

KA05
Department of Natural Resources – Capital

Capital Budget Summary

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

Program	2020 Approp.	2021 Approp.	2022 Request	2023 Est.	2024 Est.	2025 Est.	2026 Est.
Program Open Space							
Land Acquisition and Local Program	\$98.159	\$89.277	\$99.666	\$128.986	\$125.073	\$125.993	\$134.918
Natural Resources Development Fund	16.632	9.000	10.447	26.671	24.743	18.950	26.358
Critical Maintenance Projects	4.159	4.000	1.175	6.613	5.893	11.864	5.916
Rural Legacy Program	18.852	17.999	19.001	21.778	21.413	21.500	21.586
Ocean City Beach Maintenance	2.000	2.000	2.000	2.000	2.000	2.000	2.000
Waterway Improvement Program	16.000	16.000	14.650	16.000	16.000	16.000	16.000
Community Parks and Playgrounds	2.500	2.500	2.500	2.500	2.500	2.500	2.500
Oyster Restoration Program	2.610	8.730	0.260	12.620	3.470	0.800	0.930
Resiliency Through Restoration Initiative Program	3.085	4.160	2.770	1.270	0.000	0.000	0.000
Total	\$163.997	\$153.666	\$152.469	\$218.439	\$201.091	\$199.607	\$210.208

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Fund Source	2020 Approp.	2021 Request	2022 Est.	2023 Est.	2024 Est.	2025 Est.	2026 Est.
PAYGO SF	\$148.952	\$132.776	\$79.992	\$194.643	\$189.621	\$190.807	\$201.278
PAYGO FF	6.850	5.500	5.500	7.406	5.500	5.500	5.500
GO Bonds	8.195	15.390	66.977	16.390	5.970	3.300	3.430
Bond Premiums	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	\$163.997	\$153.666	\$152.469	\$218.439	\$201.091	\$199.607	\$210.208

FF: federal funds
 GO: general obligation
 PAYGO: pay-as-you-go
 SF: special funds

Note: The fiscal 2023 through 2026 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 2021 *Capital Improvement Program*.

Key Observations

- ***Transfer Tax Revenue Replaced with General Obligation (GO) Bonds:*** In accordance with Chapter 10 of 2016 as amended by the Budget Reconciliation and Financing Act (BRFA) of 2018, the BRFA of 2020, and the BRFA of 2021, the fiscal 2022 funding does not provide any general fund replacement money.
- ***Fiscal 2022 Transfer Tax Repayment Revised:*** The BRFA of 2021 modifies the out-year repayment schedule by shifting out each of the repayment mandates by one year and authorizing the Governor to replace transfer tax special funds diverted to the General Fund with GO bonds in fiscal 2022 only.

Summary of Recommended PAYGO Actions

1. Concur with Governor’s allowance.

Summary of Recommended Bond Actions

	<u>Funds</u>
1. Community Parks and Playgrounds Program	
Approve the \$2.5 million general obligation bond authorization for the Community Parks and Playgrounds Program.	
2. Natural Resources Development Fund	
Approve the \$10,447,000 general obligation bond authorization for the Natural Resources Development Fund Program.	
3. Program Open Space – State	\$34,000,000
Delete Program Open Space – Stateside Acquisition general obligation bond replacement funding.	GO
4. Rural Legacy Program	
Approve the \$17.0 million general obligation bond authorization for the Rural Legacy Program.	
5. Coastal Resiliency Program	
Approve the \$2,770,000 general obligation bond authorization for the Resiliency Through Restoration Initiative Program.	
6. Oyster Restoration Program	
Approve the \$260,000 general obligation bond authorization for the Oyster Restoration Program.	
7. SECTION 13 – Department of Natural Resources – Natural Resources Development Fund	
Approve the \$4,515,000 general obligation bond preauthorization for fiscal 2023 for the Natural Resources Development Fund Program.	
Total General Obligation Bond Reductions	\$34,000,000

Summary of Budget Reconciliation and Financing Act Recommended Actions

1. Delete the requirement for the repayment of prior year transfer tax funding diverted to the General Fund.
2. Require the Governor to transfer \$34.0 million in Program Open Space – State transfer tax special funds to the General Fund in fiscal 2022 without the requirement for replacement with general obligation bond funds in the fiscal 2022 capital budget bill.

Budget Overview

The Governor’s fiscal 2022 spending plan includes both transfer tax diversion and GO bond replacement actions and the transfer tax repayment plan being deferred.

Transfer Tax Diversion and GO Bond Replacement

Exhibit 1 shows that the Governor’s fiscal 2022 spending plan includes a reduction of \$69.6 million in transfer tax special funds in the Department of Natural Resources (DNR) Program Open Space (POS) and \$31.0 million in transfer tax special funds in the Maryland Department of Agriculture’s Maryland Agricultural Land Preservation Foundation contingent upon a provision in the BRFA of 2021 allocating the transfer tax revenues to the General Fund and replacing the funding with GO bonds. The budget plan includes the use of GO bonds to fully replace the proposed diversion of transfer tax revenues to the General Fund.

Exhibit 1
Proposed POS and Related Programs Funding Plan
Fiscal 2022
(\$ in Millions)

<u>Program</u>	Transfer Tax Programs Funded with GO Bonds <u>2022</u>	Transfer Tax Special Fund Allowance <u>2022</u>	Total <u>2022</u>
Critical Maintenance Program		\$1,175,000	\$1,175,000
NRDF (includes MES)	\$9,696,000		9,696,000
NRDF MES Projects	8,871,000		8,871,000
Ocean City Beach Maintenance		1,000,000	1,000,000
POS – Stateside	34,000,000	7,964,714	41,964,714
Baltimore City Direct Grant – Stateside		6,000,000	6,000,000
POS – Local		48,701,423	48,701,423
Rural Legacy Program	17,000,000	2,000,537	19,000,537
Agricultural Land Preservation Program	31,000,000	6,017,785	37,017,785
Total	\$100,567,000	\$72,859,459	\$173,426,459

GO: general obligation
 MES: Maryland Environmental Service
 NRDF: National Resources Development Foundation
 POS: Program Open Space

Note: Total funding does not include \$3,000,000 of federal funds for Stateside POS and \$8,500,000 of special funds for Maryland Agricultural Land Preservation Program local match funds.

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

Fiscal 2022 Transfer Tax Repayment Plan Revised

Chapter 10 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 was changed in the BRFA of 2018, the BRFA of 2020, and is proposed to be altered again in the BRFA of 2021.

As shown in **Exhibit 2**, the spending plan includes a reduction of the \$43.9 million in general funds budgeted in the DPA that are contingent upon the BRFA of 2021 adjusting the current repayment schedule for transfer tax-supported programs.

