

KA05
Department of Natural Resources – Capital

Capital Budget Summary

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

Program	2022 Approp.	2023 Request	2024 Est.	2025 Est.	2026 Est.	2027 Est.
POS – Land Acquisition and Local Program	\$110.607	\$177.636	\$155.132	\$156.490	\$161.707	\$164.213
POS – Natural Resources Development Fund	23.421	30.037	30.198	27.508	27.651	26.849
POS – Critical Maintenance Projects	23.105	37.598	6.216	16.079	13.001	13.000
Rural Legacy Program	20.037	26.388	24.261	24.390	24.415	24.507
Ocean City Beach Maintenance	2.000	2.000	2.000	2.000	2.000	2.000
Waterway Improvement Program	16.000	16.000	16.000	16.000	16.000	16.000
Community Parks and Playgrounds	5.000	5.000	2.500	5.000	5.000	5.000
Oyster Restoration Program	0.260	13.620	12.165	0.941	0.790	1.478
Resiliency Through Restoration Initiative Program	2.770	1.970	0.000	0.000	0.000	0.000
Local Parks and Playgrounds Infrastructure Program	85.000	85.000	0.000	0.000	0.000	0.000
Natural Resources Police – Replacement Helicopter	0.000	6.229	0.000	0.000	0.000	0.000
Total	\$288.200	\$401.477	\$248.472	\$248.409	\$250.564	\$253.047

For further information contact: Andrew D. Gray

Phone (410) 946-5530

KA05 – Department of Natural Resources – Capital

Fund Source	2022 Approp.	2023 Request	2024 Est.	2025 Est.	2026 Est.	2027 Est.
PAYGO GF	\$5.850	\$31.229	\$0.000	\$0.000	\$0.000	\$0.000
PAYGO SF	185.569	257.252	228.307	230.057	235.350	236.134
PAYGO FF	5.500	7.406	5.500	9.000	5.500	5.500
GO Bonds	91.281	105.590	14.665	9.352	9.714	11.413
Bond Premiums	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$288.200	\$401.477	\$248.472	\$248.409	\$250.564	\$253.047

FF: federal funds
 GF: general funds
 GO: general obligation
 PAYGO: pay-as-you-go
 POS: Program Open Space
 SF: special funds

Note: The fiscal 2023 through 2027 special fund figures include the repayment of transfer tax revenues diverted to the General Fund in prior years as required by Chapter 10 of 2016 (Program Open Space – Transfer Tax Repayment – Use of Funds) and reflect a revised repayment plan as set forth in the 2022 *Capital Improvement Program*.

PAYGO Recommended Actions

- | | Amount
Reduction | |
|--|-----------------------------|----|
| 1. Delete the \$6,229,000 general fund appropriation for the Natural Resources Police – Replacement Helicopter. The Natural Resources Police aviation unit was abolished by the cost containment actions at the July 1, 2020 Board of Public Works meeting. | \$6,229,000 | GF |
| 2. Concur with Governor’s allowance for Program Open Space (POS) funding, including funding for POS State land acquisitions, POS Local projects, Natural Resources Development Fund, Critical Maintenance Program, Ocean City Beach Maintenance, and Rural Legacy Program. | | |
| 3. Concur with Governor’s allowance of \$1,000,000 in special funds for Ocean City Beach Maintenance. | | |
| 4. Concur with Governor’s allowance of \$13,500,000 in special funds and \$2,500,000 in federal funds for the Waterway Improvement Program. | | |
| Total General Fund Reductions | \$6,229,000 | |

GO Bond Recommended Actions

1. Approve the \$5,000,000 general obligation bond authorization for the Community Parks and Playgrounds Program to provide funds for grants to local governments to design, construct, and equip capital-eligible park and playground improvements projects.
2. Approve the \$85,000,000 general obligation bond authorization for the Local Parks and Playgrounds Infrastructure program to provide funds for grants to the county administrative units managing local parks to acquire, design, construct, and capital equip indoor and outdoor park infrastructure and other capital-eligible projects that enhance recreational amenities, including but not limited to trails, playgrounds, and recreational facilities. No amount of these funds shall be used for projects that are inaccessible to the general public; require memberships; exclude the public because of higher user fees; or include office, residential, or elaborate lodging facilities. The Department of Natural Resources shall administer funds in a similar manner as Program Open Space local grants for development projects with the exception that the matching requirement is waived. Further provided that a portion of this authorization shall be allocated for specific projects.
3. Approve the \$1,970,000 general obligation bond authorization for the Resiliency Through Restoration Initiative Program to provide funds for the acquisition, design, and construction of shoreline restoration and other projects to protect coastal infrastructure and for postimplementation monitoring and adaptive management.
4. Approve the \$13,620,000 general obligation bond authorization for the Oyster Restoration Program to provide funds to design and construct oyster habitat restoration projects.

Budget Overview of Grant and Loan Programs

The Governor’s fiscal 2023 spending plan includes three transfer tax revenue enhancements: increased transfer tax revenues due to a higher estimate for fiscal 2023; overattainment funding from fiscal 2021 that is budgeted in fiscal 2023; and the transfer tax repayment plan.

Fiscal 2023 Transfer Tax Revenue Enhancements

Fiscal 2023 transfer tax revenue is boosted by the following: an increase in the transfer tax revenue estimate from \$232.1 million for fiscal 2022 to \$306.5 million for fiscal 2023; \$48.5 million in overattainment funding from fiscal 2021 that is budgeted in fiscal 2023; and \$30.5 million in general funds for repayment of prior year transfers. Chapter 10 of 2016 required the repayment of \$242.2 million in past redirected transfer tax funds by fiscal 2029. The plan provided for the use of general funds, which are budgeted in the Dedicated Purpose Account (DPA), as a source of repayment to be expended as special funds in the budget. The established repayment schedule has been changed several times since 2018. The remaining payment between fiscal 2024 and 2031 is \$143.6 million.

Exhibit 1 reflects the allocation of the transfer tax revenue enhancements in the fiscal 2023 allowance for transfer tax supported programs.

Exhibit 1
Transfer Tax Regular Allocation, Overattainment, and Repayment

Agency/Program	<u>Regular Allocation</u>	<u>Overattainment</u>	<u>Repayment in DPA</u>	<u>Total</u>
Department of Natural Resources				
POS – State	\$71,268,899	\$14,655,402	\$6,649,885	\$92,574,186
POS – Local	66,120,980	10,929,287	4,959,162	82,009,429
Forest and Park	44,080,653	7,286,191	3,306,107	54,672,951
Rural Legacy	22,863,823	2,423,883	1,099,836	26,387,542
Capital Development	28,579,981	4,917,452	8,231,293	41,728,726
Subtotal	\$232,914,336	\$40,212,215	\$24,246,283	\$297,372,834
Maryland Department of Agriculture				
Maryland Agricultural Land Preservation Foundation	\$50,187,446	\$8,265,440	\$3,750,442	\$62,203,328
Next Generation Farmland Acquisition Program	0	0	2,500,000	2,500,000
Subtotal	\$50,187,446	\$8,265,440	\$6,250,442	\$64,703,328
Total	\$283,101,782	\$48,477,655	\$30,496,725	\$362,076,162

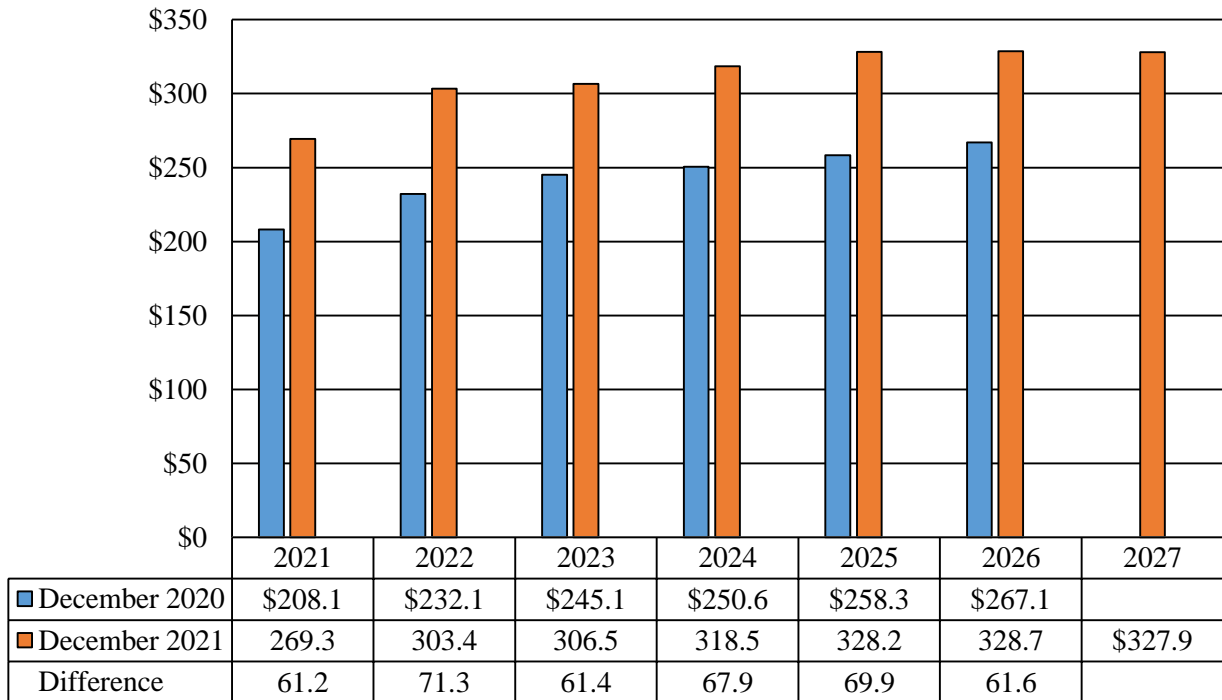
DPA: Dedicated Purpose Account
POS: Program Open Space

