

KA05
Department of Natural Resources – Capital

Capital Budget Summary

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

Program	2023 Approp.	2024 Request	Est. 2025	Est. 2026	Est. 2027	Est. 2028
POS – Land Acquisition and Local Program	\$177.936	\$175.188	\$111.705	\$127.474	\$131.913	\$138.319
POS – Public Access Program	0.000	19.200	25.924	12.000	12.000	12.000
POS – Natural Resources Development Fund	30.037	32.485	27.330	25.454	20.913	22.443
POS – Critical Maintenance Projects	37.598	5.475	3.221	1.000	6.099	5.801
Park System Critical Maintenance Fund	0.000	70.000	0.000	0.000	0.000	0.000
Park System Capital Improvement and Acquisition Fund	43.126	36.874	0.000	0.000	0.000	0.000
Rural Legacy Program	26.388	33.424	22.603	22.309	22.584	23.191
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	2.500	5.000	5.000	5.000	5.000
Oyster Restoration Program	13.620	1.961	4.894	2.111	2.478	2.470

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Program	2023 Approp.	2024 Request	Est. 2025	Est. 2026	Est. 2027	Est. 2028
Resiliency Through Restoration Initiative Program	1.970	0.000	0.000	1.500	1.500	1.500
Local Parks and Playgrounds Infrastructure Program	85.000	0.000	0.000	0.000	0.000	0.000
Natural Resources Police – Replacement Helicopter	6.329	0.000	0.000	0.000	0.000	0.000
Total	\$445.004	\$395.107	\$218.678	\$214.849	\$220.487	\$228.724

POS: Program Open Space

Note: For the purposes of this exhibit, the fiscal 2023 funding from the Dedicated Purpose Account (DPA) – \$6.6 million for POS – State, \$5.0 million for POS – Local, \$1.1 million for Rural Legacy Program, and \$8.2 million for Capital Development – is reflected as general funds but will be spent as special funds. The fiscal 2024 appropriation reflects \$5.4 million in general funds mandated for the Rural Legacy Program by Chapter 39 of 2022 (Great Maryland Outdoors Act). There is an additional \$25.0 million in general funds in fiscal 2023 for critical maintenance projects budgeted in the DPA that is not reflected in this exhibit.

Key Observations

- ***Transfer Tax Revenue Increases Due to Overattainment:*** The budget includes \$408 million of transfer tax revenues comprised of \$286 million of estimated fiscal 2024 revenues and \$122.3 million in overattainment of fiscal 2022 revenues. This is \$53.8 million more than the amount budgeted for fiscal 2023. Capital programs supported by the transfer tax receive \$323 million in fiscal 2024 compared to \$280 million in fiscal 2023, an increase of \$43 million.
- ***Maryland Park Service Pay-as-you-go (PAYGO) Capital Funding Enhanced by Chapter 39 of 2022:*** Capital funding for the Maryland Park Service increases by \$36.0 million between fiscal 2023 and 2024 due to a combination of increased transfer tax revenues and the mandated funding for the two new funds created by Chapter 39 – the Park System Critical Maintenance Fund and the Park System Capital Improvements and Acquisition Fund. Chapter 39 required a \$43.1 million transfer of balance from the Program Open Space (POS) State share to the Park System Capital Improvements and Acquisition Fund in fiscal 2022, which is available in fiscal 2023. For fiscal 2024, Chapter 39 mandated appropriations of \$36.9 million for the Park System Capital Improvements and Acquisition and \$70.0 million for the Park System Critical Maintenance Fund.
- ***Large Funding Increases and a Tight Deadline Challenge the Department of Natural Resources' (DNR) Engineering and Construction Unit:*** The provisions of Chapter 39 will significantly increase the volume of work for DNR's Engineering and Construction unit, which is already struggling.

PAYGO Recommended Actions

1. Concur with Governor's allowance for the Department of Natural Resources.

GO Bond Recommended Actions

1. Approve all authorizations, amendments to prior authorizations, and proposed preauthorizations for the Department of Natural Resources.

Updates

- ***Resiliency through Restoration Initiative Program Next Receives Funding in Fiscal 2026:*** The 2023 *Capital Improvement Program* (CIP) reflects funding resuming for the Resiliency through Restoration Initiative program at the \$1.5 million level in general obligation (GO) bonds in fiscal 2026 through 2028.
- ***Local Parks and Playgrounds Infrastructure Program Funding Ends:*** The Local Parks and Playgrounds Infrastructure Program received \$85.0 million in GO bond funding in each of fiscal 2022 and 2023. The 2022 CIP did not program any out-year funding for the program, and there is no funding in the fiscal 2024 capital budget or planned funding in the 2023 CIP.
- ***Natural Resources Police Helicopter Costs Increase:*** The fiscal 2023 operating budget included a \$6.2 million general fund PAYGO appropriation to replace the Natural Resources Police’s 50-year-old Bell OH-58 helicopter with an Airbus H125M helicopter. There is a fiscal 2023 deficiency for \$0.1 million in federal funds to provide additional funding for the helicopter purchase due to cost increases. DNR has noted that the specifications and configuration for the new helicopter have been finalized and were being uploaded to the federal General Services Administration website. DNR’s plans are to use the current helicopter as a reserve helicopter once the new helicopter is received. DNR notes that it has 3 sworn personnel trained as flight observers in support of the aviation unit.

Budget Overview

Fiscal 2024 Budget

As shown in **Exhibit 1**, the fiscal 2024 budget provides \$395.1 million for the various capital programs administered by DNR and is comprised of \$112.3 million in general funds, \$272.8 million in special funds, \$5.5 million in federal funds, and \$4.5 million in GO bonds. The increase in funding for park-related purposes began in fiscal 2022 and continued into fiscal 2023 with the authorization of \$85.0 million in each year for the Local Parks and Playgrounds Infrastructure program. However, this funding is not provided in fiscal 2024. The funding mandated by Chapter 39 begins in fiscal 2023 with the \$43.1 million in POS State land acquisition balance funding being reflected in the Park System Capital Improvements and Acquisition Fund. Chapter 39 funding continues into fiscal 2024, including \$36.9 million in general funds for the Park System Capital Improvements and Acquisition Fund and \$70.0 million for the Park System Critical Maintenance Fund. However, similar to the Local Parks and Playgrounds Infrastructure program funding, the funding mandated by Chapter 39 is also time-limited and does not extend beyond fiscal 2024. Therefore, neither the Local Parks and Playgrounds Infrastructure program funding nor the Chapter 39 mandated funding reflect a systemic change in funding policy for the parks.