Exhibit 2
Impact of Repayment Deferral on Fiscal 2022 POS and Related Programs
(\$ in Millions)

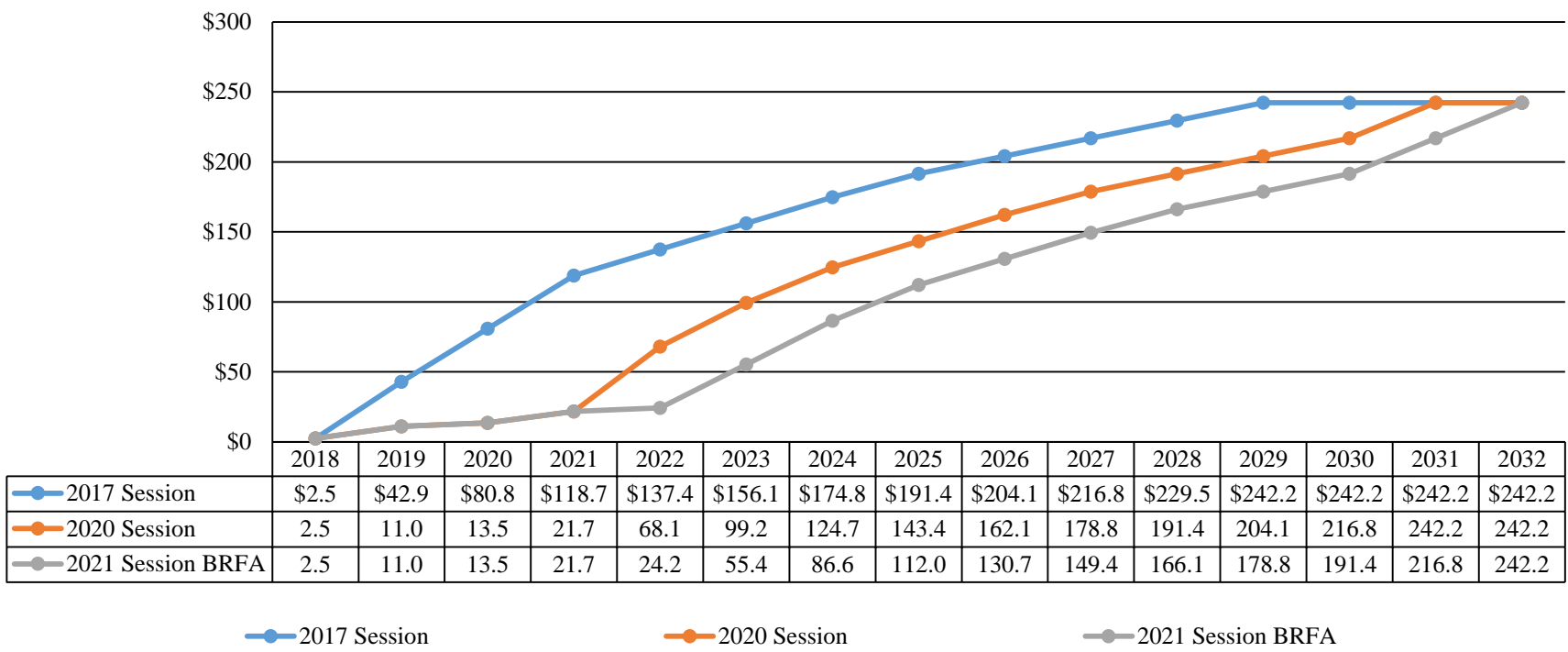
<u>Program</u>	Impact of Repayment Deferral on Capital Programs <u>Fiscal 2022</u>
Operating	
DNR – Maryland Park Service and Forest Service	-\$5,691
PAYGO Capital	
Natural Resources Development Fund and Critical Maintenance (including MES)	-\$9,841
POS – Stateside	-11,445
POS – Local	-8,536
Rural Legacy Program	-1,893
Agricultural Land Preservation Program	-6,455
Total	-\$43,861

DNR: Department of Natural Resources
MES: Maryland Environmental Service
PAYGO: pay-as-you-go
POS: Program Open Space

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

Exhibit 3 illustrates the repayment plan as modified since originally established. The original repayment schedule would have resulted in \$134.9 million having been repaid through fiscal 2022 instead of the \$24.2 million that results from the various restructuring, including the proposed deferral for fiscal 2022. The continued deferral burdens future operating budgets, and the committees should consider eliminating the long-term repayment.

Exhibit 3
Transfer Tax Replacement Plan Cumulative Funding
Comparison of Session Plans for 2017, 2020, and 2021 BRFA
Fiscal 2018-2032
(\$ in Millions)



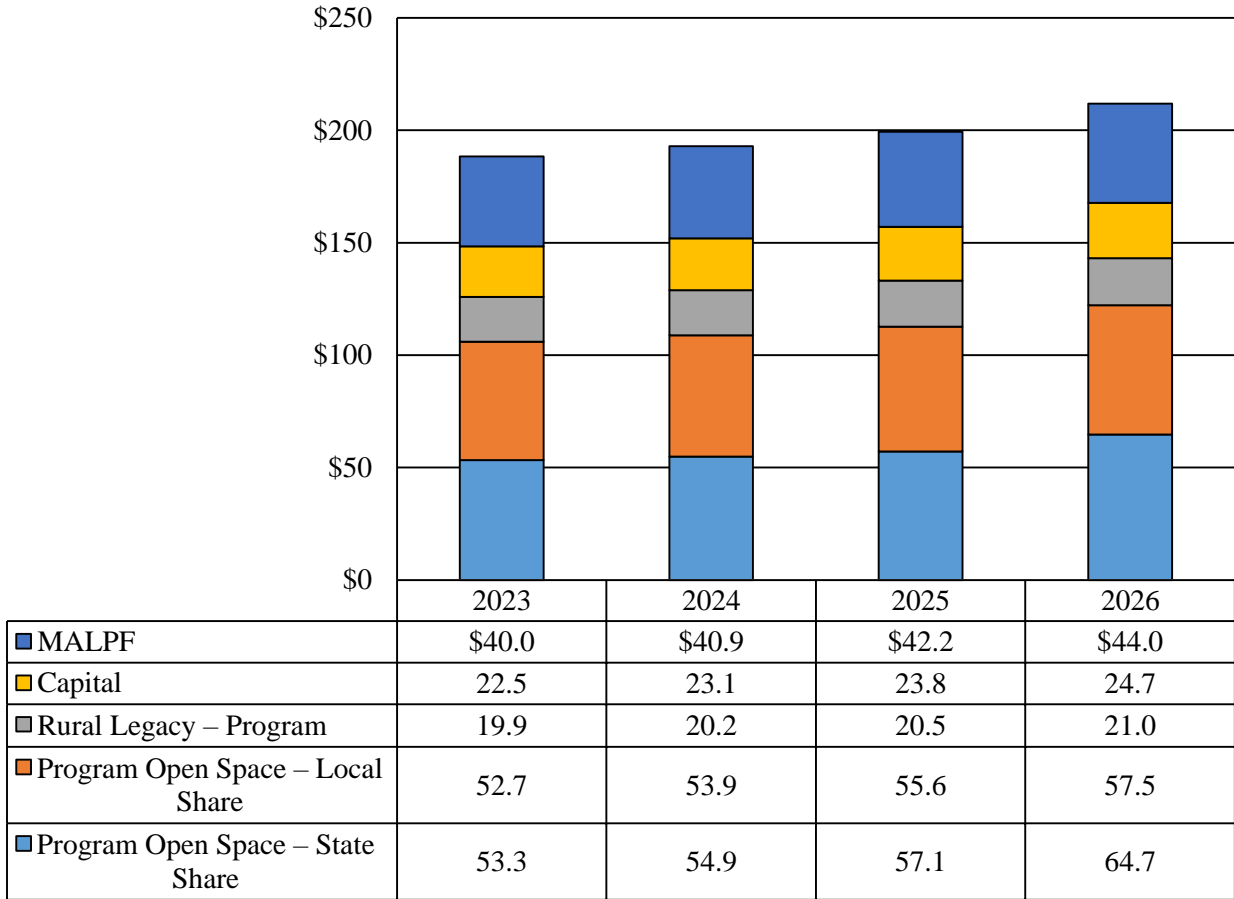
BRFA: Budget Reconciliation and Financing Act

Note: The funding includes both the Maryland Agricultural and Resource-Based Industry Development Corporation allocation and the allocation to State Park Service operations.

Source: Department of Budget and Management

As shown in **Exhibit 4**, capital programs that would benefit from any future repayment are already programmed to receive significant funding from transfer tax revenues through fiscal 2026.