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

Revenue Estimate Changes

Exhibit 2 shows the changes between December 2020 and December 2021 for the transfer tax revenue estimates. While not reflected here, the revenue budgeted for fiscal 2023 is increased by \$48.5 million due to an overattainment of the December 2019 revenue estimate for fiscal 2021. The fiscal 2022 revenue estimate has been written up \$71.3 million due to a rebound in the value and number of property sales. As a result, it is likely that there will be revenue overattainment that would be applied to the fiscal 2024 budget. In subsequent years, the revised revenue estimate increases through fiscal 2025 but then slows in fiscal 2026 and then actually decreases in fiscal 2027.

Exhibit 2
Transfer Tax Revenue Estimates
Fiscal 2021-2027
(\$ in Millions)

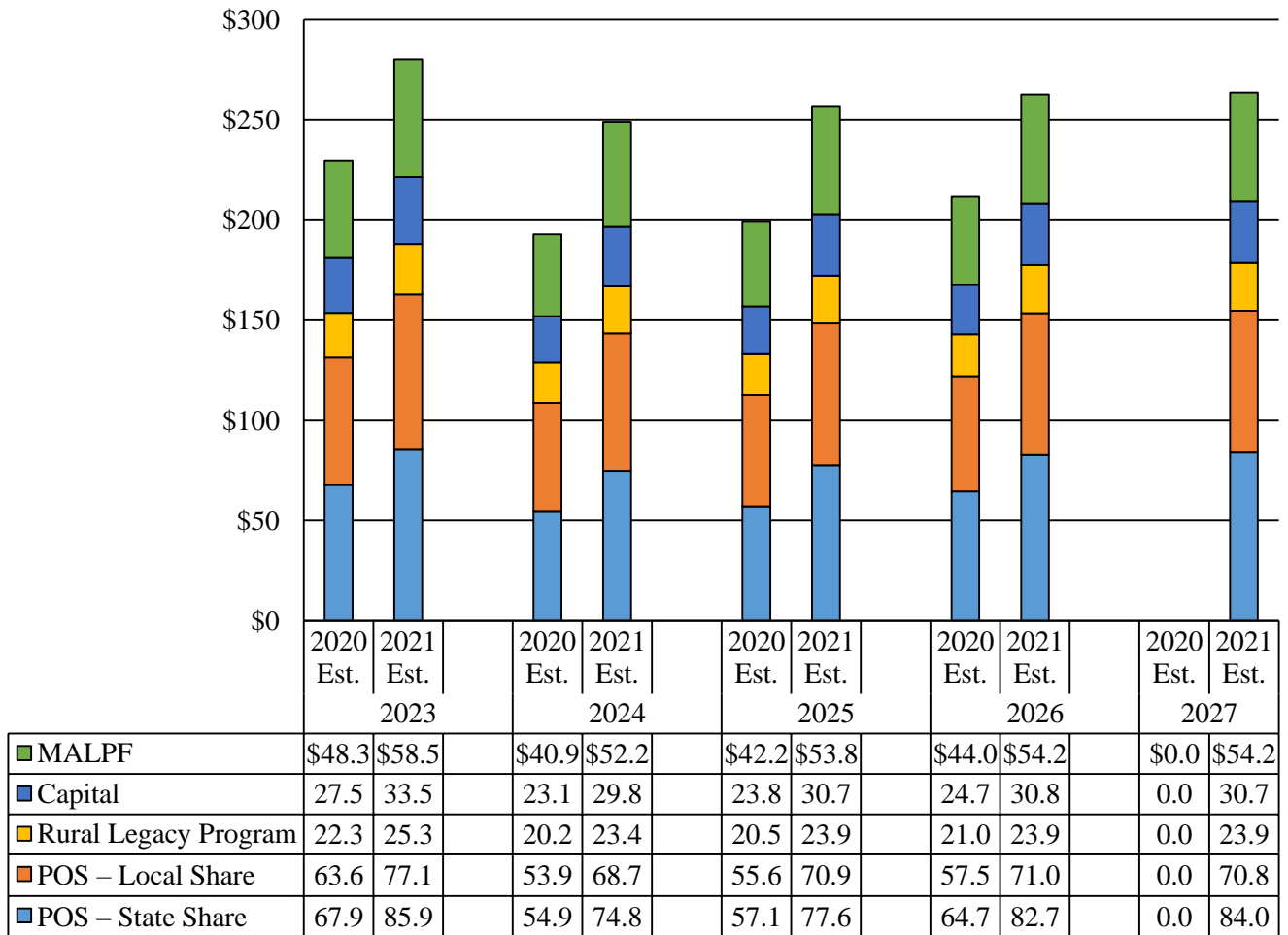


Note: The December 2021 data for fiscal 2021 reflects the actual revenue collections. The fiscal 2021 overattainment is based on the December 2019 revenue estimate of \$220.9 million and the December 2021 estimate of \$269.3 million or \$48.5 million.

Source: Department of Budget and Management; Bureau of Revenue Estimates

As shown in **Exhibit 3**, the transfer-tax-supported programs receive increased funding for fiscal 2023 through 2027, due to the increase in the transfer tax revenue estimate between December 2020 and December 2021.

Exhibit 3
December 2020 and December 2021 Estimated Transfer Tax Allocations to
Capital Programs
Fiscal 2023-2027
(\$ in Millions)



MALPF: Maryland Agricultural Land Preservation Foundation
 POS: Program Open Space

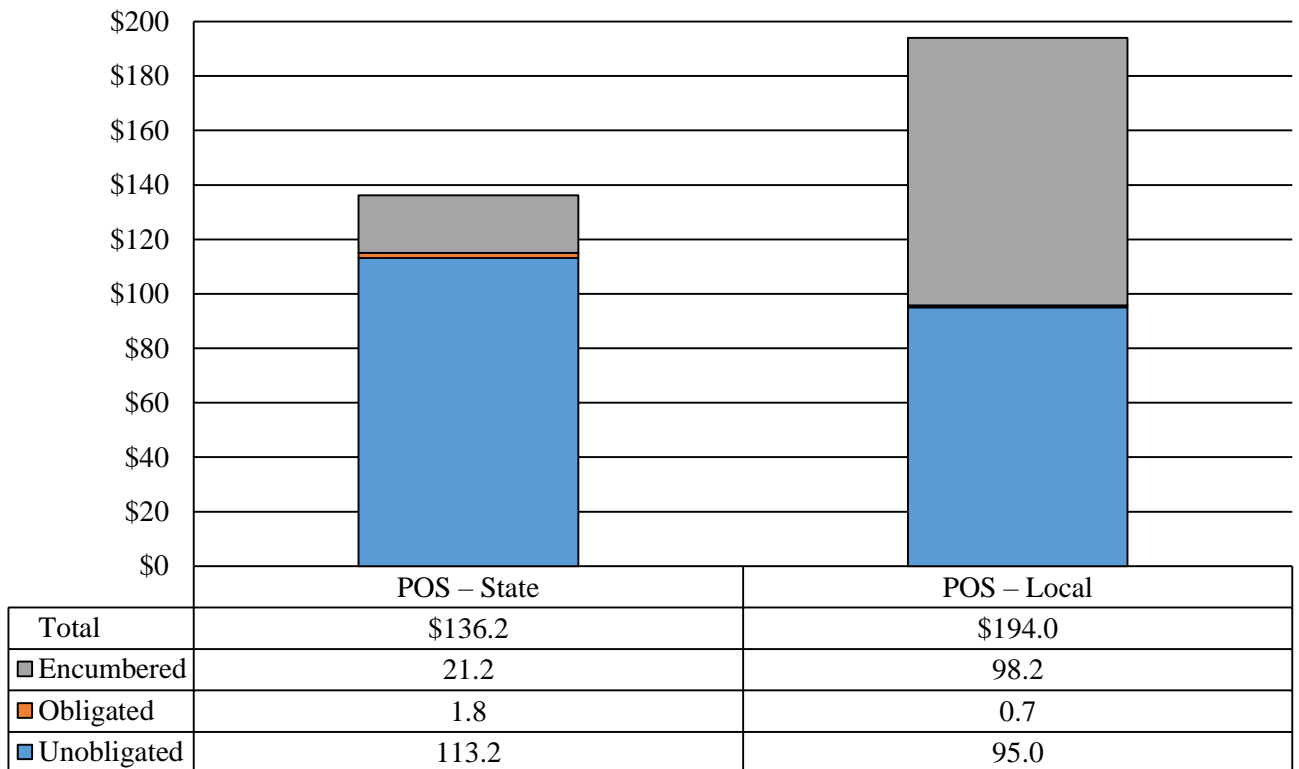
Note: The exhibit reflects the \$48.5 million overattainment in fiscal 2023 under both the 2020 estimate and 2021 estimate but does not reflect repayment of prior transfers of the transfer tax to the General Fund. No funding is reflected for fiscal 2027 under the 2020 estimate because that estimate only went through fiscal 2026.

