipment, and supply needs; implementation of a new Veteran Conservation Corps (VCC) Program; and improvements to unique facilities in order to increase access. Capital investment needs are being addressed through the submission of the fiscal 2019 project list for the Critical Maintenance Program and Natural Resources Development Fund, which includes the first allocation of POS repayment funds that will total \$40 million over seven years. Plans to improve outdoor recreation facilities over the fiscal 2020 to 2025 time period are still under development. In addition, DNR notes that it has written a new agreement with the Maryland Historical Trust on the development of an historic sites strategic plan. DLS notes that the VCC program joins the Maryland Conservation Jobs Corps – a summer youth opportunities program – and MCC programs – an all-year AmeriCorps program.
  - ***January Update:*** DNR’s fiscal 2019 capital budget, including the Critical Maintenance Program and Natural Resources Development Fund, is under review by DBM. As part of the long-range strategic plan, DNR has filled the chief of interpretation position. The position will be working on the development of statewide interpretive planning elements for the agency.
- ***Five-year Strategic Management Plans Being Developed for Individual State Parks:*** DNR has completed three (New Germany, Smallwood, and Fort Frederick) park strategic management plans, which will be posted on the park websites after review is completed this summer; six plans (Tuckahoe, Susquehanna, Cunningham Falls, Point Lookout, Janes Island, and Gunpowder-Jerusalem Mill) are 60% complete, and planning efforts have begun for



additional parks (Rocky Gap, Merkle, Assateague, and Patapsco Valley – Orange Grove and Avalon) with the expectation that the completion of the majority of park plans in five years will allow for development of a formal long-range plan for the entire State park system.

- ***October Update:*** The Smallwood, New Germany, and Fort Frederick strategic management plans have now been posted on the DNR website. The Susquehanna plan is in final review, and the Tuckahoe, Cunningham Falls, Point Lookout, Janes Island, and Gunpowder-Jerusalem Mill plans have moved from 60% completion to approximately 75% completion. The Rocky Gap, Merkle, Assateague, and Patapsco Valley – Orange Grove and Avalon plans continue to be underway. Additionally, the planning team has initiated a second draft of the plan for the Belt Woods Natural Environment Area, which incorporates public comments.
- ***January Update:*** The Susquehanna plan has now been posted on the DNR website. The plans for Tuckahoe, Merkle, and Rocky Gap are under final review, which appears to reflect an acceleration of the timeline for the Merkle and Rocky Gap plans, since they were not at the 75% completion stage in the October update. The plans for Cunningham Falls, Point Lookout, Janes Island, and Gunpowder-Jerusalem Mill remain at the 75% complete stage. The Assateague, and Patapsco Valley – Orange Grove and Avalon plans continue to be underway. The second draft of the Belt Woods Natural Environment Area plan is now in review. DLS notes that no new plans appear to have been added to the development pipeline.
- ***Development of a Comprehensive Long Range Strategic Plan as Contemplated for Achievement of the National Gold Medal Award from the National Recreation and Park Association:*** MPS plans to apply in late 2018 for the next State Park National Gold Medal Award from the National Recreation and Park Association with an award selection in 2019.
- ***October Update:*** DNR needs to address several requirements associated with the National Gold Medal Award application: (1) improvements to the agency’s website; (2) publication of an agency program brochure; and (3) development of a comprehensive long-range strategic plan. DLS notes that the development of a comprehensive long-range strategic plan is one of the core reasons for the adoption of the budget bill language. It appears that DNR will have to accelerate its plans for development of a comprehensive long-range strategic plan over five years if it is going to apply for the National Gold Medal Award in late 2018.
- ***January Update:*** DNR notes that continued progress on the strategic management plans supports the Gold Medal Award application. In terms of overall progress toward developing its application, DNR notes that it has taken two steps to strengthen its application: (1) the business development manager will be on the planning team and will focus on improving the website and developing outreach materials; and (2) MPS assisted with the development of a new Maryland Outdoor Recreation Economic Commission – created by Executive Order 01.01.2017.24 on October 13, 2017 – which will

recommend opportunities to enhance Maryland’s outdoor recreation brand and economy and thus demonstrate its value to a broad sector of community stakeholders.