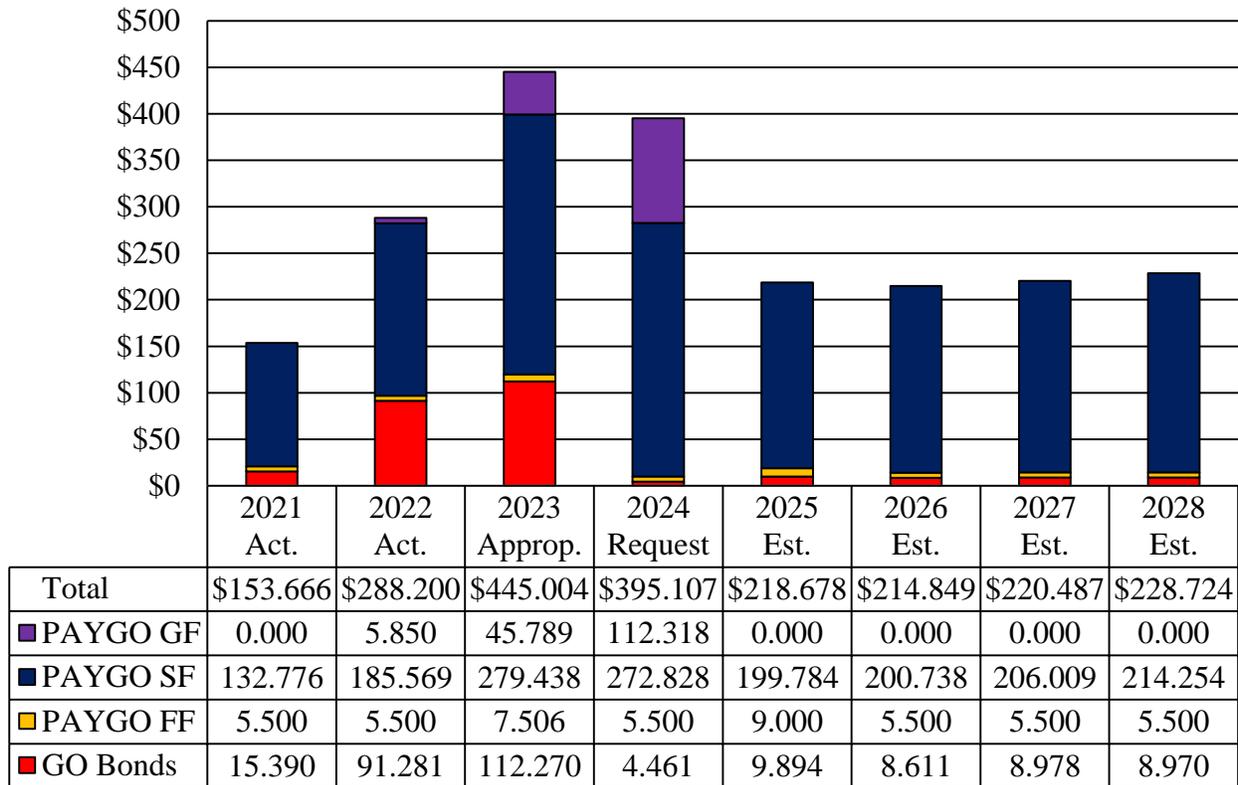
The changes in the funding between fiscal 2023 and 2024 are as follows.

- **GO Bonds:** There is a decrease of \$107.8 million in GO bonds. This reflects the end of the \$85.0 million for the Local Parks and Playgrounds Infrastructure program and the one-time addition of \$25.0 million for the Critical Maintenance Program in fiscal 2023.
- **General Funds:** There is a net increase of \$66.5 million in general funds. This is due to the addition of \$70.0 million for the Park System Critical Maintenance Fund and \$36.9 million for the Park System Capital Improvements and Acquisition Fund, which are offset partially by the following reductions: \$20.9 million in transfer tax repayment funding for programs; \$13.6 million for the Oyster Restoration Program; and \$5.0 million for the Community Parks and Playgrounds program. Both the Oyster Restoration Program and the Community Parks and Playgrounds program return to GO bond funding in fiscal 2024.
- **Special Funds:** There is a net decrease of \$6.6 million. This primarily is due to a decrease of \$43.1 million due to the one-time nature of the transfer of POS State land acquisition balance to the Park System Capital Improvements and Acquisition Fund. This is offset partially by increases of transfer tax revenue of \$28.4 million for POS State and Local, including POS Public Access Program, and \$6.6 million for the Natural Resources Development Fund.

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- Federal Funds:** There is a decrease of \$2.0 million. This is due in part to a decrease of \$1.0 million for the Natural Resources Development Fund and \$0.1 million for the one-time fiscal 2023 deficiency for the Natural Resources Police – Replacement Helicopter project.

Exhibit 1
Department of Natural Resources Capital Program Funding
Fiscal 2021-2028 Est.
(\$ in Millions)



FF: federal funds
GF: general funds

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

GO: general obligation

Note: For the purposes of this exhibit, the fiscal 2023 funding from the Dedicated Purpose Account (DPA) – \$6.6 million for Program Open Space (POS) – State, \$5.0 million for POS – Local, \$1.1 million for Rural Legacy Program, and \$8.2 million for Capital Development – is reflected as general funds but will be spent as special funds. The fiscal 2024 appropriation reflects \$5.4 million in general funds mandated for the Rural Legacy Program by Chapter 39 of 2022 (Great Maryland Outdoors Act). There is an additional \$25.0 million in general funds in fiscal 2023 for critical maintenance projects budgeted in the DPA that is not reflected in this exhibit.