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

Program Open Space Fund Balances

As shown in **Exhibit 4**, there are substantial amounts of unobligated funds in the Program Open Space (POS) State and POS local fund balances available to support program activity.

Exhibit 4
Program Open Space Fund Balances
 February 18, 2022
 (\$ in Millions)



POS: Program Open Space

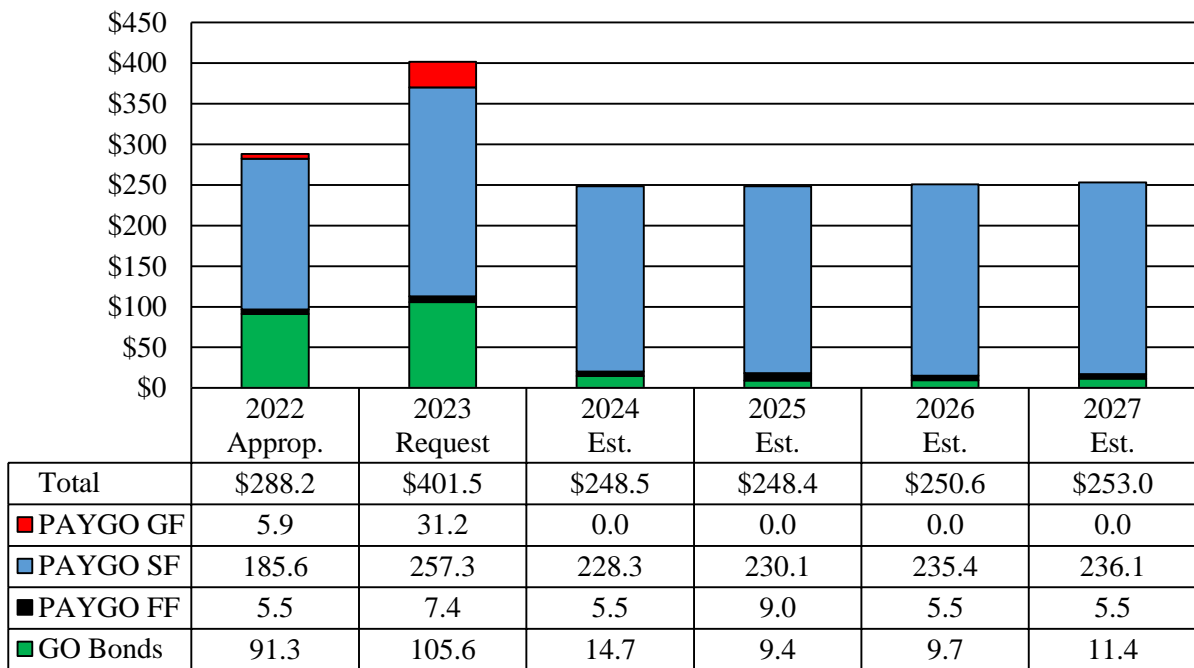
Note: Unobligated means that the funding has not been assigned to a particular project or funding associated with a project has not been scheduled for a Board of Public Works (BPW) meeting date; obligated means that the funding has been committed to a project, but the funding has not been taken to the BPW to be encumbered; and encumbered means that the funding has been taken to BPW for a specific project to be encumbered but has not been expended.

Source: Department of Natural Resources; Department of Legislative Services

Fiscal 2023 Budget

As shown in **Exhibit 5**, the fiscal 2023 budget provides \$401.5 million for the various capital programs administered by the Department of Natural Resources (DNR) and is comprised of \$31.2 million in general funds, \$257.3 million in special funds, \$7.4 million in federal funds, and \$105.6 million in general obligation (GO) bonds.

Exhibit 5
Department of Natural Resources Capital Program Funding
Fiscal 2022-2027 Est.
(\$ in Millions)



FF: federal funds
 GF: general funds
 GO: general obligation

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

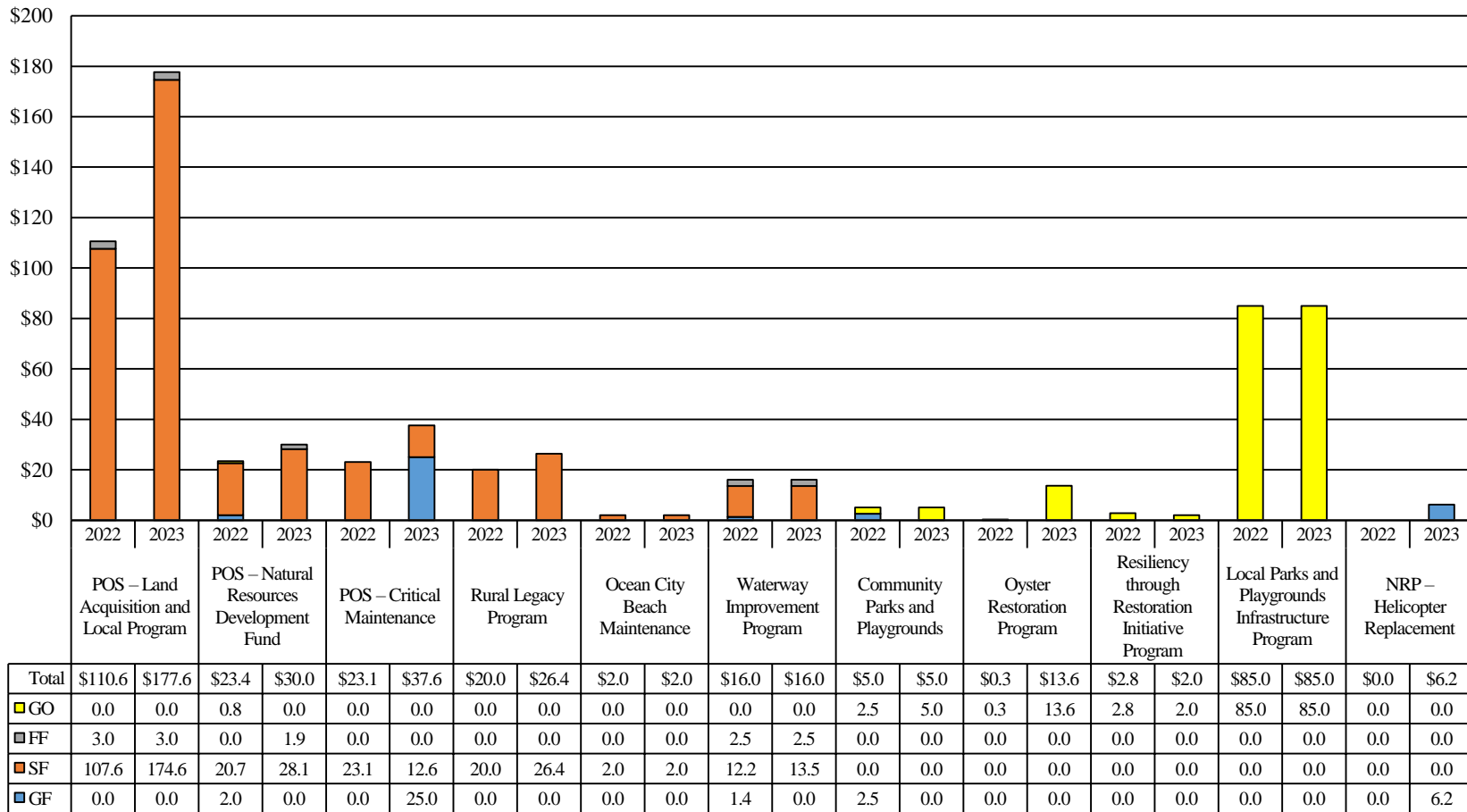
Note: The fiscal 2023 through 2027 special fund figures include the repayment of transfer tax revenues diverted to the General Fund in prior years and reflect the repayment plan as set forth in the *Capital Improvement Program*. A portion of the Natural Resources Development Fund funding reflected in the exhibit will be used for water and wastewater projects on Department of Natural Resources lands by the Maryland Environmental Service.