Exhibit 4
Estimated Transfer Tax Allocations to Capital Programs
Fiscal 2023-2026
(\$ in Millions)



MALPF: Maryland Agricultural Land Preservation Foundation

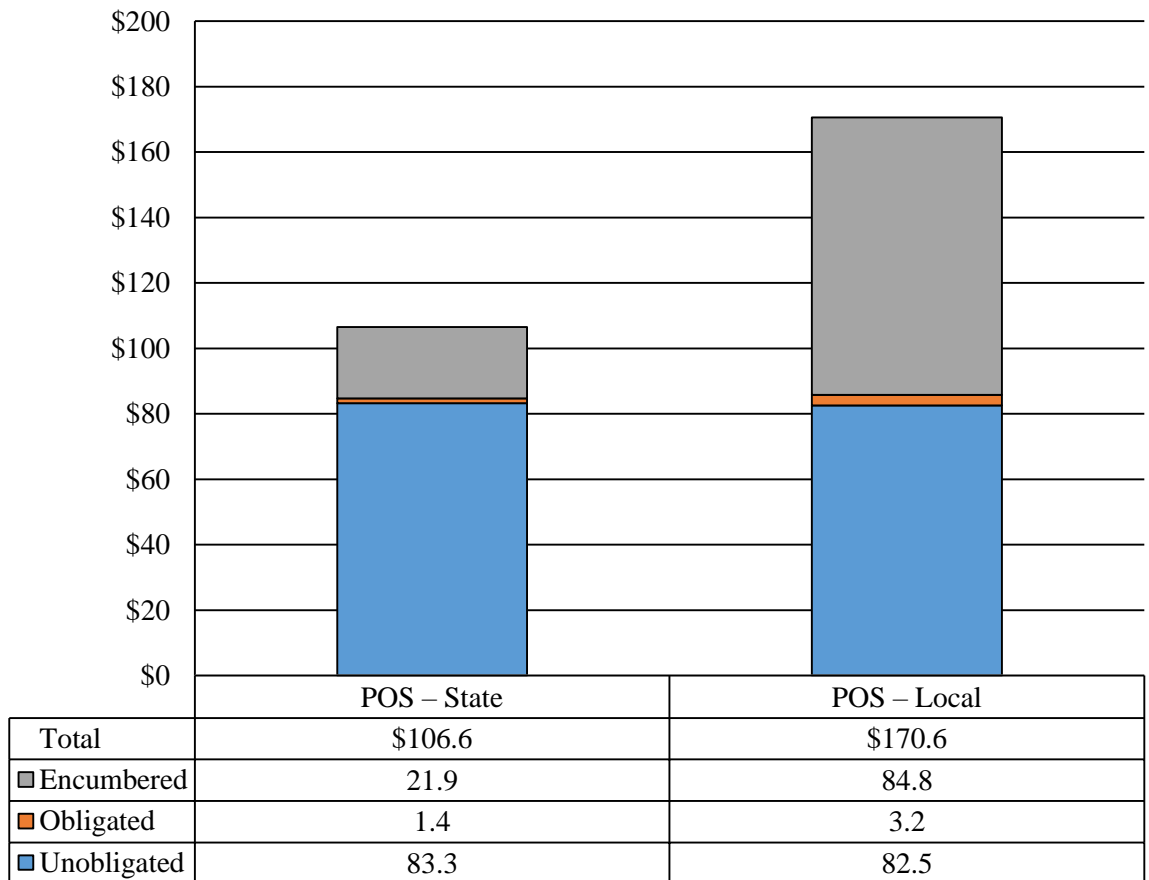
Note: The exhibit does not reflect repayment of prior transfers of the transfer tax to the General Fund.

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

POS Fund Balances

As shown in **Exhibit 5**, there are substantial amounts of unobligated funds in the POS State and POS local fund balances available to support program activity without the need for GO bonds.

Exhibit 5
Program Open Space Fund Balances
January 25, 2021
(\$ in Millions)



POS: Program Open Space

Note: For the purposes of this exhibit, the following definitions are used: unobligated – there are no obligations on the funding, and it could be transferred without affecting any projects as of January 26, 2021; obligated – the funding has been committed to a project, but the funding has not been taken to the Board of Public Works (BPW) to be encumbered; and encumbered – the funding has been taken to BPW for a specific project to be encumbered but has not been expended.

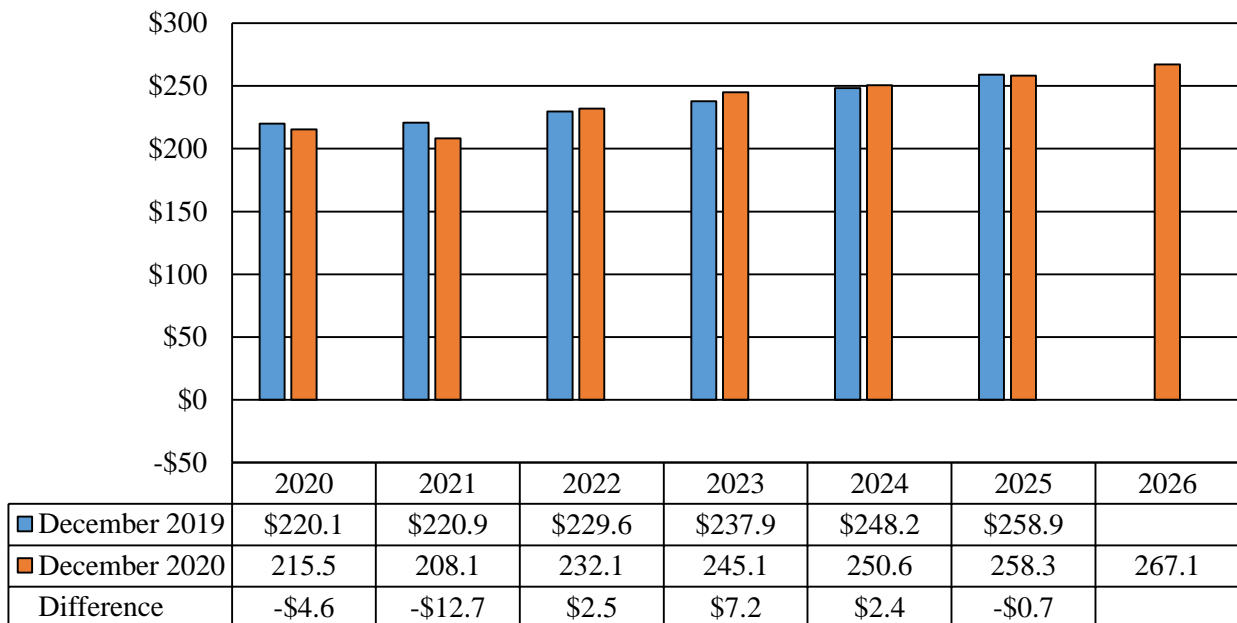
Source: Department of Natural Resources; Department of Legislative Services

The Department of Legislative Services (DLS) recommends that the transfer tax repayment plan be eliminated through the BRFA of 2021. In addition, DLS recommends that \$34.0 million in GO bond funding for POS State be repurposed in fiscal 2022 and that the BRFA of 2021 be modified to require the Governor to transfer \$34.0 million in Program Open Space – State transfer tax special funds to the General Fund in fiscal 2022 without the requirement for replacement with general obligation bond funds in the fiscal 2022 capital budget bill.

Revenue Estimate Changes

Exhibit 6 shows the changes between December 2019 and December 2020 transfer tax revenue estimates. While not reflected here, the revenue budgeted for fiscal 2022 is reduced by \$5.7 million due to an underattainment of the December 2018 revenue estimate for fiscal 2020. The fiscal 2021 revenue estimate has been written down by \$12.7 million due to a decline in commercial property sales. In subsequent years, the revised revenue estimate increases slightly. As a result, it is likely that there will be revenue underattainment, which would be applied to the fiscal 2023 budget.