Source: Department of Budget and Management

Transfer Tax Revenue Increases Due to Overattainment

The Governor’s fiscal 2024 spending plan reflects that transfer tax revenue increases by \$53.8 million between fiscal 2023 and 2024. As shown in **Exhibit 2**, this is primarily attributable to an increase of \$73.6 million in overattainment funding – revenue greater than estimated from two years prior that is budgeted in fiscal 2024 – which is offset partially by a reduction in the revenue estimate for the budgeted year.

Exhibit 2
Transfer Tax Funding
Fiscal 2023-2024
(\$ in Millions)

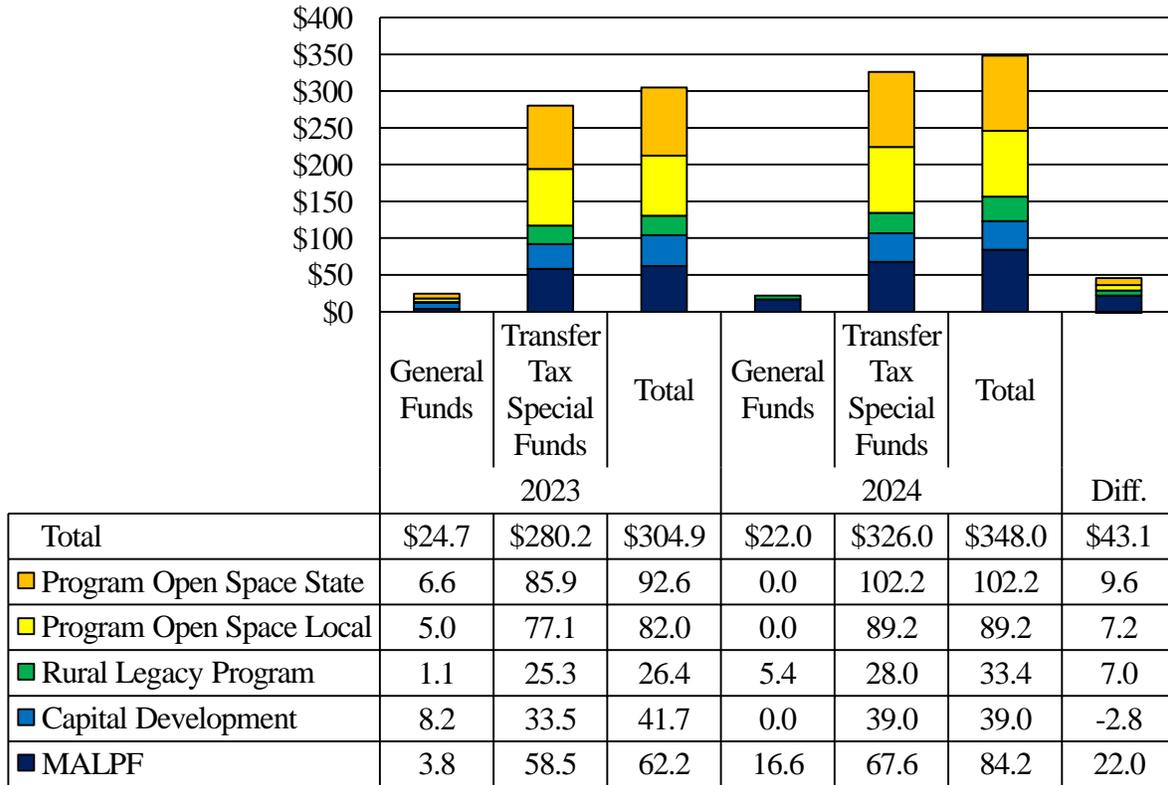
	<u>2023</u>	<u>2024</u>	<u>Difference</u>
Revenue Estimate	\$306.5	\$286.1	-\$20.3
Administrative Expenses	-9.2	-8.6	0.6
Overattainment	48.5	122.0	73.6
Available for Allocation	\$345.8	\$399.6	\$53.8
Available for Capital Programs	\$280.2	\$326.0	\$45.7

Source: Department of Budget and Management

Funding for Programs Traditionally Funded with Transfer Tax Revenue Increases

As shown in **Exhibit 3**, there is an increase of \$43.1 million between fiscal 2023 and 2024 reflecting both general funds and special funds. The fiscal 2023 general funds reflect repayment of prior year transfer tax revenue that was diverted to the General Fund. The fiscal 2024 general funds reflect mandated forward-funding for the Maryland Agricultural Land Preservation Foundation (\$16.6 million) and Rural Legacy Program (\$5.4 million) per Chapter 39. Overall, there is a decrease of \$2.7 million in general funds and an increase of \$45.8 million in special funds between fiscal 2023 and 2024. Chapter 39 also increased the amount of the Baltimore City Direct Grant allocated from the POS State share from \$6.0 million to \$10.0 million in fiscal 2024.

Exhibit 3
Programs Traditionally Funded with Transfer Tax Revenue
Fiscal 2023-2024
(\$ in Millions)



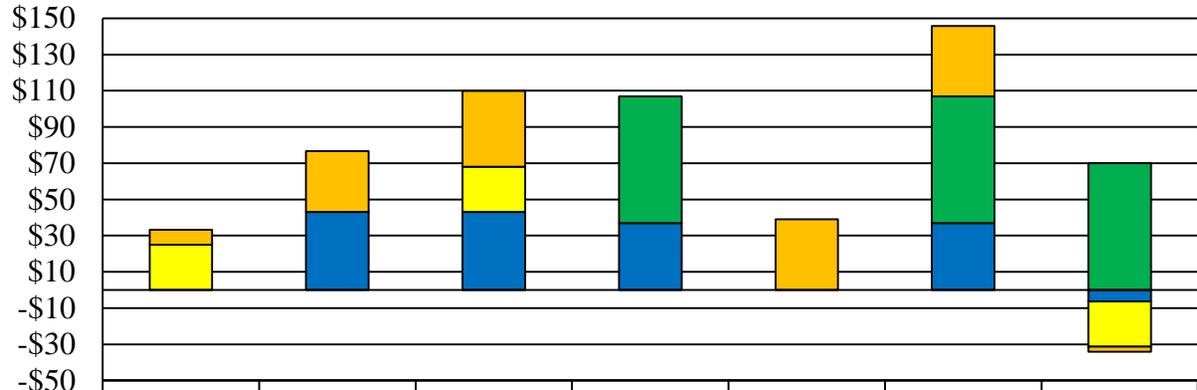
MALPF: Maryland Agricultural Land Preservation Foundation