Source: Department of Budget and Management

Program Highlights

The changes in funding for fiscal 2023 are reflected in **Exhibit 6**.

Exhibit 6
Department of Natural Resources Capital Budget Changes
Fiscal 2022-2023
(\$ in Millions)



FF: Federal Fund NRP: Natural Resources Police
 GF: General Fund POS: Program Open Space
 GO: general obligation SF: Special Fund

Source: Department of Legislative Services

State and Local POS

The fiscal 2023 allowance includes a total of \$177.6 million comprised of \$174.6 million in transfer tax special funds and \$3.0 million in federal funds that can be used for either State or local POS purposes.

- **State POS:** State POS is funded with a total of \$92.6 million in transfer tax special funds. The State share of POS land acquisition would conserve approximately 18,514 acres at approximately \$5,000 per acre. The Baltimore City Direct Grant is a component of the State POS program and includes \$6.0 million comprised of a \$1.5 million base amount and \$4.5 million in additional mandated funding; none of the funding is earmarked for specific projects.
- **Local POS:** The local POS program receives \$82.0 million in transfer tax special funds. The local POS distribution is shown in **Appendix 1**.
- **Advance Option and Purchase Fund:** There is an appropriation of \$52,600 from the Advance Option and Purchase Fund to obtain options to purchase lands in targeted areas or to otherwise purchase land.

POS – Natural Resources Development Fund

The Natural Resources Development Fund receives \$30,037,000 in the fiscal 2023 allowance. This reflects \$28,131,000 in transfer tax special funds, \$1,906,000 in federal funds, and \$202,000 in nonbudgeted POS Stateside Access Funds. This funding provides for seven projects in six jurisdictions, one regional project, and statewide repair programs for bridges and dams. There is also funding for seven State park water and sewer infrastructure upgrades that are managed by the Maryland Environmental Service (MES). The fiscal 2023 funding is distributed as follows:

- Local Projects totaling \$15,237,000.
 - Patapsco Valley State Park – Multiple Restroom Upgrades at Hollofield and McKeldin Areas (Howard County) – \$7,268,000 for construction.
 - Assateague State Park – Replacement of Camper Registration Building (Worcester County) – \$5,220,000 for planning, construction, and equipment.
 - Greenbrier State Park – Entrance Improvements (Washington County) – \$1,400,000 for construction.
 - Cedarville State Forest – Visitor’s Center, Camp Loops, and Forestry Complex Improvements (Prince George’s County) – \$521,000 for planning.
 - Rocky Gap State Park – Campground Renovations and Utility and Site Improvements (Allegany County) – \$299,000 for planning.

KA05 – Department of Natural Resources – Capital

- Mt. Nebo Wildlife Management Area – Natural Resources Police (NRP) Garage, Office and Storage Facility (Garrett County) – \$293,000 for planning.
- Rosaryville State Park – Mt. Airy Mansion Improvements (Prince George’s County) – \$236,000 for planning.
- Regional Project – \$4,824,000 for planning, construction, and equipping of the Johnson Wildlife Management Area and Hillsboro NRP Shooting Range Improvements project.
- Bridge Inspection and Improvements Projects – \$828,000 for construction.
- Dam Assessments and Rehabilitation – \$500,000 for construction.
- State Park Water and Sewer Infrastructure Improvement Fund – \$8,648,000 for planning and construction.

Rural Legacy Program

The Rural Legacy Program receives \$26.4 million in transfer tax special funds in fiscal 2023. The fiscal 2023 cost per acre for the Rural Legacy Program is estimated to be \$3,500, which would allow for the preservation of approximately 7,539 acres. The Rural Legacy Program has encumbered all funding prior to fiscal 2022 and expended all funding prior to fiscal 2019. DNR has noted that this is possible because landowners are more willing to sell an easement than they are to sell an entire property and because local partners – including land trusts and local government staff – complete much of the necessary staff work related to easement processing.

Ocean City Beach Maintenance

The budget provides \$2.0 million for the Ocean City Beach Maintenance program comprised of \$1.0 million from the State and \$1.0 million in special funds from Ocean City, Worcester County, and fund interest, which is counted toward the local contribution. The Ocean City Beach Maintenance program has two main contracts: a three-year annual maintenance contract; and a periodic beach renourishment project funded in collaboration with the U.S. Army Corps of Engineers. The renourishment project begun in calendar 2021 is complete. The three-year annual maintenance contract began a new cycle last year, and the amount authorized is \$2,436,354.

Community Parks and Playgrounds

The fiscal 2023 allowance includes \$5.0 million in GO bonds for the Community Parks and Playgrounds program, which would fund 39 projects in 18 jurisdictions. This reflects \$2.5 million more than was planned for fiscal 2023 in the 2021 *Capital Improvement Program* (CIP). This program routinely requests far in excess of budgeted funds. The additional funding will allow for 57% of the 69 grant requests to be awarded. The total request for fiscal 2023 funding was \$9.6 million. The largest projects on the fiscal 2023 project list are as follows:

KA05 – Department of Natural Resources – Capital

- Hillsboro – Community Park Garden Design and Amenities (Caroline County) – \$305,402 for construction;
- Gaithersburg – Morris Park Playground Replacement (Montgomery County) – \$275,000 for construction;
- Ocean City – Northside Park Playground Improvements (Worcester County) – \$265,400 for construction;
- Willards – Town Park Improvements (Wicomico County) – \$250,000 for construction;
- Elkton – Neighborhood Community Center Park New Playground (Cecil County) – \$247,000 for planning and construction; and
- University Park – Community Park Tot Lot Renovation (Prince George’s County) – \$225,000 for construction.

Waterway Improvement Program

The Waterway Improvement Program’s (WIP) fiscal 2023 allowance includes \$13.5 million in special funds and \$2.5 million in federal funds. The allowance provides for 39 local projects in 15 jurisdictions, 1 regional project, 5 statewide projects, and several federal projects.

Several of the larger projects funded in fiscal 2023 are as follows:

- Somers Cove Marina Bulkhead Replacement Phase 3 (Somerset County) – \$3,000,000 for construction;
- U.S. Fish and Wildlife Service Boating Access Projects (Statewide) – \$2,500,000 for construction;
- Shad Landing and Milburn Landing Boat Ramp and Comfort Station Improvements (Worcester County) – \$1,200,000 for construction;
- Kent Narrows – Northern Approach Channel Dredging (Queen Anne’s County) – \$1,000,000 for construction;
- Love Point State Park – Facility Improvement Project (Queen Anne’s County) – \$800,000 for construction;
- Dredge Material Placement Site Expansion (Wicomico County) – \$750,000 for construction; and
- Statewide – Emergency Dredging and Navigation Needs (Statewide) – \$679,213 for construction.

Resiliency through Restoration Initiative Program

The fiscal 2023 capital budget provides \$1,970,000 in GO bonds for the Resiliency through Restoration Initiative Program (formerly the Coastal Resiliency Program), which is \$700,000 more than was programmed for fiscal 2023 in the 2021 CIP, due to the construction costs of the two remaining pilot projects and adaptive management. Of note, DNR’s current spending plan still leaves \$4,832,214 for the program after the planned encumbrance of \$7,320,901 in fiscal 2022.

Funding for this program was initiated in fiscal 2018 and was scheduled to end with the fiscal 2021 budget. However, the 2021 CIP programs continued funding through fiscal 2023, and the 2022 CIP reaffirms this schedule with no funding programmed beyond fiscal 2023. Overall, the program will have provided for the completion of 22 demonstration projects. The program funds the construction of shoreline improvements for two projects and adaptive management. Both projects in the fiscal 2023 project list receive continued funding: the Honeysuckle Drive – Shoreline Enhancements project (\$770,000); and the Chesapeake Bay Environmental Center – Wetland Enhancement project (\$1,100,000). In addition, there is \$100,000 for adaptive management of the projects, which consists of monitoring and adjustments to the projects after construction.