Exhibit 6
December 2019 vs. December 2020 Transfer Tax Revenue Estimates
Fiscal 2020-2026
(\$ in Millions)



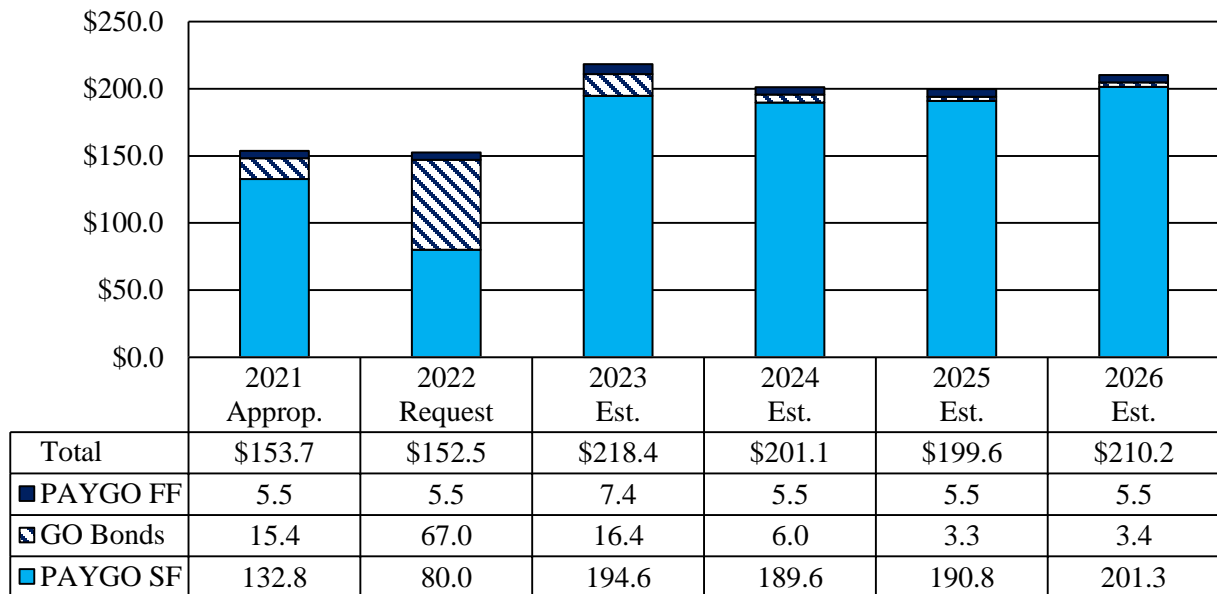
Note: The December 2020 data for fiscal 2020 reflects the actual revenue collections.

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

Fiscal 2022 Budget

As shown in **Exhibit 7**, the fiscal 2022 budget provides \$152.5 million for the various capital programs administered by DNR and is comprised of \$80.0 million in special funds, \$5.5 million in federal funds, and \$67.0 million in GO bonds. Overall, funding decreases between fiscal 2021 and 2022 because of the reduction in the amount of the transfer tax repayment but increases over the time period shown due to transfer tax revenue estimate increases.

Exhibit 7
Department of Natural Resources Capital Programs Funding
Fiscal 2021-2026 Est.
(\$ in Millions)



FF: federal funds
 GO: general obligation

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

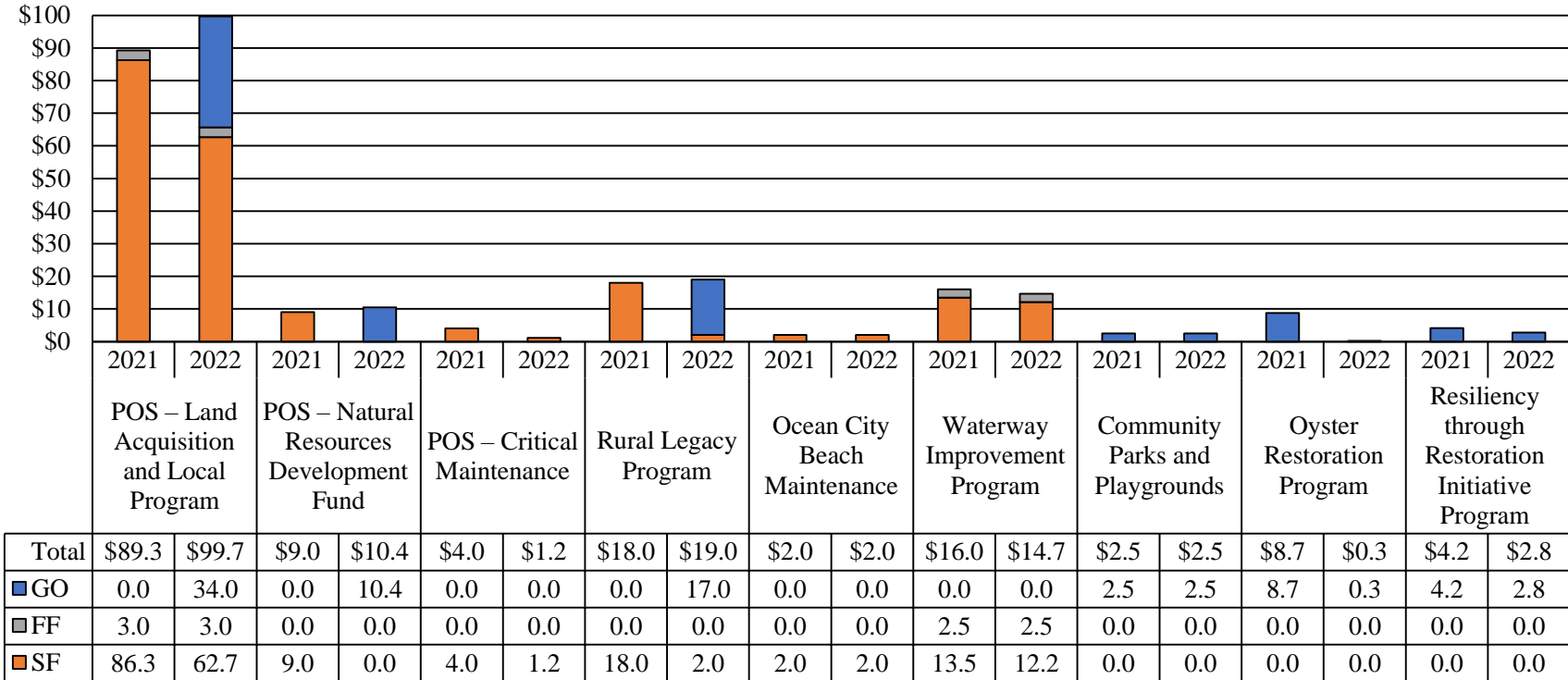
Note: The fiscal 2023 through 2026 special fund figures include the repayment of transfer tax revenues diverted to the General Fund in prior years as required by Chapter 10 of 2016 and reflect a revised repayment plan as set forth in the 2021 *Capital Improvement Program*. A portion of the Natural Resources 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 2022 are reflected in **Exhibit 8**.

Exhibit 8
Department of Natural Resources Capital Budget Changes
Fiscal 2021-2022
(\$ in Millions)



GO: general obligation
 POS: Program Open Space
 SF: Special Fund

Source: Department of Legislative Services

State and Local POS

The fiscal 2022 allowance includes a total of \$99.7 million comprised of \$62.3 million in transfer tax special funds, \$34.0 million in GO bonds, and \$3.0 million in federal funds, which can be used for either State or local POS purposes.

- **State POS:** State POS is funded with a total of \$48.0 million comprised of \$14.0 million in transfer tax special funds and \$34.0 million in GO bonds. The State share of POS land acquisition would conserve approximately 11,990 acres. 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 funding mandated by Chapter 10; none of the funding is earmarked for specific projects.
- **Local POS:** The local POS program receives \$48.7 million in transfer tax special funds. DNR notes that, so far in fiscal 2021, the Board of Public Works (BPW) has approved \$46.4 million for POS local projects. The local POS distribution is shown in **Appendix 1**.