Source: Department of Budget and Management

Maryland Park Service PAYGO Capital Funding Enhanced by Chapter 39 of 2022

As shown in **Exhibit 4**, capital funding for the Maryland Park Service increases by \$36.0 million between fiscal 2023 and 2024 due to a combination of increased transfer tax revenues and the mandated funding for the two new funds created by Chapter 39 – the Park System Critical Maintenance Fund and the Park System Capital Improvements and Acquisition Fund. Chapter 39 required a \$43.1 million transfer of balance from the POS State share to the Park System Capital Improvements and Acquisition Fund in fiscal 2022, which is available in fiscal 2023. For fiscal 2024, Chapter 39 mandated appropriations of \$36.9 million for the Park System Capital Improvements and Acquisition Fund and \$70.0 million for the Park System Critical Maintenance Fund.

Exhibit 4
Maryland Park Service Pay-as-you-go Capital Funding
Fiscal 2023-2024
(\$ in Millions)



	General Funds	Transfer Tax Special Funds 2023	Total	General Funds	Transfer Tax Special Funds 2024	Total	Diff.
Total	\$33.2	\$76.6	\$109.9	\$106.9	\$39.0	\$145.8	\$36.0
■ Capital Development	8.2	33.5	41.7	0.0	39.0	39.0	-2.8
■ Critical Maintenance – Dedicated Purpose Account	25.0	0.0	25.0	0.0	0.0	0.0	-25.0
■ Park System Critical Maintenance Fund	0.0	0.0	0.0	70.0	0.0	70.0	70.0
■ Park System Capital Improvements and Acquisition Fund	0.0	43.1	43.1	36.9	0.0	36.9	-6.3

Source: Department of Budget and Management

Grant and Loan Programs

Program Open Space – Land Acquisition and Local Program

- Program Description:** 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 – land acquisition and operation – and local governments – acquisition, development, and planning projects. State acquisitions tend to place a greater emphasis on natural resource management. In addition, POS funds are allocated to capital improvements and critical maintenance, which are described as separate programs. 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.

Fund Sources:						
(\$ in Millions)	2023 Approp.	2024 Request	2025	2026	2027	2028
GF	\$11.609	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
SF	163.027	172.188	108.705	124.474	128.913	135.319
FF	3.000	3.000	3.000	3.000	3.000	3.000
GO Bonds	0.300	0.000	0.000	0.000	0.000	0.000
Total	\$177.936	\$175.188	\$111.705	\$127.474	\$131.913	\$138.319

Fund Uses (\$ in Millions):				
Project (Jurisdiction)	Est. Cost	Prior Auth.	2024 Request	Future Request
Baltimore City Direct Grant – Special Funds (Baltimore City)	\$86.000	\$36.000	\$10.000	\$40.000
Program Open Space – Federal Funds (Statewide)	38.750	26.750	3.000	9.000
Program Open Space – Local – Acquisition and Development Projects (Statewide)	731.638	381.427	89.190	216.021
Program Open Space – Stateside – Land Acquisitions (Statewide)	611.766	342.377	72.998	196.391
Total	\$1,468.153	\$786.554	\$175.188	\$506.412

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- ***Changes:*** The fiscal 2024 allowance reflects \$20.1 million more than the planned amount for fiscal 2024 due to the transfer tax revenue overattainment from fiscal 2022. The fiscal 2024 budget also reflects an increase from \$6.0 million to \$10.0 million for the Baltimore City Direct Grant that comes out of the State funding per Chapter 39. The POS – Public Access funding is shown separately for the first time.
- ***Encumbrances and Expenditures:*** There is \$3.0 million still to be encumbered from before fiscal 2019 and \$31.4 million to be expended. On average, about \$76.1 million was encumbered each year from fiscal 2019 to 2022. The fiscal 2023 spending plan is to encumber \$99.7 million leaving \$222.4 million for fiscal 2024.
- ***Other Comments:*** The fiscal 2024 funding could preserve approximately 12,166 acres assuming an estimated \$6,000 per-acre acquisition cost for POS State land acquisition. The fiscal 2024 spending plan includes the use of some POS State funding for Conservation Reserve Enhancement Program easement purchases. The local POS distribution is shown in **Appendix 1**.

POS – Public Access Program

Program Description: The POS – Public Access Program funding comes from the POS State share of the transfer tax and is used to enhance public access to existing recreational and open space sites. Projects may include entrance roads, parking, trails, water access, health and safety, and general access improvements. The funding for POS – Public Access Program was included in the POS – Land Acquisition and Local Program prior to fiscal 2024 but is broken out in fiscal 2024 to increase transparency.

Fund Sources:					
(\$ in Millions)	2023 Approp.	2024 Request	2025	2026	2027
SF	0.000	19.200	25.924	12.000	12.000
Total	\$0.000	\$19.200	\$25.924	\$12.000	\$12.000

Fund Uses (\$ in Millions):				
Project (Jurisdiction)	Est. Cost	Prior Auth.	2024 Request	Future Request
Fair Hill Natural Resource Management Area – Carriage Tunnel Replacement (Cecil)	\$4.600	\$0.600	\$4.000	\$0.000
Patapsco Valley State Park – Sorenson Entrance and Bridge (Carroll)	3.400	0.400	3.000	0.000
Fair Hill Natural Resource Management Area – Covered Bridge Repairs (Cecil)	2.400	0.400	2.000	0.000
Pocomoke River State Park – Elevated Boardwalk Trail (Worcester)	2.350	0.350	2.000	0.000
Remaining Projects	16.200	1.500	8.200	0.000
Total	\$28.950	\$3.250	\$19.200	\$0.000

- Changes:** The funding for the POS – Public Access Program is reflected for the first time in fiscal 2024. The Governor’s supporting material reflects \$15.0 million for projects in fiscal 2023, but this is not broken out in the exhibits in this analysis. The 2023 CIP reflects \$25.9 million for fiscal 2025 and then \$12.0 million for each year from fiscal 2026 through 2028.
- Other Comments:** The fiscal 2024 budget includes funding for 20 projects in 13 jurisdictions. Projects are evaluated based on current POS State balances, acquisition projects in the POS State pipeline, the number of projects identified to enhance public access to existing DNR-owned lands, funding needed for those projects, and the amount of DNR capital development funds available.