POS – Critical Maintenance Program

The budget provides \$37,597,726 for the Critical Maintenance Program, comprised of \$12,597,726 in transfer tax special funds and \$25,000,000 in general funds budgeted as part of the \$100,000,000 in general funds budgeted in the DPA. This is the second year that a substantial increase in funding has been budgeted for the Critical Maintenance Program. The fiscal 2023 funding reflects an increase of \$14,492,251 relative to the funding in fiscal 2022. DNR notes that historic levels of visitors in calendar 2020 have increased the importance of completing the critical maintenance projects. The transfer tax special funds provide for 88 critical maintenance projects in 19 jurisdictions. The general funds in the DPA will be available to spend when DNR is ready.

The two largest projects in the fiscal 2023 allowance are as follows:

- Savage River State Forest – Resurface Gravel Roads, Repair and Replace Bridges (Garrett County) – \$2,597,726 for planning and construction; and
- Gunpowder Falls State Park – Parking Lot Improvements in Hammerman, Dundee Creek, and Grace Quarter (Baltimore and Harford Counties) – \$2,500,000 for construction.

Oyster Restoration Program

The budget includes \$13,620,000 in GO bond funding for the Oyster Restoration Program, which is \$1,000,000 more than the amount programmed for fiscal 2023 in the 2021 CIP in order to provide \$1,000,000 to the Eastern Bay Pilot Program. The Eastern Bay Pilot Program was selected for funding instead of the Chesapeake Bay Bottom Survey. For the sixth year in a row, no funding is provided for Maryland Agricultural and Resource-Based Industry Development Corporation aquaculture loans.

The amount programmed for fiscal 2024 increases by \$8,695,000, from \$3,470,000 to \$12,165,000, between the 2021 and the 2022 CIP, due to increased substrate and construction costs for the Manokin River Sanctuary – the fifth and final planned restoration project. There has not been any movement on the plan to dredge Man O’War Shoals for oyster shells.

The fiscal 2023 Oyster Restoration Program spending and activity plan for fiscal 2023 through 2027 is shown in **Exhibit 7**. The fiscal 2023 funding primarily reflects oyster reef construction in the Manokin River. Overall, the funding shown is as follows.

- **Sanctuaries:** The five sanctuaries picked to meet the Chesapeake Bay Watershed Agreement goal of restoring five tributaries each in the Maryland and Virginia area are Harris Creek (completed), Little Choptank River, Tred Avon River, Upper St. Mary’s River, and the Manokin River.
- **Small Scale Restoration:** The small-scale restoration funding reflects the funding for sanctuaries beyond the five noted above.
- **Marylanders Grow Oysters:** The Marylanders Grow Oysters program involves waterfront property owners growing young oysters in cages suspended from private piers.
- **Eastern Bay Pilot Program:** The Eastern Bay Pilot Program is an effort to leverage private-sector investment by planting oyster seed on sanctuaries in Eastern Bay that are then intended to encourage oyster and habitat planting activities in nearby public fishery bottom and aquaculture leases. The private funding would come from the oyster bushel tax and commercial oyster harvest surcharge funding.

Exhibit 7
Oyster Restoration Program Spending and Activity Plan
Fiscal 2023-2027

<u>Project</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Comment</u>
Harris Creek	\$0	\$0	\$0	\$0	\$0	Construction on 348 acres completed from 2011 to 2015 and second-year class seedings completed in 2020. Ninety-eight percent of the reefs meet minimum threshold success criteria.
Little Choptank River	489,000	64,000	64,000	0	0	Fiscal 2023-2025 second year class seedings (77.1 acres).
Tred Avon River	24,000	296,000	0	0	0	Fiscal 2023-2024 second year class seedings (40 acres).
Upper St. Mary's River	0	405,000	7,000	0	0	Fiscal 2024-2025 second year class seedings (59.5 acres).
Manokin River	11,837,000	11,130,000	600,000	520,000	1,208,000	Fiscal 2023 construction. Fiscal 2024 construction and initial seed plantings. Fiscal 2025-2027 second year class seedings (150 acres). Total cost \$37.5 million (\$25 million for construction, \$9 million for initial seeding, and \$3.5 million for second year class seedings through fiscal 2028). \$10.9 million already available for construction in fiscal 2021.
Small Scale Restoration	250,000	250,000	250,000	250,000	250,000	
Marylanders Grow Oysters	20,000	20,000	20,000	20,000	20,000	
Eastern Bay Pilot Program	1,000,000	0	0	0	0	
Total	\$13,620,000	\$12,165,000	\$941,000	\$790,000	\$1,478,000	

Source: Department of Budget and Management

Local Parks and Playgrounds Infrastructure Program

The fiscal 2023 allowance includes \$85,000,000 in GO bonds to continue funding first provided in fiscal 2022 for the Local Parks and Playgrounds Infrastructure Program. The fiscal 2023 funding is partially allocated with \$9,875,000 allocated for 15 projects in nine jurisdictions. The remaining \$75,125,000 will be allocated based on applications received by DNR.

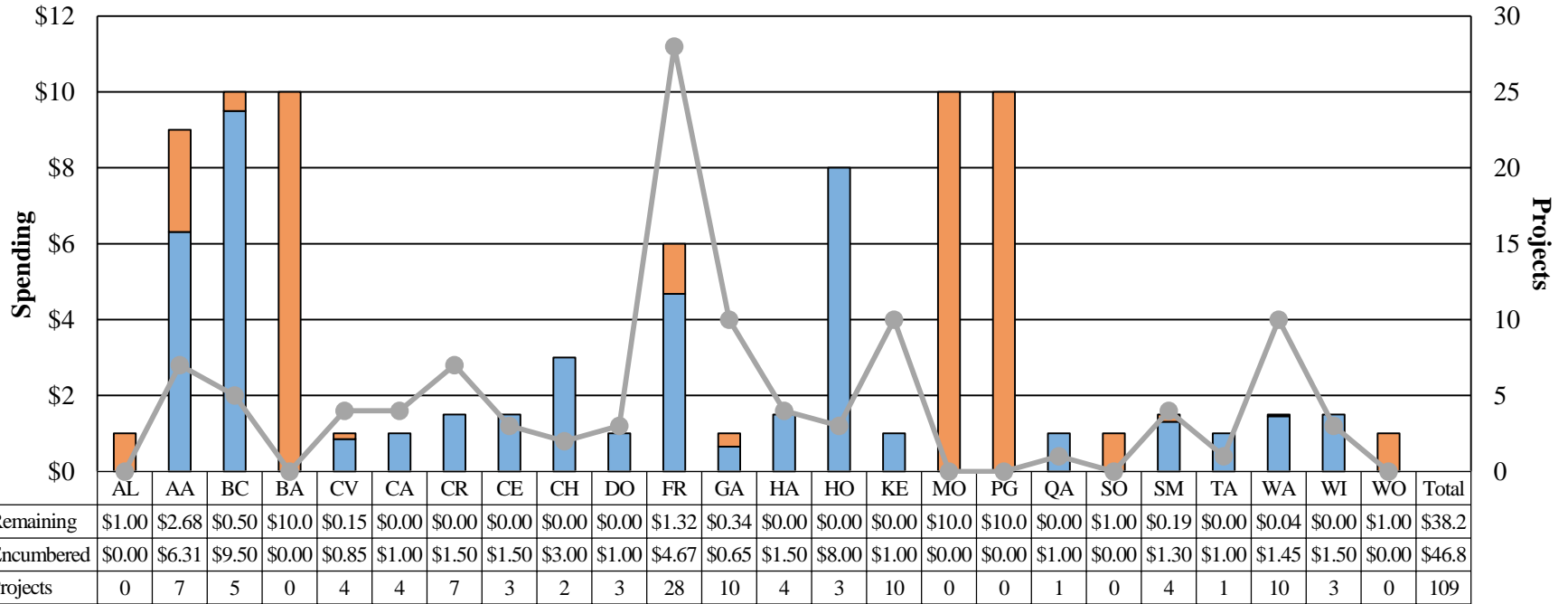
The Local Parks and Playgrounds Infrastructure Program provides grants to the county administrative units managing local parks to acquire, design, construct, and capital equip indoor and outdoor park infrastructure and other capital-eligible projects that enhance recreational amenities including, but not limited to, trails, playgrounds, and recreational facilities. The funding is prohibited from being used for projects that are inaccessible to the general public; require memberships; exclude the public because of higher user fees; or include office, residential, or elaborate lodging facilities. DNR is required to administer the funds in a similar manner as POS local grants for development projects with the exception that the matching requirement is waived.