## **Business Development Manager**

DNR has provided an update on the business and marketing manager’s scope of work. The position will be focused on the following:

- leveraging more public-private and government partnerships to extend the State’s capacity to manage State parks and provide visitor services;
- improving the quality and profitability of park concession contracts and operations to improve customer service and enhance fiscal sustainability;
- marketing under-utilized parks, events and services to spread visitation across the system and generate new revenue streams;
- developing recommendations to enhance fiscal sustainability by analyzing reservations, visitation, and cost and revenue trends; and
- pursuing corporate sponsorships.

As noted in the MFR section of this analysis, State parks visitation is increasing, which may be contributing to more injuries in parks, while the impact on revenues is uncertain. **DLS recommends that DNR comment on how the business and marketing manager will help to increase revenues in parks given the lack of turnover that occurs at popular parks during the summer and the lack of charge collection systems at certain parks.**

## **3. Environmental Trust Fund Depleted**

The Power Plant Research Program within DNR’s Resource Assessment Service was created in 1971 to conduct research on the impacts of existing and proposed power plants in each county. The Power Plant Research Program is required to undertake a continuing research program for electric power plant site evaluation and related environmental and land use considerations. It is funded through an assessment on electricity used in the State, which accrues to the Environmental Trust Fund.

The Environmental Trust Fund electricity surcharge is at the statutory maximum amount, and yet DNR advises that the projected fiscal 2019 ending balance is negative. The reasons for the deficit include the surcharge not being increased since legislation originally enacted it in 1972; increased demands from legislatively mandated studies; the adoption of energy conservation practices and purchase of energy efficient appliances and products that reduce electricity use, and thus, revenues; and the increase in the number of energy generation projects reviewed per year as a result of an increased

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number of solar projects submitted for review. **DLS recommends that DNR comment on the options for addressing the shortfall in the Environmental Trust Fund.**

## ***Operating Budget Recommended Actions***

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1. Adopt the following narrative:

**Maryland Park Service Funding Report:** The committees are concerned that the Maryland Park Service (MPS) is receiving a substantial increase in revenue without a clear description of how the funding is being used in the fiscal 2019 allowance. The funding increase comes from transfer tax funding and Forest or Park Reserve Fund revenue per Chapter 23 of 2017 (Budget Reconciliation and Financing Act), which required the Governor to include in the State budget an appropriation to MPS equal to 100% of own-sourced revenues collected in the Forest or Park Reserve Fund from the second preceding fiscal year, less any administrative costs and prior-year closing fund balance. Therefore, the budget committees request that the Department of Natural Resources (DNR) submit a report with the fiscal 2020 State budget submission showing the allocation of both transfer tax and Forest or Park Reserve Fund funding for the fiscal 2018 actual, fiscal 2019 working appropriation, and fiscal 2020 allowance. The report is requested to include the MPS's own-sourced revenue and administrative costs from fiscal 2018, which informs the fiscal 2020 appropriation, and a description of how the appropriations from each of the three years helps to meet the recommendations of the 2016 Five-year Strategic Plan, in terms of both personnel and park resources, and the development of a Comprehensive Long Range Strategic Plan as contemplated for achievement of the National Gold Medal Award from the National Recreation and Park Association.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
MPS funding report	DNR	Fiscal 2020 State budget submission

	<b><u>Amount Reduction</u></b>
2. Delete funding for the Fair Hill Natural Resources Management Area improvements. It has not been determined whether a four- or five-star equestrian event will be held at the Fair Hill Natural Resources Management Area and so the funding is not needed in fiscal 2018.	\$ 2,500,000 SF
<b>Total Reductions to Fiscal 2018 Deficiency</b>	<b>\$ 2,500,000</b>

## ***Updates***

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### **1. MPS Own-sourced Revenue**

Chapter 23 required the Governor to include in the State budget an appropriation to MPS equal to 100% of own-sourced revenues collected in the Forest or Park Reserve Fund from the second preceding fiscal year, less any administrative costs and prior-year closing fund balance.

#### **Background**

Chapter 464 of 2014 (BRFA) required the Governor to make the following appropriations for MPS from MPS-sourced revenues collected in the Forest or Park Reserve Fund: (1) at least 60% of revenues for fiscal 2016; (2) at least 80% of revenues for fiscal 2017; and (3) 100% of revenues for fiscal 2018 and each fiscal year thereafter. In a May 14, 2015 letter to the Governor, the Office of the Attorney General (OAG) advised that the MPS funding provisions were likely unconstitutional because they violated the one-subject rule under the Maryland Constitution. OAG indicated that the MPS provisions, as a funding mandate, were inconsistent with the single subject of Chapter 464. OAG recommended that the provisions be treated as an expression of intent only and not binding on the Governor.