POS – Natural Resources Development Fund

Program Description: 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 provides funding for dam and bridge rehabilitations and water and wastewater projects on DNR property through the Maryland Environmental Service’s (MES) Infrastructure Improvement Fund capital program.

Fund Sources:						
(\$ in Millions)	2023 Approp.	2024 Request	2025	2026	2027	2028
GF	\$2.231	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
SF	25.900	32.485	23.830	25.454	20.913	22.443
FF	1.906	0.000	3.500	0.000	0.000	0.000
Total	\$30.037	\$32.485	\$27.330	\$25.454	\$20.913	\$22.443

Fund Uses (\$ in Millions):				
Project (Jurisdiction)	Est. Cost	Prior Auth.	2024 Request	Future Request
State Park Water and Sewer Infrastructure Improvement Fund (Statewide)	\$67.679	\$21.304	\$13.160	\$33.215
Elk Neck State Park – Rustic Cabins Replacement and Shower Building Renovations (Cecil)	11.294	2.482	4.774	4.038
Elk Neck State Park – Mauldin Mountain Day-Use Improvements (Cecil)	3.663	0.235	3.428	0.000
Bridge Inspection and Improvement Projects (Statewide)	8.156	2.828	3.328	2.000
Rosaryville State Park – Mount Airy Mansion Improvements (Prince George’s)	5.107	0.422	2.685	2.000
Dam Assessments and Rehabilitation (Statewide)	33.812	5.724	2.439	25.649
Remaining Projects	11.805	0.343	2.671	4.424
Total	\$141.516	\$33.338	\$32.485	\$71.326

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- **Changes:** The increase in funding relative to the programmed amount for fiscal 2024 reflects the increase in transfer tax revenues.
- **Encumbrances and Expenditures:** There is still \$1.5 million to be encumbered and \$2.5 million to be expended from before fiscal 2019. The plan to encumber \$30.0 million in fiscal 2023, which appears to be optimistic given the recent trend of encumbering approximately \$11.7 million per year, leaves \$27.0 million for fiscal 2024.
- **Projects Selected:** The fiscal 2024 spending plan includes \$1,000,000 in nonbudgeted POS – Public Access Program funds. In total, the fiscal 2024 budget provides funds for eight projects in seven jurisdictions, statewide repair programs for bridges and dams, and seven State Park Water and Sewer Infrastructure Upgrades projects managed by MES.
- **Concerns:** The dam assessments and rehabilitation funding estimate for fiscal 2024 to 2027 increased by \$12.8 million from \$4.2 million to \$17.0 million between the 2022 CIP and the 2023 CIP. In addition, the 2023 CIP reflects the addition of \$11.1 million in fiscal 2028 for this purpose. This funding and the need for funding from the State Park Water and Sewer Infrastructure Improvement Fund will potentially crowd out the other uses of the Natural Resources Development Fund.
- **Other Comments:** There is a preauthorization of \$6.0 million in GO bond funds in fiscal 2025 to allow for construction bids for two projects: Elk Neck State Park – Rustic Cabins Replacement and Shower Buildings Renovation (Cecil County) – \$4.0 million; and Rosaryville State Park – Mount Airy Mansion Improvements (Prince George’s County) – \$2.0 million.

Program Open Space – Critical Maintenance Projects

Program Description: 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.

Fund Sources:					
(\$ in Millions)	2023 Approp.	2024 Request	2025	2026	2027
GF	\$6.000	\$0.000	\$0.000	\$0.000	\$0.000
SF	6.598	5.475	3.221	1.000	6.099
GO Bonds	25.000	0.000	0.000	0.000	0.000
Total	\$37.598	\$5.475	\$3.221	\$1.000	\$6.099

Fund Uses (\$ in Millions):				
Project (Jurisdiction)	Est. Cost	Prior Auth.	2024 Request	Future Request
Fair Hill Natural Resource Management Area – Restoration of Trail Bridges Four and Five (Cecil)	\$2.000	\$0.000	\$2.000	\$0.000
Bear Creek Hatchery – Entrance Road Improvements (Garrett)	1.000	0.000	1.000	0.000
Smallwood State Park – Renovation of the Grinder House (Charles)	0.500	0.000	0.500	0.500
Remaining Projects	1.975	0.000	1.975	0.000
Total	\$5.475	\$0.000	\$5.475	\$0.000

- Changes:** The fiscal 2024 allowance reflects \$0.7 million less than the amount programmed for fiscal 2024 in the 2022 CIP. This is because there is additional funding available through the Park System – Critical Maintenance Fund. The combination of the Critical Maintenance Program appropriation of \$5.5 million and the Park System – Critical Maintenance Fund of \$70.0 million is sufficient to fully address the critical maintenance backlog of \$75.5 million.
- Encumbrances and Expenditures:** There is \$1.5 million to be encumbered and \$2.3 million to be expended from before fiscal 2019. The spending plan reflects \$32.1 million in beginning balance to which is added \$62.6 million in fiscal 2023 funding for a total of \$94.7 million. The plan is to spend \$62.6 million leaving \$32.1 million available for fiscal 2024.

- Other Comments:** The fiscal 2024 allowance funds 21 projects in 10 jurisdictions. The \$25.0 million in general funds budgeted in the Dedicated Purpose Account in fiscal 2023 will be released as DNR is ready to use the funding. The fiscal 2024 capital budget bill includes a \$17.0 million reduction affecting the fiscal 2023 authorization of \$25.0 million in GO bond funding for the Critical Maintenance Program. The reduction is attributable to the Druid Hill Park – Druid Lake Recreational Lake Project Phase I in Baltimore City, which is broken out separately to make it clear that the funding is to be provided as a grant to the Mayor and City Council of the City of Baltimore instead of being a State project through the Critical Maintenance Program. In addition, the fiscal 2024 capital budget bill includes a \$0.3 million GO bond reduction affecting the fiscal 2023 authorization for the POS funding allocated to acquiring the Simkins Mill property adjacent to the Patapsco Valley State Park – Avalon. This funding is broken out separately to make it clear that the funding is to be used for a grant to the Friends of Patapsco Valley State Park. **The Department of Legislative Services (DLS) recommends approval of the modification of the fiscal 2023 authorization for the Critical Maintenance Program and the fiscal 2023 authorization for the POS funding for the purchase of the Simkins Mill property.**

Rural Legacy Program

Program Description: 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 the Board of Public Works.