The largest projects specified in the fiscal 2023 funding allocation are as follows:

- Mount Vernon Place Conservancy North and South Square Restoration (Baltimore City) – \$2,500,000 for construction;
- Blacks of the Chesapeake Foundation – Carr’s and Elktonia Beach Acquisition (Anne Arundel County) – \$1,200,000 for acquisition; and
- City of Westminster – Wakefield Valley Park Improvements (Carroll County) – \$1,000,000 for construction.

Exhibit 8 reflects the progress toward encumbering the fiscal 2022 funding as of the February 16, 2022 Board of Public Works (BPW) meeting: 11 jurisdictions have encumbered all of their funding; 7 jurisdictions have encumbered some of their funding; and 6 jurisdictions have encumbered none of their funding.

Exhibit 8
Local Parks and Playgrounds Infrastructure Program Spending by County
July 1, 2021, through February 16, 2022
(\$ in Millions)



- | | | | | |
|-------------------------|-----------------------|----------------------|----------------------------|-----------------------|
| AA: Anne Arundel County | CE: Cecil County | FR: Frederick County | MO: Montgomery County | TA: Talbot County |
| AL: Allegany County | CH: Charles County | GA: Garrett County | PG: Prince George's County | WA: Washington County |
| BA: Baltimore County | CR: Carroll County | HA: Harford County | QA: Queen Anne's County | WI: Wicomico County |
| BC: Baltimore City | CV: Calvert County | HO: Howard County | SM: St. Mary's County | WO: Worcester County |
| CA: Caroline County | DO: Dorchester County | KE: Kent County | SO: Somerset County | |

Note: The Local Parks and Playgrounds Infrastructure Program provided a portion of the funding for the Fort Smallwood Park Development #3 project in Anne Arundel County.

Source: Board of Public Works

Natural Resources Police – Replacement Helicopter

The fiscal 2023 allowance includes \$6,229,000 in general funds to replace the NRP’s 50-year-old Bell OH-58 helicopter with an Airbus H125M helicopter. DNR notes that it uses the helicopter as a force multiplier for maritime homeland security, conservation enforcement, and search and rescue operations. In addition, DNR notes that there are substantial cost savings between the \$6,000 per hour it takes to operate the Maryland State Police’s aviation unit and the \$510 per hour to operate the NRP’s aviation unit.

However, the NRP aviation unit was effectively abolished by BPW cost containment actions in July 2020. In addition, DNR notes that the Bell OH-58 helicopter was down for six months and no adverse impacts appear to have occurred. **The Department of Legislative Services (DLS) recommends that the Bell OH-58 helicopter be decommissioned and the funding for the NRP replacement helicopter be deleted.**

Issues

1. Maryland Park Service Enhancements Signal Intent to Eliminate Critical Maintenance Backlog

State Park Investment Commission

In August 2021, the President of the Senate and the Speaker of the House jointly appointed a commission to investigate and make recommendations regarding overcrowding in Maryland State parks. The commission reviewed the work of prior State park advisory groups as well as reports requested from DNR concerning the Maryland Park Service and the Critical Maintenance Program. Over the course of the commission’s six meetings, it heard presentations from a number of stakeholders, including DNR, local and federal government representatives, equity stakeholders, environment and allied stakeholders, national experts, and the Baltimore City Recreation and Parks Department. The commission made 40 recommendations, grouped into the six categories of capacity, maintenance, staffing, funding, equity, and climate change.

Great Maryland Outdoors Act

SB 541 and HB 727 of 2022 would implement recommendations from the State Park Investment Commission’s final report. In general, the bills make changes to State law affecting the Maryland Park Service, parks in the State, and land conservation relating to (1) funding for parks and other land conservation; (2) parks staff and volunteers; (3) management of parks and park infrastructure; and (4) new parks/amenities and other considerations. The bills include the following provisions related to DNR’s capital budget and policies:

KA05 – Department of Natural Resources – Capital

- Establishes a Park System Critical Maintenance Fund to address critical maintenance concerns on DNR-managed park lands and requires an \$80.0 million general fund appropriation to the fund in fiscal 2024, which must be spent by July 1, 2026.
- Establishes a Park System Capital Improvements and Acquisition Fund for capital improvements on DNR-managed park lands and land acquisition for parks; requires a \$70.0 million general fund appropriation to the fund in fiscal 2024; and authorizes the Governor, on or before June 30, 2022, to transfer \$60.0 million of the funds for POS State land acquisition in the transfer tax special fund to the new fund.
- Repeals requirements that general fund appropriations be made to the transfer tax special fund in the following amounts – \$6.0 million in each of fiscal 2024, 2025, and 2026, and \$4.0 million in fiscal 2027 – funding that would have otherwise been used for park development and critical maintenance on DNR-managed lands.
- Repeals requirements that \$118.4 million in general fund appropriations be made to the transfer tax special fund through fiscal 2031, which otherwise would have been distributed under the transfer tax formula.
- Requires an \$18,564,469 appropriation to the Maryland Agricultural Land Preservation Foundation (MALPF) in fiscal 2024, minus MALPF’s share of \$9,496,725 (17.05% – \$1,619,192) in general funds that is included in the Governor’s proposed fiscal 2023 budget, to satisfy one-quarter of the \$37,986,900 that is required under current law to be appropriated to the transfer tax special fund by June 30, 2026.
- Requires a \$5,444,127 appropriation to the Rural Legacy Program in fiscal 2024 in general funds that is included in the Governor’s proposed fiscal 2023 budget to satisfy one-quarter of the \$37,986,900 that is required under current law to be appropriated to the transfer tax special fund by June 30, 2026.
- Repeals required general fund appropriations of \$2.5 million in each of fiscal 2024, 2025, 2026, and 2027 to the Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) for the Next Generation Farmland Acquisition Program and instead requires a \$10.0 million general fund appropriation to MARBIDCO for the program in fiscal 2024.
- Requires DNR to coordinate with the Department of General Services (DGS) to (1) develop an electronic asset management system for its infrastructure, including a list of maintenance projects at each site and the status of each project; (2) develop a specified facility condition index assessment process for all Maryland Park Service sites; and (3) establish a dedicated asset evaluation team to assess the condition of Maryland Park Service sites and update individual facility condition indices on an ongoing basis.

KA05 – Department of Natural Resources – Capital

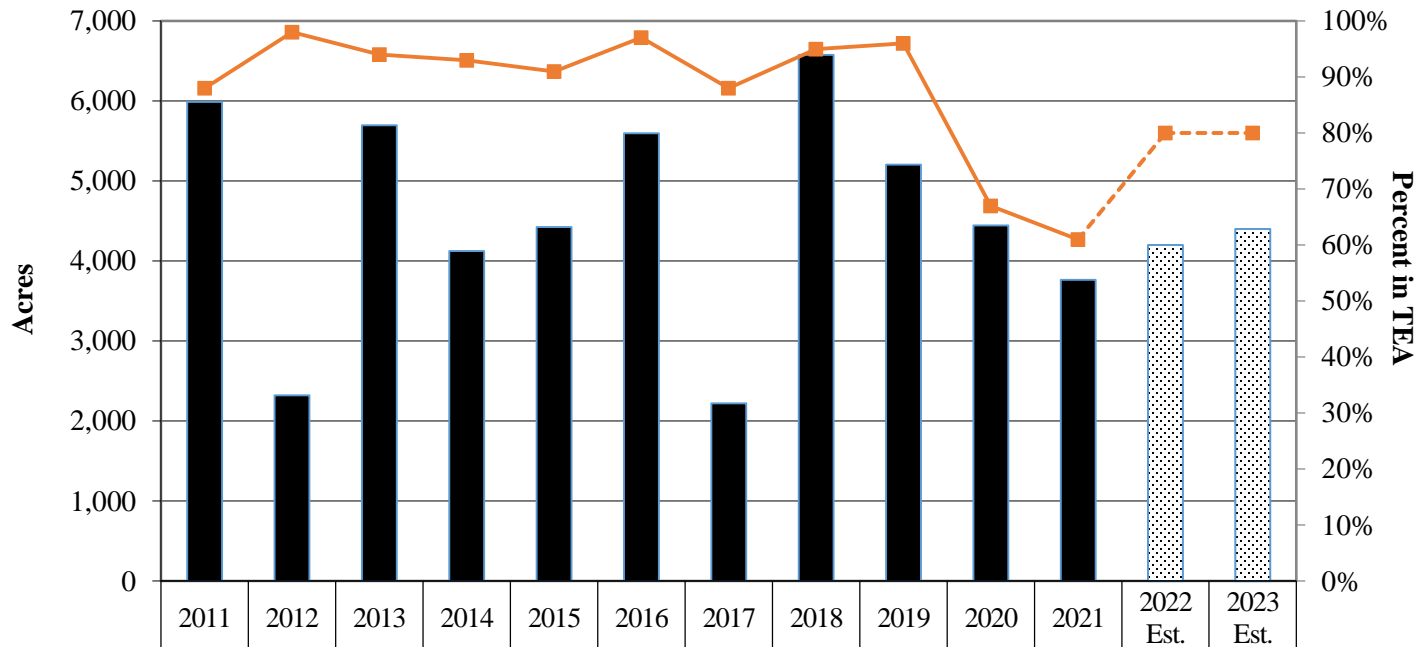
- Requires DNR to (1) take inventory of all State land managed by the department; (2) develop a specified maintenance project prioritization process; (3) develop and publish on its website a list of maintenance projects in the State park system that are expected to cost more than \$25,000; and (4) when determining whether to repair or replace infrastructure with sustainable technology, consider how the replacement value of an asset will change if only sustainable technology is used, including any ongoing cost savings.
- Requires DNR to conduct a systemwide survey of historical and cultural resources, including an estimation of restoration and maintenance costs, without delaying the preservation and restoration of historical and cultural resources while conducting the survey.
- Requires DNR, by December 1, 2023, and every five years thereafter, to develop and publish a specified five-year CIP for the Maryland Park Service, including specified information on critical maintenance projects and their prioritization.
- Increases the contract value threshold, from \$50,000 to \$100,000, below which DNR may award a procurement contract for capital projects or maintenance using the “small procurement” procurement method.