POS – Natural Resources Development Fund

The Natural Resources Development Fund receives \$10.4 million in GO bond replacement funding in fiscal 2022. The fiscal 2022 funding also includes \$167,000 in nonbudgeted POS Stateside Access Funds that are being used to fund the design cost of the North Point State Park – Waterfront Improvements project. Therefore, the total fiscal 2022 funding is \$10.6 million. While not funded here in fiscal 2022, the funding plan continues to earmark funds for Maryland Environmental Service (MES) projects, which fluctuate in cost from year to year based on project schedules and costs.

The Albert Powell Fish Hatchery Improvements project receives \$8,719,000 in fiscal 2022, which is the largest amount for a project. DNR notes that the architect/engineer is at approximately the 50% stage for design. The overall project cost has increased from \$8,650,000 to \$9,376,000 as a result of project delays.

Rural Legacy Program

The Rural Legacy Program receives \$19.0 million in fiscal 2022 comprised of \$2.0 million in transfer tax special funds and \$17.0 million in GO bonds.

The fiscal 2022 cost per acre for the Rural Legacy Program is estimated to be \$3,500, which would allow for the preservation of approximately 5,428 acres. The Rural Legacy Program has encumbered all funding prior to fiscal 2021 and expended all funding prior to fiscal 2019. DNR notes 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 thus saving time for DNR staff.

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 three-year annual maintenance contract just began a new cycle with a recent notice to proceed, and the amount authorized is \$2,436,354.

The periodic beach renourishment is scheduled to begin in calendar 2021. DNR notes that the cost for pumping sand to the Ocean City Beach has increased because of the need to go 2.5 miles further out into the Atlantic Ocean to pull in sand from a different shoal. The U.S. Army Corps of Engineers has requested that DNR place \$9,843,400 in an escrow account by April 16, 2021; the U.S. Army Corps of Engineers has secured its 53% of the \$21 million project cost, or approximately \$11,130,000. The project schedule includes the renourishment bid in April, an award in September, and construction lasting no later than Memorial Day 2022. The Ocean City Beach Replenishment Fund currently has a balance of \$14,613,900 in State, Ocean City, and Worcester County funds. Therefore, as a result of the renourishment cost, the Ocean City Beach Replenishment Fund balance is expected to be reduced to \$4,770,500.

Community Parks and Playgrounds

The fiscal 2022 allowance includes \$2.5 million in GO bonds for the Community Parks and Playgrounds program, which would fund 17 projects in 14 jurisdictions. This program routinely has requests far in excess of budgeted funds. The largest projects on the fiscal 2022 project list are as follows:

- **War Memorial Park (\$200,000):** construction of an amphitheater-style bandstand structure with seating and stamped concrete in Hampstead;
- **Cornish Park Revitalization (\$200,900):** renovate the park, including construction of a gazebo and new basketball court; refurbish the existing court; expand the pavilion; and construct a perimeter exercise walking path in Cambridge;
- **Wilmer Park (\$209,394):** purchase and install new playground equipment and safety surfacing consistent with National Playground Safety Standards and the Americans with Disabilities Act in Chestertown;
- **Leonardtown Alley Network (\$225,000):** create an alley network to connect the town square with other downtown amenities that will serve as a public gathering space with seating, lighting, flexible use space, fencing, and public art in Leonardtown; and
- **Widmyer Park, Splash Park (\$200,000):** construct a new community splash park in Hancock.

Waterway Improvement Program

The Waterway Improvement Program’s (WIP) fiscal 2022 allowance includes \$12,150,000 in special funds and \$2.5 million in federal funds. This reflects \$1,350,000 less in special funds than was programmed for fiscal 2022 in the 2020 *Capital Improvement Program* (CIP). The \$1,350,000 is appropriated in DNR’s operating budget for the Natural Resources Police, which is an authorized use of the funding. The fiscal 2022 allowance therefore provides for 53 local projects, 3 statewide projects, and several federal projects. This funding may also be broken down as follows: dredging-related projects (10); facility improvement projects (36); safety vessels and/or equipment (10); and federally funded projects using Boating Access and Boating Infrastructure Grants.

The Department of Budget and Management (DBM) has submitted a revised WIP fiscal 2022 project list, reflecting the following changes that DNR requested after further reflection about the \$1,350,000 reduction in fiscal 2022 WIP funding:

- **Projects Deferred:** a reduction of \$1,250,000 reflecting funding deferral for three projects: Rocky Gap State Park Boating Access Improvement and Bulkhead Replacement project (\$250,000); Choptank Marina Auxiliary/Parking Lot Expansion and Permanent Surfacing project (\$150,000); and St. Patrick’s Creek Federal Navigation Channel Maintenance Dredging (\$800,000);
- **Projects Reduced:** the Statewide dredging funding was reduced by \$98,500 from \$1,411,900 to \$1,313,400;
- **Projects Restored:** six projects were restored for \$1,298,500: Town of Hancock Boat Ramp Improvements (\$250,000); Cedar Hill Marina Bulkhead Restoration (\$250,000); South Point Public Boat Ramp Bulkhead Replacement and Improvements (\$250,000); Ocean City Channel #10 Maintenance Dredging (\$248,500); Greenbrier State Park Boat Dock Improvements (\$200,000); and Pocomoke River State Park, Milburn’s Landing Boat Ramp Repairs (\$100,000).

Several of the larger projects funded in fiscal 2022 are as follows:

- **Somers Cove Marina Bulkhead Replacement and Marina Site (\$2,000,000):** design and construct the replacement of approximately 1,500 feet of timber bulkhead and replacement of the existing storm drain system, which is collapsing, to be completed over multiple years for the Somers Cove Marina, originally constructed in the 1960s and now in a deteriorated condition;
- **Statewide – Emergency Dredging and Navigation Needs (\$1,313,400):** clear debris and obstructions and undertake emergency dredging of waterways that occur out of cycle; and
- **Snow Hill Park Boat Ramp (\$500,000):** develop a dual lane boat ramp with a floating boarding pier, wing walls, access road, and associated parking lot for boat trailers in St. Mary’s County.

Resiliency through Restoration Initiative Program (formerly the Coastal Resiliency Program)

The fiscal 2022 capital budget provides \$2,770,000 in GO bonds for the Resiliency through Restoration Initiative Program. 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. The program funds the construction of shoreline improvements for five projects in three jurisdictions. The fiscal 2022 project list includes two projects that are receiving continued funding: the Honeysuckle Drive – Shoreline Enhancements project; and the Piney Point Lighthouse and Museum – Shoreline Enhancements project. DNR notes that the fiscal 2022 projects are expected to complete design and begin construction within the May to October 2021 timeframe, depending on the project.

DNR notes the following status of fiscal 2021 projects:

- **Ready for Construction:** The West River – Shoreline and Stormwater Enhancements, Oxford – Shoreline and Stormwater Enhancements, and Selsey Road – Shoreline Enhancements projects are all finished permitting and ready for construction in spring 2021.
- **Completing Permitting:** The Tizzard Island – Shoreline Enhancements project is in permitting with construction to follow.
- **Project Delayed:** The St. Mary’s Church project is delayed due to the need to reconcile historic preservation and resiliency needs with the local historic commission.