Fund Sources:						
(\$ in Millions)	2023 Approp.	2024 Request	2025	2026	2027	2028
GF	\$1.100	\$5.444	\$0.000	\$0.000	\$0.000	\$0.000
SF	25.288	27.980	22.603	22.309	22.584	23.191
Total	\$26.388	\$33.424	\$22.603	\$22.309	\$22.584	\$23.191

- Changes:** The \$9.2 million funding increase in fiscal 2024 relative to the amount planned in the 2022 CIP is due to (1) the overattainment from fiscal 2022 transfer tax revenues; and (2) the \$5.4 million in general fund repayment mandated by Chapter 39.
- Encumbrances and Expenditures:** There is no funding to be encumbered or to be expended from before fiscal 2019. The spending plan is to encumber the fiscal 2023 \$26.4 million appropriation leaving no funding for fiscal 2024. The program has encumbered \$20.5 million on average between fiscal 2019 and 2022.

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- **Performance Measures:** The Rural Legacy Program has funded approximately 18% of the grant amounts requested since the program’s inception.
- **Other Comments:** The fiscal 2024 cost per acre for the Rural Legacy Program is estimated to be \$3,500, which would allow for the preservation of approximately 9,550 acres.

Ocean City Beach Maintenance

Program Description: 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, usually on a four-year cycle, is deemed the most cost-effective method of maintaining the beach over a 50-year period with the costs usually shared as 53.0% federal and 47.0% State, Worcester County, and Ocean City. Transfer tax revenue within POS or GO bonds is used to fund the State’s contribution to this effort.

Fund Sources:						
(\$ in Millions)	2023 Approp.	2024 Request	2025	2026	2027	2028
SF	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000
Total	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000

- **Encumbrances and Expenditures:** There is still \$0.3 million to be encumbered and \$1.8 million to be expended from before fiscal 2019. The spending plan reflects an opening balance of \$1.7 million for fiscal 2023 and the addition of the \$2.0 million in State and local funding, but there do not appear to be any planned expenditures for fiscal 2023, leaving \$3.7 million available for fiscal 2024.
- **Projects Selected:** While not reflected in the supporting material for the program, funding will be spent as part of the three-year annual maintenance contract.
- **Performance Measures:** DNR has placed approximately 13.3 million cubic yards of sand on the Ocean City shoreline. According to the U.S. Army Corps of Engineers, the protective beach, dunes, and bulkhead prevented approximately \$1.5 billion in potential storm damages to the Ocean City infrastructure from Hurricane Sandy.
- **Other Comments:** The next planned beach replenishment project is scheduled for calendar 2025.

Waterway Improvement Program

Program Description: The Waterway Improvement Program 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. 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.

Fund Sources:						
(\$ in Millions)	2023 Approp.	2024 Request	2025	2026	2027	2028
SF	13.500	13.500	13.500	13.500	13.500	13.500
FF	2.500	2.500	2.500	2.500	2.500	2.500
Total	\$16.000	\$16.000	\$16.000	\$16.000	\$16.000	\$16.000

Fund Uses (\$ in Millions):				
Project (Jurisdiction)	Est. Cost	Prior Auth.	2024 Request	Future Request
Somers Cove Marina Bulkhead Replacement and Site Improvements (Somerset)	\$3.000	\$0.000	\$3.000	\$0.000
U.S. Fish and Wildlife Service Boating Access Projects (Statewide)	2.500	0.000	2.500	0.000
Pocomoke River State Parks – Shad Landing Marina and Boat Ramp Replacement (Worcester)	1.400	0.000	1.400	0.000
Point Lookout State Park – Marina Improvements (St. Mary’s)	1.000	0.000	1.000	0.000
Remaining Projects	8.100	0.000	8.100	0.000
Total	\$16.000	\$0.000	\$16.000	\$0.000

- **Encumbrances and Expenditures:** There is still \$2.4 million to be encumbered and \$4.4 million to be expended from before fiscal 2019. The program is encumbering about \$12.9 million per year. The spending plan reflects \$13.3 million from fiscal 2022 plus the \$16.0 million in fiscal 2023 appropriation for a total of \$29.3 million. Of this amount, the plan is to encumber \$16.0 million leaving \$13.3 million for fiscal 2024.

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- **Projects Selected:** The fiscal 2024 project list includes \$0.4 million for Statewide – Emergency Dredging and Navigation Needs.
- **Concerns:** Vessel excise tax revenues were \$37.3 million in fiscal 2021 and \$36.8 million in fiscal 2022 after averaging approximately \$21.2 million annually over the preceding five-year period. Anecdotal evidence suggests that the increase in revenues was due to the relative attractiveness of outdoor recreation opportunities during the COVID-19 pandemic. However, these increased revenues are not being reflected in either DNR’s operating budget or the Waterway Improvement Program. **DLS recommends that DNR comment on how it is using the fiscal 2021 and 2022 vessel excise tax revenue and the future estimates for vessel excise tax revenue.**
- **Other Comments:** The fiscal 2024 allowance supports 44 projects in 17 jurisdictions and 5 statewide projects. The federal funds are from the Federal Boating Infrastructure Grants and Sport Fish Restoration Boating Access Grants.

Community Parks and Playgrounds

Program Description: 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.