Chapter 389 of 2015 ratified and amended the MPS funding provisions, specifying that the percentages be applied to the revenues in the Forest or Park Reserve Fund that are attributable to MPS operations less any amount of those revenues allocated for administrative costs. However, it was unclear whether the mandate was enforceable as it did not prescribe an objective basis from which funding could be computed. On April 4, 2017, OAG advised that the modified provision in Chapter 23 appeared to clarify an existing mandate rather than establish a new mandate.

#### **Fiscal 2019 Funding**

As shown in **Exhibit 9**, the fiscal 2017 actual revenue for the Forest or Park Reserve Fund (both MPS and Forest Service) was \$18,775,598. The amount attributable to MPS own-sourced revenue was \$15,272,175. The administrative expenses related to the \$15,272,175 was \$1,919,600, so the fiscal 2019 mandated own-sourced revenue for MPS is \$13,352,575. The Administration actually budgeted \$13,644,352, which reflects approximately \$291,777 from the Forest or Park Reserve Fund balance.

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**Exhibit 9**  
**Maryland Park Service Own-sourced Revenue Required to Budget**  
**Fiscal 2019**

	<u>Maryland Park Service</u>	<u>Forest Service</u>	<u>Total</u>
Forest or Park Reserve Fund Revenue	\$15,272,175	\$3,503,423	\$18,775,598
Administrative Expenses	-1,919,600	n/a	
<b>Required Budget</b>	<b>\$13,352,575</b>	<b>n/a</b>	
Actual Amount Budgeted	13,644,352	n/a	
<b>Difference</b>	<b>\$291,177</b>		

Source: Department of Natural Resources; Department of Legislative Services

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## **2. Maryland Outdoor Recreation Economic Commission**

Executive Order 01.01.2017.24 established the Maryland Outdoor Recreation Economic Commission on October 13, 2017, in order to advise and make recommendations to the Governor on actions that will strengthen the outdoor economy in Maryland. Specific recommendations and an action plan are required to strengthen and enhance the following:

- the business climate for the outdoor recreation industry;
- Maryland's brand as a premier destination for outdoor recreation and heritage tourism;
- development of world-class outdoor and heritage tourism experiences;
- stewardship of Maryland's natural, cultural, historical, and recreational resources; and
- opportunities for workforce development and job creation in the outdoor recreation industry.

An interim report is required by December 1, 2018, and a final report by December 1, 2019. To date, the names of potential members are being vetted by the Governor's office.

### **3. Aviation Unit Status**

As noted in last year's analysis, the aviation unit has been reconstituted in DNR with a 1972 Bell Jet Ranger. The fiscal 2018 allowance included \$555,842 in general funds for the unit, which was deleted by the General Assembly with the authorization to process a budget amendment to bring in a special fund appropriation for the same purpose. To date, no such budget amendment has been processed.

The aviation unit is currently staffed by one law enforcement officer pilot. In calendar 2017, the pilot flew 224 missions supporting conservation law enforcement, boating safety, and search and rescue among other support flights for units with DNR and allied agencies. Interdicted activities included oyster poaching in a sanctuary; oyster power dredging in a hand tong only area; waterfowl baiting; felony theft; boating safety violations; and marijuana growing. In addition, the aviation unit supported the Chesapeake Bay Swim by checking for oncoming boats.

### **4. Protection and Restoration of State-owned Lakes**

Chapters 404 and 405 of 2017 (Natural Resources – Protection and Restoration of State-Owned Lakes) established a State Lakes Protection and Restoration Fund, administered by the Secretary of Natural Resources, to protect and restore State-owned lakes. The fund consists of money appropriated in the State budget and money from any other source. DNR must develop (1) a working budget for the fund; and (2) in coordination with local governments, organizations, and citizens, an annual work plan that prioritizes and details projects that will receive funding.

There are 16 State-owned lakes, with Deep Creek Lake being the largest. DNR devotes various resources to Deep Creek Lake, including (1) MPS management of the lake; (2) water quality and submerged aquatic vegetation monitoring conducted by the Resource Assessment Service; and (3) fish monitoring and stocking conducted by the Fisheries Service.