The signature feature of the legislation is the elimination by July 1, 2026, of the critical maintenance backlog that has developed over a number of years. The most recent information available reflects a critical maintenance backlog on the order of \$64.8 million, although it is dependent upon the exact definition used. In order to reduce the backlog and keep it from developing again, DNR will need to focus more of its efforts on inventorying and managing its assets. **DLS recommends that DNR comment on its ability to eliminate the critical maintenance backlog by July 1, 2026, and the steps that it is taking toward improving its asset management.**

Performance Measures and Outputs

As illustrated in **Exhibit 9**, there was a decrease in POS (State and local) acquisition acres approved by BPW between fiscal 2020 (4,444 acres) and 2021 (3,763 acres). This is the third year of decreasing acres approved by BPW. The percent of POS Stateside acquisition acres approved by BPW located within a Targeted Ecological Area also decreased from 67% in fiscal 2020 to 61% in fiscal 2021. This measure will fluctuate from year to year, based on the land acquisition opportunities presented to DNR and taken to BPW.

Exhibit 9
POS Acquisition Acres Approved by BPW
Fiscal 2011-2023 Est.



■ Acres Approved by BPW	5,989	2,323	5,695	4,124	4,425	5,596	2,222	6,578	5,203	4,444	3,763	4,200	4,400
—■ Acres Located within a TEA	88%	98%	94%	93%	91%	97%	88%	95%	96%	67%	61%	80%	80%

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

Note: The fiscal 2013 acreage includes 2,352 acres donated to POS by the Conservation Fund. The acres approved by BPW reflect both POS State and POS local funding, while the percentage of acres located within a TEA only reflects POS State funding.

Source: Governor’s Fiscal 2023 Budget Books

POS funding expanded the number of State parks acreage available to the public in fiscal 2021 and 2022. Between February 10, 2021, and February 16, 2022, 308.81 acres have been added, as shown in **Exhibit 10**.

Exhibit 10
Maryland State Parks Acreage Increase from Program Open Space Acquisitions
February 10, 2021, through February 16, 2022

<u>County</u>	<u>Area</u>	<u>Acres</u>
Garrett	Youghiogheny Wild River NEA	155.85
Washington	South Mountain State Battlefield	21.61
Caroline	Tuckahoe State Park	7.46
Washington	South Mountain State Park	35.00
Howard	Patapsco Valley State Park	3.34
Frederick	South Mountain State Park	15.54
Frederick	South Mountain State Park	26.80
Howard	Patapsco Valley State Park	21.90
Anne Arundel	Severn Run NEA	21.31
Total		308.81

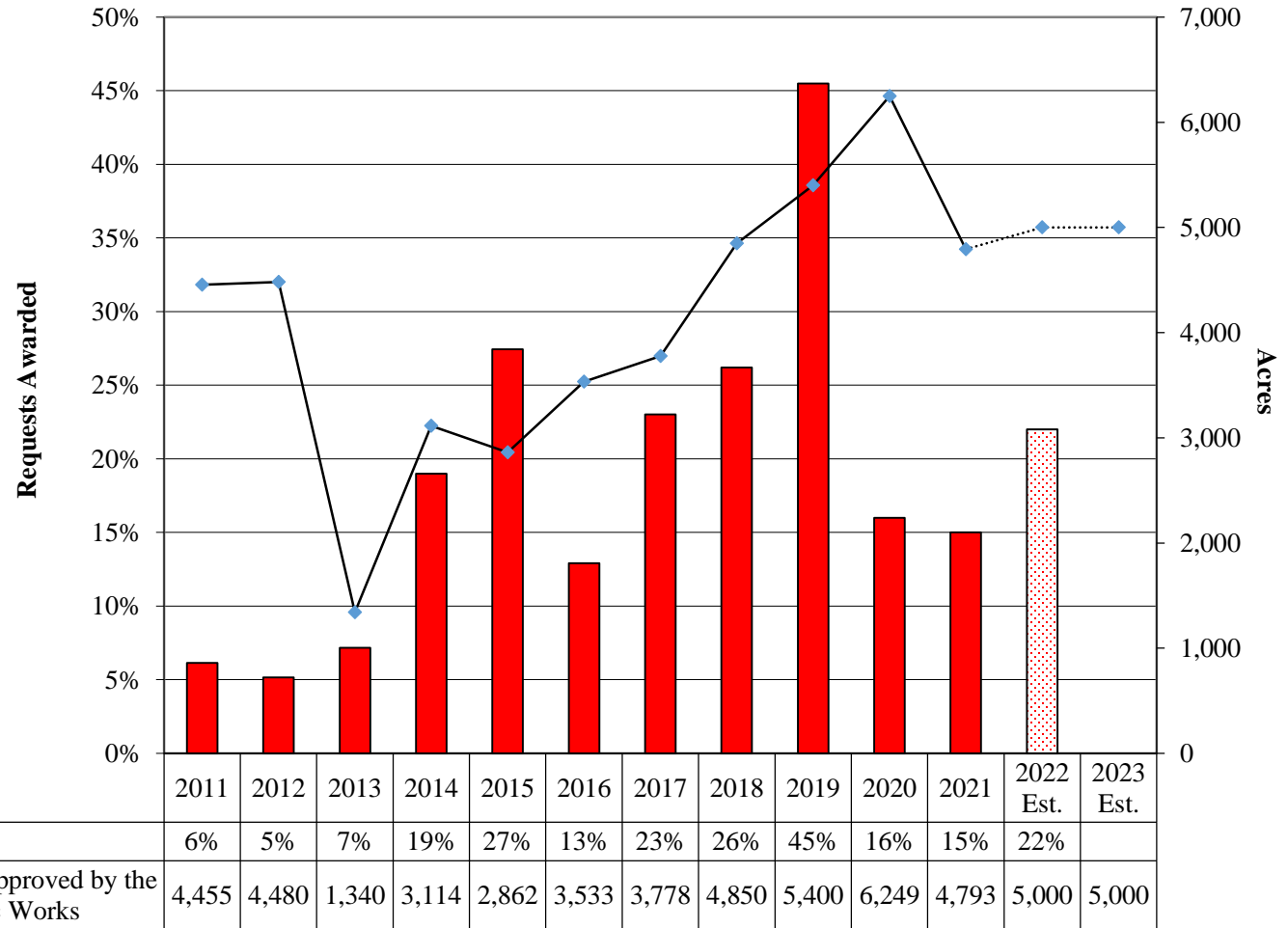
NEA: Natural Environment Area

Source: Board of Public Works

Rural Legacy Program

Exhibit 11 shows that the number of approved Rural Legacy Program easement and fee simple acres decreased 23.3%, from 6,249 acres in fiscal 2020 to 4,793 acres in fiscal 2021. DNR notes that there were delays in some projects being submitted to DNR’s Land Acquisition and Planning program by the Rural Legacy sponsors. As of November 9, 2021, the Rural Legacy Program accounts for 112,596 acres toward the calendar 2030 1,030,000-acre preservation goal set in Chapters 284 and 285 of 2021.

Exhibit 11
Rural Legacy Easement and Fee Simple Acres and Percent of Requests Awarded
Approved by the Board of Public Works
Fiscal 2011-2023 Est.