POS – Critical Maintenance Program

The budget provides \$1,175,000 in transfer tax special funds for the Critical Maintenance Program. This is a substantial reduction from the \$4.0 million provided in the fiscal 2021 budget and from the \$7.0 million programmed for fiscal 2022 in last session’s CIP. The fiscal 2022 funding level is impacted by the proposed deferral of the repayment plan established by Chapter 10 and departmental decisions to prioritize the National Resources Development Fund and MES projects funded through the same allocation of transfer tax revenues. The fiscal 2022 budget includes funding for 12 critical maintenance projects in 8 jurisdictions. The two largest projects scheduled for fiscal 2022 funding are the Fair Hill Natural Resources Management Area – Replace Broken Bridge Water Crossing project (\$400,000) and the Greenbrier State Park – Renovate Cedar Loop Shower Building project (\$250,000).

As noted in the program description in Appendix 1, the critical maintenance project backlog has increased from \$53.4 million and 522 projects in fiscal 2021 to an estimated \$63.0 million and 551 projects in fiscal 2022. In terms of the fiscal 2021 project status, 1 project has been completed, 4 projects have been awarded, and the remaining projects are in design.

Oyster Restoration Program

The budget includes \$260,000 in GO bond funding. However, the DNR spending plan for fiscal 2022 includes the use of \$3,630,000 of prior authorized funds reallocated from the Man O'War Shoals dredging project, which was scheduled in order to obtain oyster shell for reef restoration and oyster aquaculture. For the fifth year in a row, no funding is provided for Maryland Agricultural and Resource-Based Industry Development Corporation aquaculture loans.

The fiscal 2022 Oyster Restoration Program spending and activity plan is shown in **Exhibit 9**. Several assumptions are made about the allocation of funding when funding is aggregated across separate funding and activity categories. The funding for outside sanctuaries reflects first-year class seeding outside of the five sanctuaries originally picked to meet the Chesapeake Bay Watershed Agreement goal of restoring five tributaries each in Maryland and Virginia. The Marylanders Grow Oysters program involves waterfront property owners growing young oysters in cages suspended from private piers.

Exhibit 9
Oyster Restoration Program Spending and Activity Plan
Fiscal 2022

<u>Project Name</u>	<u>Reef Construction</u>	<u>Seeding (First-year Class)</u>	<u>Seeding (Second-year Class)</u>	<u>Oysters Grown</u>	<u>Total Funding</u>	<u>Construction Acres</u>	<u>Seeding (First-year Class) Acres</u>	<u>Seeding (Second-year Class) Acres</u>	<u>Total Acres</u>
Harris Creek	\$0	\$0	\$0	\$0	\$0	0.0	0.0	0.0	0.0
Little Choptank River	0	0	25,000	0	25,000	0.0	0.0	2.8	2.8
Tred Avon River	0	940,000	25,000	0	965,000	0.0	39.0	2.8	41.8
Upper St. Mary's River	0	110,000	0	0	110,000	0.0	5.5	0.0	5.5
Manokin River	1,190,000	1,330,000	0	0	2,520,000	10.0	66.5	0.0	76.5
Outside Sanctuaries	0	250,000	0	0	250,000	0.0	15.0	0.0	15.0
Marylanders Grow Oysters	0	0	0	20,000	20,000	0.0	0.0	0.0	0.0
Total	\$1,190,000	\$2,630,000	\$50,000	\$20,000	\$3,890,000	10.0	126.0	5.6	141.6

Note: The seeding costs are estimated to be \$20,000 per acre when no data is otherwise provided breaking down combined reef construction and seeding data. Acres are evenly split between sanctuaries when seeding data is combined.

Source: Department of Budget and Management

The current status of reef construction and oyster seeding for the five sanctuaries that are to be completed by 2025 is shown in **Exhibit 10**.

Exhibit 10
Status of Reef Construction and Oyster Seeding Acres
January 2021

<u>Tributary</u>	<u>Completed</u>	<u>Planned</u>	<u>Percent Complete</u>
Harris Creek	348	348	100%
Little Choptank River	358	358	100%
Tred Avon River	92.5	130	71%
Upper St. Mary’s River	35	60	58%
Manokin River	0	441	n/a
Total	833.5	1,337	62%

Note: The Harris Creek acreage has changed from 351 acres to 348 acres.

Source: Department of Natural Resources

Updates

1. Natural Resources Development Fund and Critical Maintenance Program CIP

The 2020 *Joint Chairmen’s Report* requested that DNR and DBM continue to develop a CIP for the Natural Resources Development Fund and the Critical Maintenance Program that is updated to conform to the statewide 2021 CIP. DNR’s CIP was requested to include project estimates of planning, construction, and equipment funding by fiscal year for all projects; project prioritizations; explanations for any changes in project scheduling or amount; and a general depreciation schedule for DNR’s facilities. In terms of timing, the narrative was requested to be submitted with the fiscal 2022 budget.

The Natural Resources Development Fund CIP is incorporated into the 2021 CIP. The CIP shows that the funding allocated to MES for upgrades to water and wastewater treatment facilities on DNR lands accounts for the single largest category of expenditure each year. In general, the DNR capital development projects are planned to receive design funding two years prior to the allocation of capital construction funding. Over the time period shown, no single project consumes the majority of funding in a single year with the exception of the \$8.7 million for the Albert Powell Fish Hatchery – Fish Hatchery Upgrades project in the fiscal 2022 budget.

Preauthorizations

As shown in **Exhibit 11**, the fiscal 2022 capital budget includes a preauthorization of \$4,515,000 in GO bonds for the Natural Resources Development Fund in order to design, construct, and equip the Johnson Wildlife Management Area and Hillsboro Natural Resources Police Shooting Range Improvements project in Wicomico County. The total project cost estimate is \$8,941,000 and involves the construction of two shooting ranges; one to be constructed in fiscal 2022 and the other in fiscal 2023. **DLS recommends approval of the \$4,515,000 GO bond preauthorization for the Johnson Wildlife Management Area and Hillsboro Natural Resources Police Shooting Range Improvements project.**

Exhibit 11 Preauthorizations Fiscal 2023

<u>Project</u>	<u>2023</u>	<u>Reason</u>
Johnson Wildlife Management Area and Hillsboro Natural Resources Police Shooting Range Improvements (Wicomico County).	\$4,515,000	The preauthorization will allow for the completion of construction of the second shooting range in fiscal 2023.

Source: Department of Budget and Management, 2021 *Capital Improvement Program*

PAYGO Recommended Actions

1. Concur with Governor's allowance.

GO Bond Recommended Actions

1. Approve the \$2.5 million general obligation bond authorization for the Community Parks and Playgrounds program to provide grants to local governments to design and construct capital-eligible park and playground improvement projects.
2. Approve the \$10,447,000 general obligation bond authorization for the Natural Resources Development Fund program to design, construct, and equip capital development projects on Department of Natural Resources property, provided that work may continue on each of the projects prior to the appropriation of all funds necessary to complete the project.
3. Delete Program Open Space – Stateside Acquisition general obligation bond replacement funding.

KA05C	Program Open Space – State.....	\$ 0
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<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
34,000,000	-34,000,000	0

Explanation: This action deletes the Program Open Space – Stateside Acquisition general obligation bond replacement funding.

4. Approve the \$17.0 million general obligation bond authorization for the Rural Legacy Program to provide funds for the purchase of conservation easements and the acquisition of land.
5. Approve the \$2,770,000 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 post-implementation monitoring and adaptive management.
6. Approve the \$260,000 general obligation bond authorization for the Oyster Restoration Program to design and construct oyster habitat restoration projects.
7. Approve the \$4,515,000 general obligation bond preauthorization for fiscal 2023 for the Natural Resources Development Fund program to complete construction of the Johnson Wildlife Management Area and Hillsboro Natural Resources Police Shooting Range Improvements project.

Total General Obligation Bonds Reductions	\$34,000,000
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Budget Reconciliation and Financing Act Recommended Actions

- ***Transfer Tax Repayment Plan:*** Delete the requirement for the repayment of prior year transfer tax funding diverted to the General Fund.
- ***Program Open Space General Obligation Bond Replacement:*** Require the Governor to transfer \$34.0 million in Program Open Space – State transfer tax special funds to the General Fund in fiscal 2022 without the requirement for replacement with general obligation bond funds in the fiscal 2022 capital budget bill.