There is no funding in the fiscal 2019 budget for the State Lakes Protection and Restoration Fund. However, DNR's fiscal 2019 PAYGO capital budget includes \$1,115,000 in the WIP to dredge Arrowhead Cove in Deep Creek Lake. In addition, SB 501 (State Lakes Protection and Restoration Fund – Purpose, Use, and Funding – Alterations) has been introduced in the 2018 session that would require the Governor to include in the annual budget bill an appropriation of \$3.0 million to the fund.

### **5. Mallows Bay – Potomac River National Marine Sanctuary Proposal Nearing Completion**

In September 2014, the State of Maryland submitted a nomination for the Mallows Bay area of the Potomac River – about 40 miles south of Washington, DC – to be considered as a national marine sanctuary. In October 2015, NOAA announced its intent to designate the Mallows Bay as a Potomac River National Marine Sanctuary in order to help conserve nationally significant shipwrecks

and related maritime heritage resources in Maryland. NOAA notes that the area is renowned for the remains of the 100 wooden steamships, known as the “Ghost Fleet,” which were built for the U.S. Emergency Fleet between 1917 and 1919 as part of the United States’ involvement in World War I.

Four alternatives are being considered for the proposed national marine sanctuary including a no-action alternative and three boundary alternatives ranging from 18 to 100 square miles. NOAA’s preferred alternative is 52 square miles of the Potomac River. It would include more than 100 known and potential shipwrecks and reflect the heritage of the region’s Native American cultures and maritime battlefields from the Revolutionary and Civil Wars. Proposed sanctuary co-managers include NOAA, the State, and Charles County.

DNR, the Maryland Historical Trust, Charles County, and NOAA are concurrently reviewing all final designation documents for the proposed national marine sanctuary. The final designation documents include the Final Rule and the Final Environmental Impact Statement, which includes a Memorandum of Agreement between NOAA, the State, and Charles County for joint management of the sanctuary. Once the designation documents are cleared, subsequent steps include a 45-day congressional review period as well as publishing the final notice in the *Federal Register*. It is anticipated that the process could be completed by late summer 2018.

## **6. DNR Initiates Two New Programs**

DNR has initiated at least two new programs within the last year: the VCC program within MPS and the Clean Up and Green Up Small Grants Program within MET. The VCC program joins the existing Maryland Conservation Jobs Corps, a summer youth opportunities program, and the MCC program, an all-year AmeriCorps program. The program was constituted to employ veterans and to provide skilled labor for State park maintenance projects and operations. In fiscal 2017, MPS employed five veterans – overseen by a long-term contractual veteran and all trained by and working with MCC – as part of a year-long conservation corps crew based at the Point Lookout State Park for \$45,790, due to starting the program mid-year. In fiscal 2018, MPS expects to hire the same number of veterans for the VCC crew and has budgeted \$150,000 for the full-year program.

The new Clean Up and Green Up Small Grants Program was started in MET in fiscal 2017 by a \$10,000 budget amendment under MET’s Keep Maryland Beautiful Program; fiscal 2018 funding will need to be brought in by budget amendment. The Clean Up and Green Up Small Grants Program is managed by MET but is funded by the Department of Housing and Community Development. The intent of the program is to help community groups and nonprofit organizations with neighborhood beautification activities such as litter removal, greening activities, community education, and citizen stewardship. The grants are capped at \$5,000 per award.



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**Appendix 1**  
**Current and Prior Year Budgets**  
**Department of Natural Resources**  
**(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2017</b>					
Legislative Appropriation	\$59,126	\$164,765	\$28,940	\$10,896	\$263,727
Deficiency Appropriation	247	941	1,915	0	3,103
Cost Containment	-721	0	0	0	-721
Budget Amendments	1,687	2,114	2,448	7,864	14,114
Reversions and Cancellations	-396	-6,242	-6,226	-6,682	-19,547
<b>Actual Expenditures</b>	<b>\$59,943</b>	<b>\$161,578</b>	<b>\$27,078</b>	<b>\$12,078</b>	<b>\$260,677</b>
<b>Fiscal 2018</b>					
Legislative Appropriation	\$61,004	\$169,077	\$30,909	\$11,607	\$272,598
Cost Containment	-1,020	0	0	0	-1,020
Budget Amendments	448	25	0	978	1,451
<b>Working Appropriation</b>	<b>\$60,432</b>	<b>\$169,102</b>	<b>\$30,909</b>	<b>\$12,585</b>	<b>\$273,029</b>

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. Numbers may not sum to total due to rounding.