Source: Governor’s Fiscal 2007-2023 Budget Books

Program Description

The mission of the DNR capital program may be summarized as the protection of Maryland’s open space lands, shorelines, waterways, and natural resources while providing outdoor recreation opportunities in cooperation with federal and local governments. The capital program is comprised of POS (including the Natural Resources Development Fund and the Critical Maintenance Program), the Rural Legacy Program, Ocean City Beach Maintenance, the WIP, the Community Parks and Playgrounds Program, the Oyster Restoration Program, and the Resiliency through Restoration Initiative Program. In addition, DNR’s capital program includes one-time funding for the Local Parks and Playgrounds Infrastructure Program and the NRP – Helicopter Replacement, which are reflected in the main body of the analysis.

- ***POS – Land Acquisition and Local Program:*** Title 5, Subtitle 9 of the Natural Resources Article established POS for the purpose of expediting the acquisition of outdoor recreation and open space areas and the provision of recreation facilities before land is devoted to other purposes. The POS appropriation has historically been split between the State and local governments. While both State acquisitions and local grants fund projects that protect open space and provide recreation facilities, State acquisitions tend to place a greater emphasis on natural resource management. State POS funds are allocated for State land acquisition and operation. In addition, POS funds are allocated to capital improvements and critical maintenance, which are described as separate programs. Local recreation and park departments use local POS funds for acquisition, development, and planning projects. Primary funding for POS has historically been provided by the State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another. POS administers the Heritage Conservation Fund, which is used to acquire land that provides habitat for rare, threatened, and endangered species through an easement or fee simple purchase and supported by 1.8% of the annual transfer tax revenue.
- ***POS – Natural Resources Development Fund:*** State law allows up to 25.0% of the POS funds allocated to the State to be used for capital development projects and for operating expenses at State forests and parks. The Natural Resources Development Fund provides support to design and construct development projects on DNR property. Capital development projects include shower buildings, building renovations, road parking and trail improvements, and general park improvements. In addition, the Natural Resources Development Fund has taken on the funding for dam and bridge rehabilitations and now funds water and wastewater projects on DNR property through MES’ Infrastructure Improvement Fund capital program.
- ***POS – Critical Maintenance Program:*** DNR maintains over 1,900 buildings, hundreds of miles of roadway, parking lots, and a variety of water-associated facilities that serve millions of visitors annually. Critical maintenance projects include structural repairs to buildings, bridge repairs, well and septic system replacement, and road and utility repairs. DNR handles procurement for projects that cost \$100,000 or less (the majority of projects), and DGS handles procurement for projects that cost more than \$100,000.

KA05 – Department of Natural Resources – Capital

- ***Rural Legacy Program:*** The purpose of the Rural Legacy Program is to protect agricultural and natural resources land from sprawl development and, thus, to promote resource-based economies and to develop greenbelts. Program funds are used to purchase conservation easements on land based on Rural Legacy Areas recommended by the Rural Legacy Board (composed of the Secretary of Natural Resources, the Secretary of Planning, and the Secretary of Agriculture) and approved by BPW.
- ***Ocean City Beach Maintenance:*** The Ocean City Beach Maintenance Fund was established to fund annual maintenance for the Ocean City beach replenishment project. When the fund was established, the State entered into a funding agreement with Worcester County and Ocean City. The funding agreement stipulates that the following amounts be provided annually: not less than \$1.0 million from the State; and not less than \$500,000 each from the county and the city. Periodic nourishment is deemed the most cost-effective method of maintaining the beach over a 50-year period. Transfer tax revenue within POS or GO bonds is used to fund the State’s contribution to this effort. Upon reaching a \$15.0 million cap in the fund, no funding is required to be provided by the State or local governments. Nourishment of the Ocean City beach is usually done on a four-year cycle. The U.S. Army Corps of Engineers is responsible for developing estimates, plans, and managing construction contracts for the periodic nourishment efforts, and costs are usually shared: 53.0% federal; and 47.0% State, Worcester County, and Ocean City.
- ***WIP:*** The WIP finances projects to expand and improve public boating access throughout the State. The 5.0% excise tax paid on the sale of motorized vessels within the State, up to \$15,000 per vessel since fiscal 2016 with an annual \$100 escalator, and 0.5% of the motor vehicle fuel tax support the fund, per Chapter 180 of 2013 as modified by Chapters 656 and 657 of 2016. Funding is provided in the form of grants and/or long-term, interest-free loans to local governments, DNR, and some federal government agencies: (1) grants (100.0%) not to exceed \$5,000; (2) grants (100.0%) less than \$100,000; (3) public navigation improvement and DNR boating facility construction grants (100.0%) of unlimited amounts; (4) matching grants with a maximum State cost share (50.0%); and (5) interest-free loans (100.0%) with a 25-year maximum. Additional funding specifications are provided for dredging/navigation projects and boating access facility and boating safety projects.
- ***Community Parks and Playgrounds Program:*** The program provides flexible grants to municipalities and Baltimore City – counties are no longer eligible – to (1) rehabilitate, expand, improve, or maintain existing parks; (2) purchase land to create new parks; (3) develop new parks; (4) purchase and install playground equipment in urban neighborhoods and rural areas throughout the State; or (5) be used for environmentally oriented parks and recreation projects. While land acquisition costs are considered, highest priority is given to capital costs associated with park and playground development and improvement.
- ***Oyster Restoration Program:*** The Oyster Restoration Program provides funding to construct and rehabilitate oyster bar habitat and provide for aquaculture infrastructure improvements. Funding is guided by Maryland’s oyster plan, which includes goals to rehabilitate oyster bar

KA05 – Department of Natural Resources – Capital

habitat identified in a best oyster bar survey conducted in fall 2009 and to increase commercial oyster production by aquaculture. In addition, Maryland is guided by the Chesapeake Bay Agreement signed in June 2014, which has the goal to restore native oyster habitat and populations in 10 tributaries by 2025 and ensure their protection. Based on a U.S. National Oceanic and Atmospheric Administration oyster workgroup, the program has adopted the following restoration goals: (1) restoring 50.0% to 100.0% of currently restorable oyster habitat at the tributary level; and (2) achieving a mean density of 50 oysters per square meter and 50 grams dry weight per square meter, containing at least two generations, and covering at least 30.0% of the reef area at the reef level.

- ***Resiliency through Restoration Initiative Program:*** The Resiliency through Restoration Initiative Program was first provided funding in fiscal 2018. Funding is provided to restore actively eroding shoreline using living shoreline techniques and offshore breakwaters along the State’s coast. Project selection is guided by the Maryland Coastal Resiliency assessment published in March 2016. The assessment is a collaborative effort between DNR’s Chesapeake and Coastal Service and The Nature Conservancy, and was designed to inform coastal conservation and restoration decisions by determining where living shoreline technique and offshore breakwaters can help Maryland’s coastal communities become more resilient. Funding is based on the following factors: (1) the vulnerability of the habitat and community; (2) the project readiness and status (designed/permitted); (3) the location and priority tier within the Maryland Coastal Resiliency Assessment; (4) the level of community engagement; and (5) broader ecosystem services.

Appendix 1
Program Open Space Local Distribution
Fiscal 2021-2023

<u>Jurisdiction</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Allegany	\$491,310	\$594,119	\$912,017
Anne Arundel	5,343,504	6,447,255	9,918,697
Baltimore City	9,528,863	10,250,341	12,525,976
Baltimore County	6,010,738	7,255,442	11,145,428
Calvert	531,948	641,688	990,473
Caroline	231,890	280,212	431,843
Carroll	1,193,649	1,441,991	2,218,579
Cecil	613,398	748,578	1,144,830
Charles	1,091,405	1,317,707	2,022,402
Dorchester	199,262	240,549	370,586
Frederick	1,275,610	1,543,720	2,386,078
Garrett	246,558	298,124	466,599
Harford	1,770,052	2,150,827	3,306,314
Howard	3,143,401	3,816,242	5,838,350
Kent	149,097	179,722	279,932
Montgomery	7,978,748	9,645,073	14,758,551
Prince George's	6,811,645	8,209,539	12,606,444
Queen Anne's	323,265	391,368	611,281
St. Mary's	603,751	726,497	1,121,990
Somerset	142,071	172,282	265,260
Talbot	337,744	407,879	639,375
Washington	937,071	1,131,771	1,746,741
Wicomico	624,824	753,278	1,158,851
Worcester	606,101	730,905	1,142,829
Total	\$50,185,905	\$59,375,109	\$88,009,426

Note: The Baltimore City funding reflects the \$6,000,000 Baltimore City Direct Grant funding in the Program Open Space State share allocation for each of fiscal 2021 through 2023.