

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 254 (Chair, Environment and Transportation Committee)(By
Request - Departmental - Natural Resources)

Environment and Transportation Education, Energy, and the Environment

Supporting Inclusive Community Adaptation Act

This departmental bill requires the Department of Natural Resources (DNR) to facilitate community participation in the planning and development of department projects. The bill also establishes a grant fund (administered by DNR), and certain other DNR efforts, focused on climate change resilience. Finally, the bill makes modifications to provisions governing an existing loan fund for shore erosion control projects, including the removal of certain funding limitations and the authorization of partial loan forgiveness.

Fiscal Summary

State Effect: Pay-as-you-go (PAYGO) general fund expenditures may increase in future years, as discussed below. General fund revenues decrease beginning in FY 2029, potentially only minimally, and special fund revenues are affected, as discussed below.

Local Effect: Local governments benefit from the bill, as discussed below.

Small Business Effect: DNR has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary:

Community Participation

The bill requires DNR to facilitate community participation in the department's project planning and development (in general, applicable across the department's activities) and

authorizes the department to enter into contractual agreements with other State agencies, local governments, and nonprofit organizations to promote and enhance community participation. A contractual agreement (1) may allow for other State agencies, local governments, or nonprofit organizations to provide compensation to individuals for community participation in project planning and development and (2) must specify the terms of any grant or payment to be received.

Resilience Through Restoration Capital Grant Fund

The bill establishes a Resilience Through Restoration Capital Grant Fund, administered by DNR, to provide grant funding to State agencies, local governments, and nonprofit organizations for the planning, design, construction, and adaptive management of nature-based restoration projects that reduce the State's climate change vulnerabilities and enhance the resilience of the State's communities and public lands. The fund is focused on (1) reducing vulnerability and enhancing resilience with respect to both extreme hazards (*e.g.*, storms and more frequent and intense rain events) and chronic hazards (*e.g.*, nuisance flooding and sea level rise) and (2) both programmatic and project-level adaptive management.

The fund consists of (1) money appropriated in the State budget to the fund; (2) money from private or public sources, including from federal sources, accepted for the benefit of the fund; and (3) interest earnings. The fund may not receive any appropriation from the general fund in fiscal 2027.

Climate Change Resilience Efforts for Local Jurisdictions and Department Lands

The bill requires DNR to develop, by October 1, 2027 – and subsequently maintain and regularly update – resources for local jurisdictions to use in their climate change resilience efforts; specifically, (1) a user-friendly website for local jurisdictions to access the department's climate change-related planning tools and resources; (2) streamlined guidance for local jurisdictions' use of the tools and resources and integration of the tools and resources into their planning efforts; and (3) training to assist local jurisdictions in incorporating climate adaptation planning into their comprehensive plans and other planning documents.

DNR must also identify, evaluate, and prioritize climate vulnerabilities and risks on department lands and meet a deadline of doing so for two coastal and two inland department properties by December 31, 2035.

Modifications to the Shore Erosion Control Construction Loan Fund

The bill requires interest earnings of the Shore Erosion Control Construction Loan Fund to be credited to the fund rather than the general fund and removes existing limits on the

amount of a shore erosion control project's construction cost that can be covered by a loan from the fund. The bill also authorizes the department to partially forgive a loan from the fund in accordance with ecologically based, performance-based, and equity-based criteria.

Current Law/Background:

Community Participation

The bill's community participation provisions apply broadly to the department's programs; however, DNR indicates that the provisions are expected to particularly allow for community liaisons to facilitate community input in climate adaptation efforts and for those community liaisons to be compensated. The department also points to a recommendation – in the 2024 Annual Report of the Maryland Commission on Climate Change – that the State seek to increase the level of community-led participatory engagement in adaptation and resilience projects.

Resilience Through Restoration Capital Grant Fund

DNR indicates that the bill's establishment of the Resilience Through Restoration Capital Grant Fund in statute is intended to establish in statute an existing initiative – the Resiliency through Restoration Initiative – and expand the scope of the program beyond project level adaptive management to also include programmatic adaptive management. The existing Resiliency through Restoration Initiative supports on-the-ground implementation of restoration projects to help protect communities from erosion, flooding, and other climate change impacts.

Climate Change Resilience Efforts for Local Jurisdictions and Department Lands

DNR indicates that it regularly develops new tools reflecting the latest climate and environmental science, to inform State-level planning. The bill's provisions focusing on increasing climate change resilience of local jurisdictions require the department to make those planning tools and resources available to local governments and integrate them into streamlined guidance and training to inform local climate adaptation planning.

In addition, DNR indicates that the State would benefit from more examples of how best to adapt to climate change. The bill's requirement that the department identify, evaluate, and prioritize climate vulnerabilities and risk on department lands, and do so for two coastal and two inland department properties by December 31, 2035, will facilitate such examples.