## **Fiscal 2017**

The Department of Natural Resources' (DNR) general fund appropriation increased by \$816,797 as follows.

- **Deficiency Appropriation:** An increase of \$246,977 for collective bargaining agreements/obligations in the Natural Resources Police (NRP) – Field Operations.
- **Cost Containment:** A decrease of \$721,286 due to cost containment. The cost containment was allocated through the November 2, 2016 Board of Public Works (BPW) reductions and primarily included deferring replacement of three of six small vessels budgeted for fiscal 2017 in NRP – General Direction (\$258,535) and reduced motor vehicle fuel spending in accord with prior spending levels in NRP – Field Operations (\$190,496).
- **Budget Amendments:** A net increase of \$1,687,331 primarily comprised of the allocation of the fiscal 2017 collective bargaining agreement with the State Law Enforcement Officers Labor Alliance (SLEOLA) in Maryland Park Service (MPS) and NRP (\$2,022,094) and allocation of fiscal 2017 increment funding as authorized in the fiscal 2017 budget bill (\$1,032,655), offset partially by the transfer of funding to the Department of Information Technology (DoIT) related to 11 full-time equivalents transferred during calendar 2016 for the Information Technology (IT) Enterprise Initiative as authorized by Section 21 of the fiscal 2017 budget bill (\$1,389,036).
- **Reversions:** A decrease of \$396,225 due to targeted reversions in a number of programs.

DNR's special fund appropriation decreased by \$3,187,130 as follows.

- **Deficiency Appropriation:** An increase of \$941,000 comprised of Chesapeake and Atlantic Coastal Bays 2010 Trust Fund funding for various Chesapeake and Atlantic Coastal Bays projects in the Chesapeake and Coastal Service (\$500,000) and from the Forest or Park Reserve Fund for county payments for timber and nontimber sales, two replacement tractors, and a failing water well at Ayton Tree Nursery (\$441,000).
- **Budget Amendments:** An increase of \$2,114,334 primarily due to budget amendments for contractual services related to the purchasing of shell and planting oysters for oyster repletion activities in Fishing and Boating Services (\$1,100,000); and for allocating fiscal 2017 increment funding as authorized in the fiscal 2017 budget bill (\$815,903).
- **Cancellations:** A decrease of \$6,242,464 primarily as a result of cancellations due to appropriations not being needed in a number of programs.

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DNR's federal fund appropriation decreased by \$1,862,269 as follows.

- **Deficiency Appropriation:** An increase of \$1,915,246 due to deficiency appropriations primarily in NRP – Field Operations for equipment replacement funded by High Intensity Drug Trafficking agreements with the U.S. Department of Justice (\$526,000); NRP – General Direction for maritime law enforcement, tactical operator courses, and a patrol/response vessel from the U.S. Department of Homeland Security's (DHS) Port Security Grant Program (\$520,450); and the Chesapeake and Coastal Service for innovative economic development approaches to oyster restoration (\$513,796).
- **Budget Amendments:** An increase of \$2,448,321 due to budget amendments primarily for salary expenses and technical, financial, and outreach assistance to local governments and communities for watershed planning and Chesapeake Bay restoration implementation in the Chesapeake and Coastal Service (\$1,095,040) and unanticipated salary expenses and to fully use available grant funds in NRP – Field Operations program from DHS – United States Coast Guard's Boating Safety Financial Assistance (\$759,395).
- **Cancellations:** A decrease of \$6,225,836 as a result of cancellations due to grant costs and revenues being less than anticipated in NRP – General Direction (\$2,553,890), Fishing and Boating Services (\$1,881,663), Wildlife and Heritage Service (\$860,437), NRP – Field Operations (\$662,744), and other programs (\$267,102).

DNR's reimbursable fund appropriation increased by \$1,182,210 as follows.