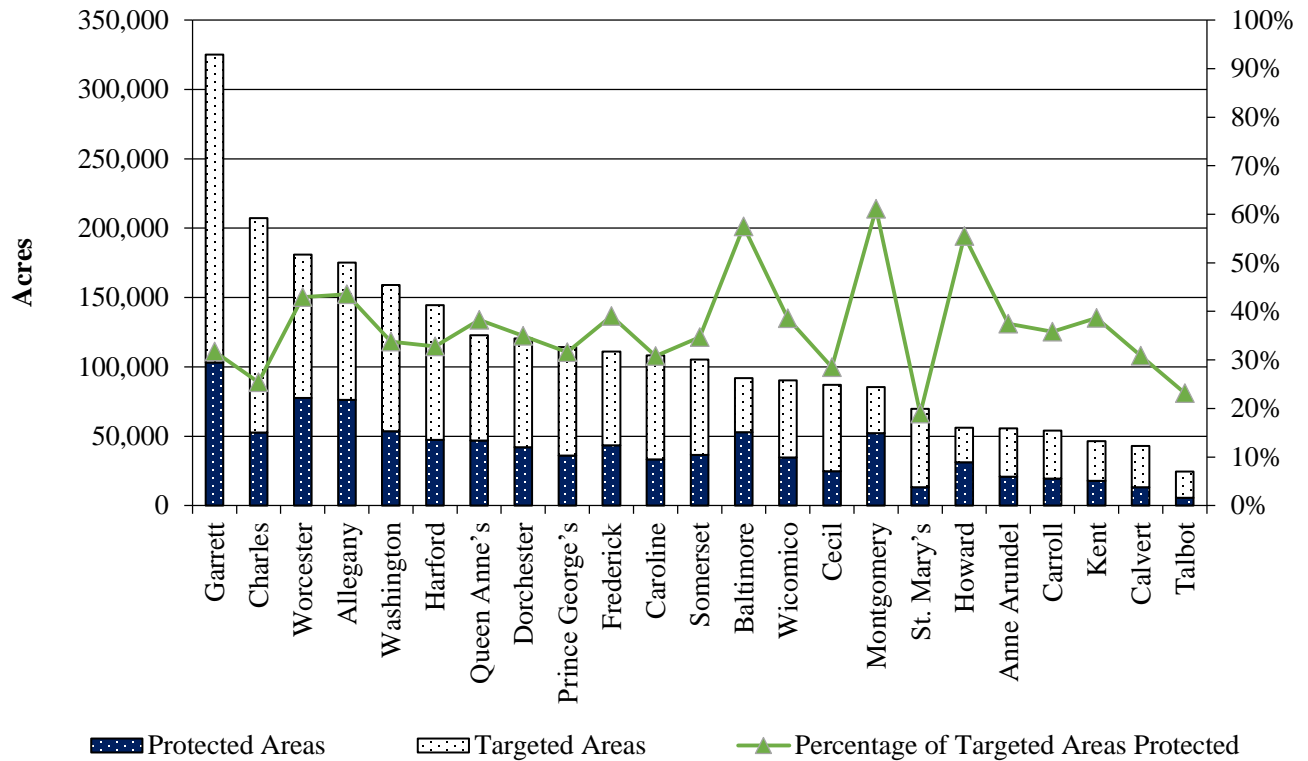
Performance Measures and Outputs

DNR uses a two-step process for targeting and ranking land conservation, which is summarized in GreenPrint, the online geographic information system tracking program for preserved land and targeted ecological areas, and is available for local governments to use in their planning and zoning work.

- Ecological screen to select areas with the highest ranking for green infrastructure, species diversity, water quality, and properties with restoration opportunities within hubs and corridors.
- Parcel screen to assess ecological value based primarily on consistency with local land use and vulnerability to additional development.

Maryland’s targeted ecological areas total 2,578,651 acres, the same as last year. To date, 935,483 acres have been protected, up from 927,748 acres at this time last year, leaving 1,643,168 acres still to be protected. As shown in **Exhibit 12**, Garrett (325,208 acres), Charles (207,129 acres), and Worcester (181,008 acres) counties continue to be the top three counties in terms of targeted ecological areas. The three counties with the highest percentage of targeted ecological areas protected are Montgomery (61%), Baltimore (57%), and Howard (56%).

Exhibit 12
Protected and Targeted Ecological Areas
January 2021

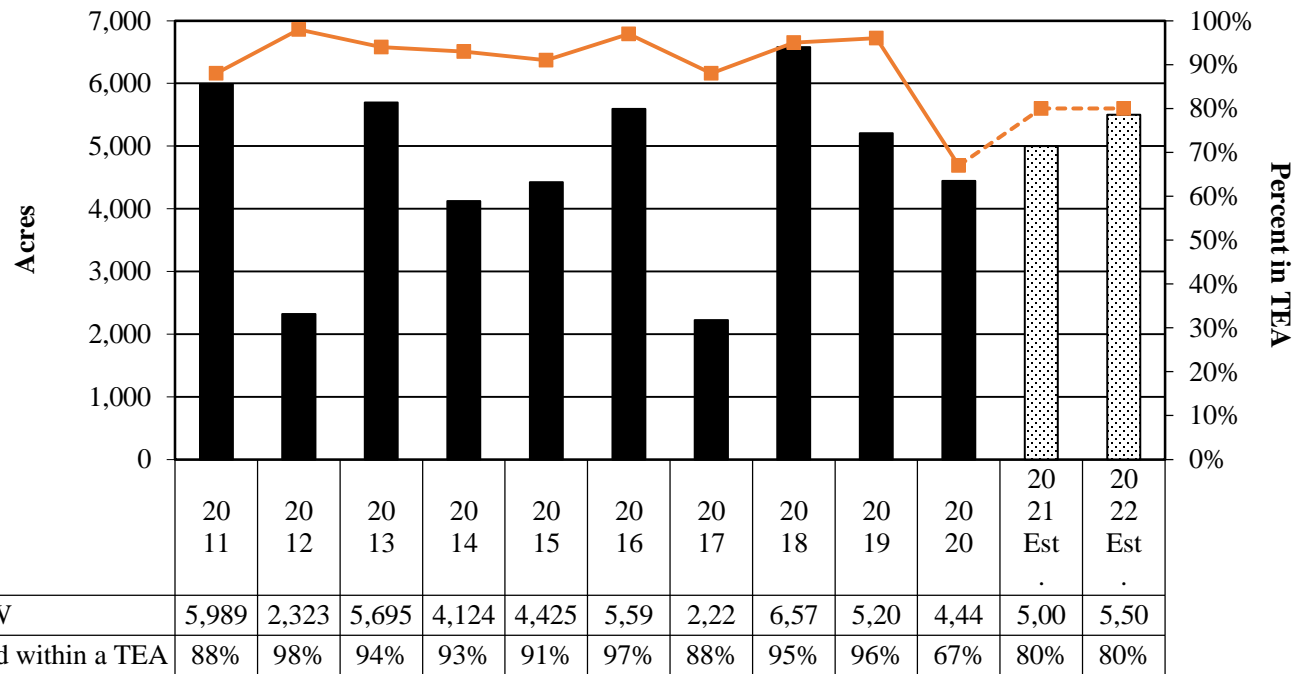


Note: The acres shown as protected within targeted ecological areas include total acres protected by all State, local, and federal programs as well as by nonprofit organizations.