Shore Erosion Control Construction Loan Fund

Statute requires DNR to administer the Shore Erosion Control Construction Loan Fund to provide interest-free loans or grants to persons, municipalities, or counties for design and

construction of shore erosion control projects. The fund is maintained, financially, by (1) repayments of principal on loans from the fund; (2) repayment of specified administrative costs; and (3) annual appropriation of funds to restore the fund to a level sufficient to carry out an effective shore erosion control loan program during the succeeding year. Statute specifies that the repayments are made through a benefit charge the State levies on privately owned property benefited by shore erosion control projects – levied at a uniform rate over a period not exceeding 25 years. Any investment earnings of the fund are credited to the general fund.

A property owner whose project is approved is eligible to receive an interest-free loan covering:

- 100% of the first \$60,000 of the project construction cost;
- 50% of the next \$20,000 of the project construction cost;
- 25% of the next \$20,000 of the project construction cost; and
- 10% of the part of the construction cost exceeding \$100,000.

DNR indicates that this existing loan formula requires a cash contribution from the property owner that most cannot afford. The bill eliminates the loan formula and allows the department to authorize partial forgiveness of a loan in accordance with ecologically based, performance-based, and equity-based criteria (developed by the department).

State Revenues:

Interest Earnings of the Shore Erosion Control Construction Loan Fund

General fund revenues decrease, and special fund revenues (of the Shore Erosion Control Construction Loan Fund) increase, beginning in fiscal 2029, due to the bill's change requiring interest earnings of the Shore Erosion Control Construction Loan Fund to be credited to the fund and not the general fund. Section 8 of Chapter 717 of 2024 (the Budget Reconciliation Act of 2024) requires, notwithstanding any other provision of law, that interest earnings from special funds or accounts (with certain exceptions) accrue to the general fund from fiscal 2024 through 2028. This analysis, therefore, assumes that the bill's change, crediting interest earnings of the Shore Erosion Control Construction Loan Fund to the fund rather than the general fund, does not affect the crediting of interest earnings of the fund until fiscal 2029. The extent of the corresponding general fund and special fund impacts cannot be reliably estimated at this time and may only be minimal.

Loan Forgiveness

Special fund revenues decrease, beginning as early as fiscal 2027, to the extent DNR uses the authority in the bill to partially forgive loans made from the fund that are otherwise

repaid to the fund in the absence of the bill. The extent of any decrease cannot be reliably estimated at this time.

State Expenditures: PAYGO general fund expenditures may increase in future years to support the Resilience Through Restoration Capital Grant Fund, to the extent that the bill causes the efforts under the current Resilience through Restoration Initiative to continue into the future and/or expand when they would not, otherwise, in the absence of the bill. The bill prohibits the fund's receipt of any appropriation from the general fund in fiscal 2027, and DNR indicates that it continues to receive federal funding through the Coastal Zone Management Program that can be distributed through the fund. However, it appears possible that PAYGO general fund appropriations may be needed in the future to supplement, match, or replace federal funding, to sustain the fund. The extent of any future general fund appropriations cannot be reliably estimated at this time.

Other provisions of the bill are not expected to materially affect State expenditures:

- DNR indicates that compensation for community liaisons for department projects, under the bill's community participation provisions, is expected to be relatively minimal and allocated from available project funds.
- DNR indicates that it can implement the bill's provisions regarding increasing climate change resilience of local jurisdictions, and on department lands, with existing resources. Notably, the bill requires the department to identify, evaluate, and prioritize climate vulnerabilities and risks on department lands but does not require implementation of adaptation measures.
- While the bill eliminates the loan formula for the Shore Erosion Control Construction Loan Fund, allowing for loans from the fund to cover a greater portion of a project's construction cost, it does not directly affect the overall amount appropriated from the fund each fiscal year. The fiscal 2027 budget as introduced includes an appropriation from the fund of \$2.0 million under DNR's Watershed and Climate Services.

Local Fiscal Effect: Local governments benefit from the bill (1) as eligible recipients of funding under the Resilience Through Restoration Capital Grant Fund established in statute by the bill; (2) through access to DNR's climate change-related planning tools and resources, and related guidance and training; and (3) through loans under the Shore Erosion Control Construction Loan Fund that cover a greater portion of the project construction cost (as eligible recipients of the loans).

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Natural Resources; Maryland Department of the Environment; Maryland Environmental Service; Maryland Department of Agriculture; Maryland-National Capital Park and Planning Commission; Maryland Department of Emergency Management; Maryland Department of Transportation; Department of Budget and Management; Department of General Services; Maryland Department of Planning; University System of Maryland; St. Mary's College of Maryland; cities of Frederick and Havre de Grace; Anne Arundel, Baltimore, Cecil, Frederick, Montgomery, and Somerset counties; Maryland Municipal League; Department of Legislative Services

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Supporting Inclusive Community Adaptation Act

BILL NUMBER: HB 254

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PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This proposal is not expected to have a significant impact on small businesses.