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Fund Sources:						
(\$ in Millions)	2023 Approp.	2024 Request	2025	2026	2027	2028
GF	\$5.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
GO Bonds	0.000	2.500	5.000	5.000	5.000	5.000
Total	\$5.000	\$2.500	\$5.000	\$5.000	\$5.000	\$5.000

Fund Uses (\$ in Millions):				
Project (Jurisdiction)	Est. Cost	Prior Auth.	2024 Request	Future Request
Indian Head – Village Green Park Splash Pad (Charles)	\$0.300	\$0.000	\$0.300	\$0.000
Thurmont – Eyler Road Park Playground Improvements (Frederick)	0.291	0.000	0.291	0.000
Pittsville – Town Park Playground Improvements (Wicomico)	0.288	0.000	0.288	0.000
Remaining Projects	1.621	0.000	1.621	0.000
Total	\$2.500	\$0.000	\$2.500	\$0.000

- **Changes:** The 2023 CIP programs out-year funding to increase to \$5.0 million starting in fiscal 2025, which is consistent with the 2022 CIP. As noted in an update in this analysis, the Community Parks and Playgrounds program is once again the sole direct provider of funding to municipalities since the Local Parks and Playgrounds Infrastructure Program is no longer funded.
- **Encumbrances and Expenditures:** There is still \$0.5 million to be encumbered and \$0.9 million to be expended from before fiscal 2019.
- **Performance Measures:** The fiscal 2024 funding will support 31% of the total project solicitation of \$10.3 million, or 35% of the 57 projects for which funding was requested.
- **Other Comments:** The fiscal 2024 allowance would fund 20 projects in 15 jurisdictions.

Oyster Restoration Program

Program Description: The Oyster Restoration Program provides funding to construct and rehabilitate oyster bar habitat and provide for aquaculture infrastructure improvements. Funding is guided by Maryland’s oyster plan, which includes goals to rehabilitate oyster bar habitat identified in a best oyster bar survey conducted in fall 2009 and to increase commercial oyster production by aquaculture. In addition, Maryland is guided by the Chesapeake Bay Agreement, which has the goal to restore native oyster habitat and populations in 10 tributaries by calendar 2025 and ensure their protection. 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.

Fund Sources:						
(\$ in Millions)	2023 Approp.	2024 Request	2025	2026	2027	2028
GF	\$13.620	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
GO Bonds	0.000	1.961	4.894	2.111	2.478	2.470
Total	\$13.620	\$1.961	\$4.894	\$2.111	\$2.478	\$2.470

- Changes:** The fiscal 2024 funding is \$10.2 million less than the originally planned amount because of a revised estimate of the acres to be constructed, a decrease in the cost per acre for construction of habitat from \$167,000 to \$130,000 per acre, and a change in the construction schedule for the Manokin River sanctuary. The out-year amounts programmed in the 2023 CIP have all increased due to the shift in the funding for the Manokin River restoration as well as the second seedings of the Tred Avon River, St. Mary’s River, and Manokin River sanctuaries; and the \$1.0 million programmed each year between fiscal 2025 and 2028 for the Eastern Bay restoration project as mandated by Chapter 574 of 2022.
- Encumbrances and Expenditures:** While there are no funds to be encumbered from before fiscal 2019, there is still \$4.5 million to be expended. The plan is to encumber \$27.8 million in fiscal 2023 (\$14.2 million from balance and \$13.6 million in new fiscal 2023 funding), which appears to be optimistic given the \$4.0 million annual average for fiscal 2019 through 2022. The highest encumbrance level was \$12.0 million in fiscal 2022.
- Projects Selected:** The fiscal 2024 funding supports the following: \$1.0 million for Eastern Bay Restoration; \$0.6 million for seeding 30 acres in the Manokin River sanctuary – the fifth sanctuary to be restored; \$0.3 million for seed plantings on 15 acres for small sanctuaries outside the 5 large scale projects; \$0.1 million for second year class seeding of 11 acres in Little Choptank River (\$64,000) and Tred Avon River (\$24,000) – the second and third large scale sanctuaries, respectively; and \$20,000 for the Marylanders Grow Oysters program.

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- **Performance Measures:** The U.S. Department of Commerce – National Oceanic and Atmospheric Administration’s National Marine Fisheries Service’s 2021 Maryland Oyster Monitoring Report notes that four out of the six oyster metrics success criteria were monitored in fall 2021 – reef height and reef footprint were not measured due to COVID-19-related restrictions. The vast majority of reefs monitored met the four criteria measured: oyster density; oyster biomass; multiple year classes; and shell budget. This follows on the vast majority of reefs monitored meeting the criteria from fall 2015 through 2021.
- **Other Comments:** There does not appear to have been any progress on the plan to dredge Man O’War Shoals for oyster shells. Looking forward, the Eastern Bay restoration project appears to be running in parallel with the Manokin River restoration project. Chapter 574 (1) established a goal that, over the next 25 years, a combination of replenishment, restoration, and aquaculture activities be collectively planned and undertaken in Eastern Bay, with an equal amount of funding for spat planting in sanctuaries (\$1.0 million annually adjusted for inflation) and for spat and shell planting on fishery bars (\$1.0 million annually adjusted for inflation) in addition to current replenishment and restoration activities; (2) required the effectiveness of those activities to be evaluated every five years; and (3) to help reach the goal, required the Governor to include in the annual operating or capital budget, for each of fiscal 2024 through 2026, an appropriation of \$2.0 million for DNR, with any future funding contingent on the evaluations every five years.

Park System Critical Maintenance Fund

Program Description: Chapter 39 established the Park System Critical Maintenance Fund to address critical maintenance concerns on DNR-managed park lands and required a \$70.0 million general fund appropriation to the fund in fiscal 2024, which must be spent by July 1, 2026.

- **Changes:** This is a new fund that receives \$70.0 million in general funds in fiscal 2024. There is no funding planned for the out-years in the 2023 CIP.
- **Projects Selected:** The total estimated critical maintenance backlog for fiscal 2024 is \$75.5 million. The combination of \$5.5 million from the regular Critical Maintenance Program and \$70.0 million from the new Park System Critical Maintenance Fund is intended to resolve the backlog.
- **Concerns:** DNR has received a substantial amount of funding for capital improvements in a short period of time. It remains to be seen whether the Engineering and Construction unit will be able to handle the influx of funding in a timely manner, especially given the requirement that Park System Critical Maintenance Fund funding must be spent by July 1, 2026.