Source: Department of Natural Resources

As illustrated in **Exhibit 13**, there was a decrease in POS (State and local) acquisition acres approved by BPW between fiscal 2019 (5,203 acres) and 2020 (4,444 acres). The percent of POS Stateside acquisition acres approved by BPW located within a Targeted Ecological Area decreased from 96% in fiscal 2019 to 67% in fiscal 2020. This measure will fluctuate from year to year based on the land acquisition opportunities presented to DNR and taken to BPW. In addition, there were two large land purchases in fiscal 2020 that included a relatively small percentage of the property within a Targeted Ecological Area despite the high conservation value of the properties. The two properties are the Glencoe Properties purchase in Baltimore County with 72.01 acres out of 185.86 acres (39%) located in a Targeted Ecological Area – scoring 97 out of 100 on the POS Scoring System and the Hollywood One purchase in Harford County with 37.52 acres out of 906.28 acres (4%) located in a Targeted Ecological Area – scoring 74 out of 100 on the POS Scoring System.

Exhibit 13
POS Acquisition Acres Approved by BPW
Fiscal 2011-2022 Est.



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

Note: The fiscal 2013 acreage includes 2,352 acres donated to 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 2022 Budget Books

POS funding expanded the number of State parks acreage available to the public in fiscal 2021. Through January 27, 2021, 205.98 acres have been added, as shown in **Exhibit 14**. The greatest number of acres added to a single park is 67.27 acres added to Cunningham Falls State Park in Frederick County.

Exhibit 14
Maryland State Parks Acreage Increase from Program Open Space Acquisitions
July 1, 2020, through January 27, 2021

<u>County</u>	<u>BPW Date</u>	<u>Area</u>	<u>Managing Unit</u>	<u>Acres</u>
Frederick	7/2/2020	South Mountain State Park	Parks	17.75
Anne Arundel	8/12/2020	Severn Run NEA	Parks	1.57
Washington	9/2/2020	South Mountain State Park	Parks	10.23
Garrett	9/23/2020	Youghioghney Wild River NEA	Parks	42.71
St. Mary's	12/16/2020	St. Clement's Island State Park	Parks	0.34
Frederick	12/16/2020	Cunningham Falls State Park	Parks	67.27
Washington	1/6/2021	South Mountain State Park	Parks	36.50
Garrett	01/27/2021	Youghioghney Wild River NEA	Parks	29.61
Total				205.98

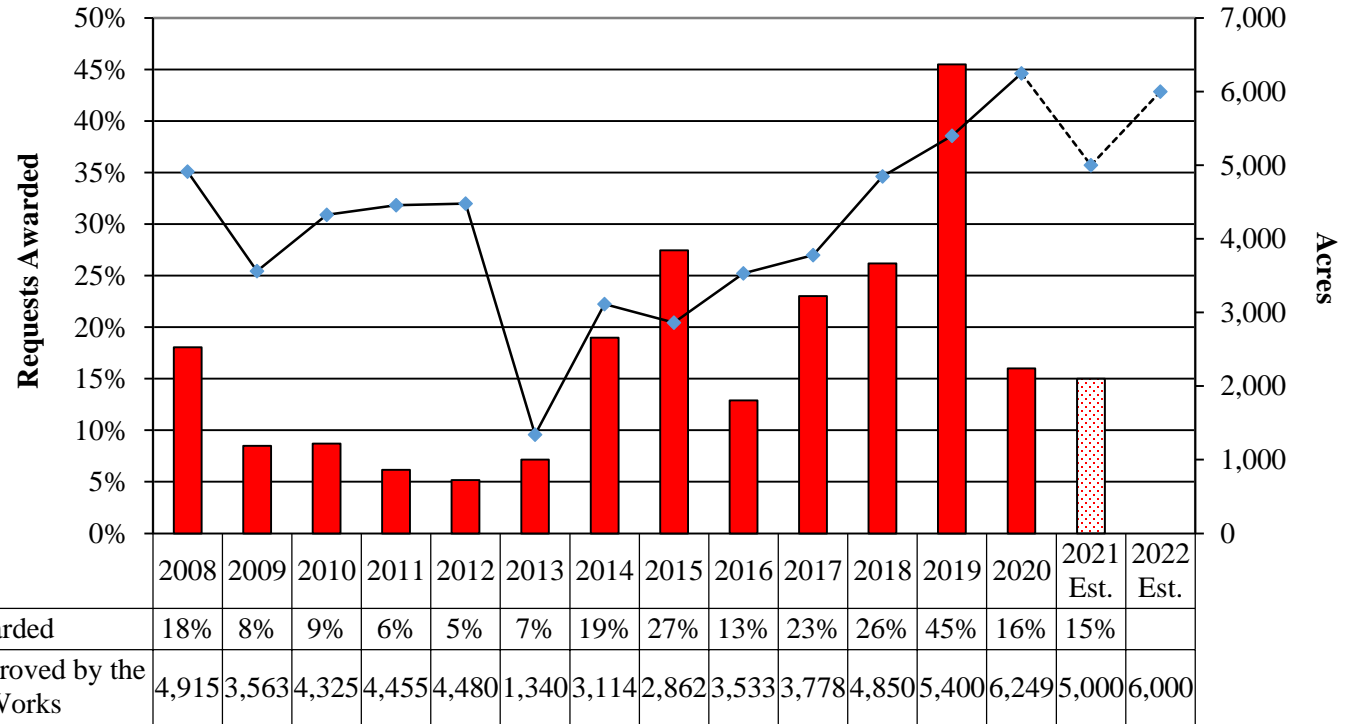
BPW: Board of Public Works
NEA: Natural Environment Area

Source: Department of Natural Resources

Rural Legacy Program

Exhibit 15 shows that the number of approved Rural Legacy Program easement and fee simple acres increased 15.7% from 5,400 acres in fiscal 2019 to 6,249 acres in fiscal 2020, which roughly corresponds with the increase in expenditures between the two years. As of November 18, 2020, the Rural Legacy Program accounts for 108,484 acres toward the calendar 2022 1,030,000-acre preservation goal set in Senate Joint Resolution 10 of 2002.

Exhibit 15
Rural Legacy Easement and Fee Simple Acres and Percent of Requests Awarded
Approved by the Board of Public Works
Fiscal 2008-2022 Est.



Source: Governor’s Fiscal 2007-2022 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 (formerly known as the Coastal Resiliency Program).

- ***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 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 the Department of General Services handles procurement for projects that cost more than \$100,000.
- ***Rural Legacy Program:*** The purpose of the Rural Legacy Program is to protect agricultural and natural resources land from sprawl development and, thus, to promote resource-based

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

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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 (formerly the Coastal Resiliency 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 2020-2022

<u>Jurisdiction</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Allegany	\$533,969	\$491,310	\$542,096
Anne Arundel	5,791,148	5,343,504	5,882,714
Baltimore City	9,838,472	9,528,863	9,878,166
Baltimore County	6,522,734	6,010,738	6,620,133
Calvert	578,052	531,948	585,500
Caroline	252,013	231,890	255,676
Carroll	1,298,046	1,193,649	1,315,726
Cecil	672,244	613,398	683,030
Charles	1,190,526	1,091,405	1,202,325
Dorchester	215,606	199,262	219,486
Frederick	1,373,672	1,275,610	1,408,548
Garrett	268,168	246,558	272,020
Harford	1,930,191	1,770,052	1,962,494
Howard	3,433,872	3,143,401	3,482,080
Kent	161,940	149,097	163,985
Montgomery	8,663,044	7,978,748	8,800,522
Prince George's	7,435,990	6,811,645	7,490,687
Queen Anne's	350,145	323,265	357,099
St. Mary's	652,805	603,751	662,883
Somerset	154,745	142,071	157,196
Talbot	366,824	337,744	372,164
Washington	1,014,952	937,071	1,032,669
Wicomico	676,268	624,824	687,319
Worcester	656,283	606,101	666,905
Total	\$54,031,709	\$50,185,905	\$54,701,423

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 2020 through 2022.