- **Budget Amendments:** An increase of \$7,864,458 is due to budget amendments. Funding was transferred from DoIT's Major IT Development Project Fund to DNR for the 700 megahertz project implementation plan as well as the purchase of Tactical Response Team accessories and service equipment to maintain the radios (\$4,008,408) and was transferred internally from the Waterway Improvement Fund to the Fisheries Service in order to replace the J. Millard Tawes ice breaking buoy tender, provide for general maintenance and pier upgrades at Somers Cove Marina in Crisfield and fund the Harris Creek oyster restoration correction project (\$2,350,000), and Engineering and Construction for multiple statewide projects (\$1,268,500).
- **Cancellations:** A decrease of \$6,682,248 primarily as a result of cancellations due to grant costs and revenues being less than anticipated in a number of programs.

## **Fiscal 2018**

DNR's general fund appropriation decreases by a net of \$571,793. The changes are as follows.

- **Cost Containment:** A decrease of \$1,020,000 due to cost containment. The cost containment was allocated through the September 6, 2017 BPW reductions that reduced Forest Service funding in order to be backfilled by Program Open Space (POS) funding from

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MPS (\$1,000,000) and eliminated the print edition of the Fishing Guide in Fishing and Boating Services since an electronic version will continue to be produced (\$20,000).

- ***Budget Amendments:*** An increase of \$448,207 primarily due to a budget amendment that allocated the fiscal 2018 collective bargaining agreement with SLEOLA in NRP – Field Operations (\$407,207).

DNR's special fund appropriation increases by \$24,960 due to a budget amendment that allocates the fiscal 2018 collective bargaining agreement with SLEOLA in the Maryland Park Service. There are offsetting budget amendments of \$1,000,000 in POS-backed special fund appropriations to reflect a reduction in the MPS – Statewide Operations as part of the September 6, 2017 BPW reductions which was offset by a \$1,000,000 increase in the Forest Service in order to backfill the fiscal 2018 cost containment general fund reduction.

DNR's reimbursable fund appropriation increases by \$977,976 by budget amendment. The budget amendments primarily transfer funding internally from the Chesapeake and Coastal Service to the Fishing and Boating Services for replacement of the J. Millard Tawes ice breaking buoy tender from Waterway Improvement Fund funds since the work is actually taking place in Fishing and Boating Services (\$600,000).

**Appendix 2**  
**Audit Findings**

Audit Period for Last Audit:	February 5, 2013 – January 5, 2016
Issue Date:	July 2017
Number of Findings:	4
Number of Repeat Findings:	3
% of Repeat Findings:	75%
Rating: (if applicable)	

- Finding 1:**     **Did not establish sufficient controls over the processing of voids and price changes for the COMPASS Licensing and Registration System.**
- Finding 2:**     **Lacked assurance that COMPASS was properly secured against operational and security risks.**
- Finding 3:**     **Lacked adequate controls over collections at the Annapolis headquarters complex and one regional service center.**
- Finding 4:**     Did not use available statewide contracts nor comply with State procurement regulations for the purchase of telecommunication tower maintenance and equipment installation services.