Park System Capital Improvement and Acquisition Fund

Program Description: Chapter 39 established the Park System Capital Improvements and Acquisition Fund for capital improvements on DNR-managed State park lands and land acquisition for State parks. The Governor is required to provide a \$36.9 million general fund appropriation to the fund in fiscal 2024. In addition, in fiscal 2022 the Governor was authorized to transfer \$43.1 million of the funds for POS State land acquisition to the fund. The first \$70.0 million is required to be allocated as follows: \$5.0 million for climate change mitigation infrastructure projects; \$5.0 million for historic preservation; \$20.0 million for transportation improvements; \$10.0 million for increasing water access; and \$30.0 million for land acquisition (including areas in the central and southern regions of the State that reduce crowding and expand access; sites of significance to the history of African American, Asian, Indigenous or Native American, and Hispanic or Latino populations in the State; and beachfront or waterfront property for public access). If the fund receives more than \$70.0 million, DNR is authorized to use up to \$10.0 million for any of the purposes identified for the first \$70.0 million.

Fund Sources:						
(\$ in Millions)	2023 Approp.	2024 Request	2025	2026	2027	2028
GF	\$0.000	\$36.874	\$0.000	\$0.000	\$0.000	\$0.000
SF	43.126	0.000	0.000	0.000	0.000	0.000
Total	\$43.126	\$36.874	\$0.000	\$0.000	\$0.000	\$0.000

Fund Uses (\$ in Millions):				
Project (Jurisdiction)	Est. Cost	Prior Auth.	2024 Request	Future Request
Land Acquisition (Statewide)	\$26.874	\$0.000	\$26.874	\$0.000
Capital Improvements (Statewide)	5.258	0.000	5.258	0.000
Black Walnut Point – Shore Erosion Control (Capital Improvement) (Talbot)	4.927	0.000	4.742	0.000
Total	\$37.059	\$0.000	\$36.874	\$0.000

- **Changes:** This is a new fund that receives \$43.1 million from POS State land acquisition in fiscal 2023 and \$36.9 million in general funds in fiscal 2024. There is no funding planned for the out-years in the 2023 CIP.
- **Encumbrances and Expenditures:** There is \$0.5 million encumbered in fiscal 2023 funding as of November 30, 2022. The plan is to use all the \$43.1 million transferred to the fund from POS State land acquisition in fiscal 2023 as follows: \$20.0 million for transportation improvements; \$6.8 million for increasing water access; \$5.0 million for climate change mitigation; \$5.0 million for historic preservation; \$3.2 million for the North

Point State Park – Waterfront Improvements project, which will increase water access and also receives funding from the Natural Resources Development Fund in fiscal 2024; and \$3.1 million for land acquisition.

- **Projects Selected:** The Black Walnut Point – Shore Erosion Control project in Talbot County is considered to be part of the \$10.0 million in excess of the first \$70.0 million that is specified for allocation and thus can be used for any of the purposes of the first \$70.0 million. The project also receives funding from the Natural Resources Development Fund.
- **Concerns:** DNR has received a substantial amount of funding for capital improvements in a short period of time. It remains to be seen whether the Engineering and Construction unit will be able to handle the influx of funding in a timely manner. In addition, there is limited specificity on what projects will receive funding in fiscal 2023 and 2024 because DNR is still making selections.

Issues

1. Large Funding Increases and a Tight Deadline Challenge DNR’s Engineering and Construction Unit

The large funding increases due to the general funds programmed as part of Chapter 39 would be a challenge for DNR’s Engineering and Construction unit to encumber even under normal circumstances. However, there are a couple of factors that make this even more challenging as follows.

- **Staffing Flux:** The fiscal 2023 operating budget bill included a \$0.8 million general fund appropriation in Supplemental Budget No. 5 to fund 5 positions and related supplies for Critical Maintenance Program work. However, it will take time to hire, train, and deploy the new Engineering and Construction unit staff in a highly dynamic environment with very large workloads.
- **Expenditure Deadline:** Chapter 39 requires that the \$70.0 million general fund appropriation for the Park System Critical Maintenance Fund be spent by July 1, 2026, which appears to be aspirational given the annual average of \$5.8 million being encumbered in the Critical Maintenance Program in recent years.
- **No Asset Management System:** The AIMS database previously used to track building and structure assessment information has not been kept up to date. The Engineering and Construction unit is hiring staff to complete facility inspections and create an up-to-date database. Therefore, it is likely that DNR does not have good insight into the status of its overall building assets and how that status is changing. This will make it difficult to track

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the current critical maintenance needs and safeguard the State’s large investment let alone address the additional future critical maintenance needs. Of note, Chapter 39 includes requirements for such an asset management system.

DLS recommends that DNR comment on how it will address the staffing flux, the July 1, 2026 expenditure deadline required in Chapter 39, and lack of an asset management system as it works through its PAYGO capital funding and critical maintenance needs.

Appendix 1
Program Open Space Local Distribution
Fiscal 2022-2024

<u>Jurisdiction</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Allegany	\$594,119	\$912,017	\$993,046
Anne Arundel	6,447,255	9,918,697	10,871,713
Baltimore City	10,250,341	12,525,976	17,223,945
Baltimore	7,255,442	11,145,428	12,164,833
Calvert	641,688	990,473	1,076,333
Caroline	280,212	431,843	469,768
Carroll	1,441,991	2,218,579	2,414,703
Cecil	748,578	1,144,830	1,254,188
Charles	1,317,707	2,022,402	2,240,661
Dorchester	240,549	370,586	406,596
Frederick	1,543,720	2,386,078	2,592,988
Garrett	298,124	466,599	507,148
Harford	2,150,827	3,306,314	3,583,155
Howard	3,816,242	5,838,350	6,366,459
Kent	179,722	279,932	304,409
Montgomery	9,645,073	14,758,551	16,211,671
Prince George’s	8,209,539	12,606,444	13,218,796
Queen Anne’s	391,368	611,281	660,534
St. Mary’s	726,497	1,121,990	1,220,906
Somerset	172,282	265,260	288,984
Talbot	407,879	639,375	691,824
Washington	1,131,771	1,746,741	1,915,701
Wicomico	753,278	1,158,851	1,264,251
Worcester	730,905	1,142,829	1,247,376
Total	\$59,375,109	\$88,009,426	\$99,189,988

Note: The Baltimore City funding reflects the Baltimore City Direct Grant funding in the Program Open Space State share allocation as follows: \$6.0 million for fiscal 2022 and 2023 and \$10.0 million for fiscal 2024.