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

**Appendix 3**  
**Object/Fund Difference Report**  
**Department of Natural Resources**

<u>Object/Fund</u>	<u>FY 17 Actual</u>	<u>FY 18 Working Appropriation</u>	<u>FY 19 Allowance</u>	<u>FY 18 - FY 19 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1,314.50	1,332.50	1,340.25	7.75	0.6%
02 Contractual	438.53	492.35	545.29	52.94	10.8%
<b>Total Positions</b>	<b>1,753.03</b>	<b>1,824.85</b>	<b>1,885.54</b>	<b>60.69</b>	<b>3.3%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 123,983,649	\$ 125,018,263	\$ 124,432,196	-\$ 586,067	-0.5%
02 Technical and Spec. Fees	11,457,394	13,763,357	14,062,523	299,166	2.2%
03 Communication	3,567,444	3,986,669	3,626,394	-360,275	-9.0%
04 Travel	660,786	653,691	641,974	-11,717	-1.8%
06 Fuel and Utilities	4,892,200	5,297,547	5,398,849	101,302	1.9%
07 Motor Vehicles	10,297,145	11,863,071	11,600,673	-262,398	-2.2%
08 Contractual Services	27,217,599	35,365,068	35,396,050	30,982	0.1%
09 Supplies and Materials	7,662,256	8,163,689	9,796,322	1,632,633	20.0%
10 Equipment – Replacement	5,497,770	1,074,354	2,245,713	1,171,359	109.0%
11 Equipment – Additional	907,670	1,057,284	2,113,284	1,056,000	99.9%
12 Grants, Subsidies, and Contributions	61,167,377	63,317,921	63,650,537	332,616	0.5%
13 Fixed Charges	3,250,431	3,358,069	3,429,169	71,100	2.1%
14 Land and Structures	114,879	110,000	460,388	350,388	318.5%
<b>Total Objects</b>	<b>\$ 260,676,600</b>	<b>\$ 273,028,983</b>	<b>\$ 276,854,072</b>	<b>\$ 3,825,089</b>	<b>1.4%</b>
<b>Funds</b>					
01 General Fund	\$ 59,942,642	\$ 60,432,466	\$ 62,230,735	\$ 1,798,269	3.0%
03 Special Fund	161,577,861	169,102,141	171,561,906	2,459,765	1.5%
05 Federal Fund	27,078,197	30,908,960	31,050,237	141,277	0.5%
09 Reimbursable Fund	12,077,900	12,585,416	12,011,194	-574,222	-4.6%
<b>Total Funds</b>	<b>\$ 260,676,600</b>	<b>\$ 273,028,983</b>	<b>\$ 276,854,072</b>	<b>\$ 3,825,089</b>	<b>1.4%</b>

Note: The fiscal 2018 appropriation does not include deficiencies, targeted reversions, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 4  
Fiscal Summary  
Department of Natural Resources**

<u>Program/Unit</u>	<u>FY 17 Actual</u>	<u>FY 18 Wrk Approp</u>	<u>FY 19 Allowance</u>	<u>Change</u>	<u>FY 18 - FY 19 % Change</u>
01 Office of the Secretary	\$ 20,748,263	\$ 17,223,066	\$ 16,161,834	-\$ 1,061,232	-6.2%
02 Forestry Service	12,822,770	12,375,145	12,285,396	-89,749	-0.7%
03 Wildlife and Heritage Service	11,590,750	11,341,533	11,454,434	112,901	1.0%
04 Maryland Park Service	42,722,826	46,075,600	52,622,629	6,547,029	14.2%
05 Capital Grants and Loan Administration	4,899,391	5,245,593	5,463,213	217,620	4.1%
06 Licensing and Registration Service	3,536,943	3,812,347	3,950,206	137,859	3.6%
07 Natural Resources Police	45,627,974	48,578,814	48,163,006	-415,808	-0.9%
09 Engineering and Construction	5,108,404	7,543,491	7,778,699	235,208	3.1%
10 Chesapeake Bay Critical Area Commission	2,008,313	1,998,972	2,085,704	86,732	4.3%
12 Resource Assessment Service	17,284,065	18,148,061	18,228,220	80,159	0.4%
13 Maryland Environmental Trust	1,379,038	1,614,311	1,036,691	-577,620	-35.8%
14 Watershed Services	66,354,370	69,463,300	67,838,842	-1,624,458	-2.3%
17 Fisheries Service	26,593,493	29,608,750	29,785,198	176,448	0.6%
<b>Total Expenditures</b>	<b>\$ 260,676,600</b>	<b>\$ 273,028,983</b>	<b>\$ 276,854,072</b>	<b>\$ 3,825,089</b>	<b>1.4%</b>
General Fund	\$ 59,942,642	\$ 60,432,466	\$ 62,230,735	\$ 1,798,269	3.0%
Special Fund	161,577,861	169,102,141	171,561,906	2,459,765	1.5%
Federal Fund	27,078,197	30,908,960	31,050,237	141,277	0.5%
<b>Total Appropriations</b>	<b>\$ 248,598,700</b>	<b>\$ 260,443,567</b>	<b>\$ 264,842,878</b>	<b>\$ 4,399,311</b>	<b>1.7%</b>
Reimbursable Fund	\$ 12,077,900	\$ 12,585,416	\$ 12,011,194	-\$ 574,222	-4.6%
<b>Total Funds</b>	<b>\$ 260,676,600</b>	<b>\$ 273,028,983</b>	<b>\$ 276,854,072</b>	<b>\$ 3,825,089</b>	<b>1.4%</b>

Note: The fiscal 2018 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2019 allowance does not include contingent reductions or cost-of-living adjustments.