

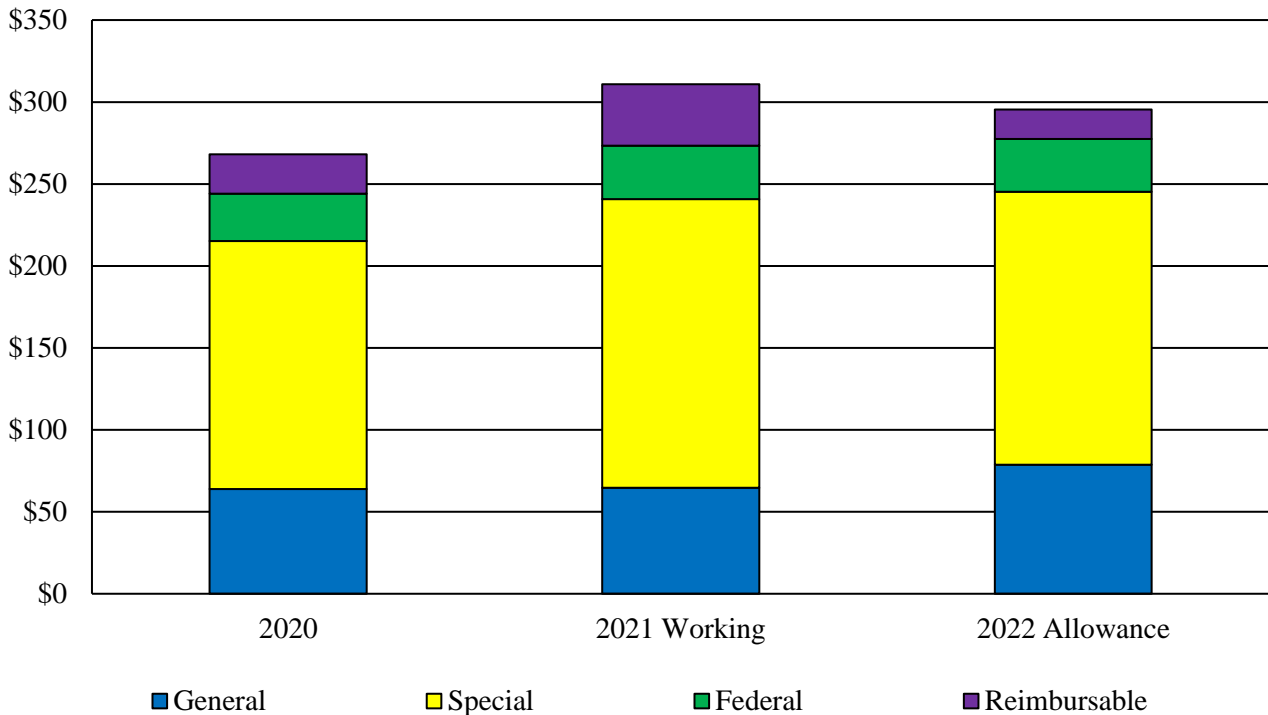
K00A
Department of Natural Resources

Executive Summary

The Department of Natural Resources (DNR) leads Maryland in securing a sustainable future for its environment, society, and economy by preserving, protecting, restoring, and enhancing the State’s natural resources.

Operating Budget Summary

**Fiscal 2022 Budget Decreases \$15.3 Million, or 4.9%, to \$295.4 Million
(\$ in Millions)**



Note: Numbers may not sum due to rounding. The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions and annualization of fiscal 2021 general salary increases.

- DNR’s budget includes fiscal 2021 deficiencies that would increase DNR’s overall appropriation by \$3,590,859, comprised of \$2,765,859 in special funds and \$825,000 in federal funds. The deficiencies primarily would provide \$2,098,793 in special funds to the Maryland

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Park Service (MPS) to support infrastructure improvements at the Fair Hill Natural Resources Management Area’s racetrack and special events area, \$825,000 in federal funds in the Natural Resources Police – Field Operations for additional equipment under the U.S. Department of Justice’s Equitable Sharing Program and for activities supported by the U.S. Coast Guard’s Boating Safety Financial Assistance funding, and \$648,834 in special funds for Calvert County Youth Recreational Fund project reimbursement grants.

- The overall adjusted change in DNR’s budget is a decrease of \$15.3 million, or 4.9%. The major changes are increases of \$8.3 million for Engineering and Construction program reimbursable projects, usually reflected in budget amendments, that are offset by decreases of \$7.8 million for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund special fund grants; \$6.0 million in reimbursable funds for the J. Millard Tawes ice breaking buoy tender vessel replacement, since it is nearing completion; and \$5.7 million primarily in general funds, since the Program Open Space repayment for the Forest Service and MPS is not budgeted.

Key Observations

- ***Natural Resources Police (NRP) Conservation Inspections Objective Met:*** The increase in law enforcement officers in the field in fiscal 2020 boosted DNR’s conservation inspections conducted to 170,789, helping DNR meet the goal of 170,000 conservation inspections conducted annually by fiscal 2021.
- ***Oyster Biomass Index Still Lagging While Hatchery Oysters Planted and Oysters Harvested Improved:*** In calendar and fiscal 2020, there has been moderate to strong growth in two of the three oyster measures, with both the hatchery oysters planted and bushels of oysters harvested showing a substantial increase, and even higher numbers projected for the fiscal 2022 estimate. The oyster biomass index, however, still appears to be lagging.
- ***Maryland State Park Capacity Closures Increasing:*** Maryland State Park visitorship increased from 14.9 million visitors in calendar 2019, pre-COVID-19 pandemic, to 21.5 million visitors in calendar 2020, during the COVID-19 pandemic. The increased attendance has been accompanied by increased capacity closures, which appear to be focused in parks with a water amenity.
- ***COVID-19 Impacts on DNR and Natural Resources in General:*** The COVID-19 pandemic has affected DNR in a number of ways, both tangentially and directly. The impacts can be seen in the seafood industry – which received federal Coronavirus Aid, Relief, and Economic Security Act funding – as well as in Chesapeake Bay restoration and monitoring, parks and recreation, and licensing and permitting.

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- ***Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Allocation:*** The fiscal 2021 revenue estimate for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund has been revised, which has reduced the fiscal 2021 spending plan by \$10.2 million. DNR notes that it may take several fiscal years to return to full funding of new Competitive Grant Program projects because approximately \$7 million in proposed project funding for fiscal 2021 already has been moved into fiscal 2022.
- ***Multi-year Special Fund Overhead Replacement Plan Changes:*** The budget committees requested a report on DNR’s multi-year special fund overhead replacement plan. The submitted report notes that it covers not only the Office of the Secretary but also the Licensing and Registration Service and NRP. While the plan reduces the special fund overhead by \$3.2 million between fiscal 2021 and 2022, there does not appear to be a commensurate increase in the general funds budgeted for fiscal 2022. Regardless, it appears that the fiscal 2022 allocation of the special fund overhead replacement plan has placed greater strain on DNR’s special funds when the intention was to reduce the strain.

Operating Budget Recommended Actions

1. Adopt narrative requesting a summary of Chesapeake Bay restoration spending.

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Operating Budget Analysis

Program Description

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

- ***Office of the Secretary:*** Provides leadership, public outreach, customer service, legislative, financial, administrative, information technology (IT), and legal services.
- ***Forest Service:*** Manages the State forests and supports Maryland's forest and tree resources by providing private forestland management expertise, wildfire protection, and urban and community forestry assistance.
- ***Wildlife and Heritage Service:*** Provides technical assistance and expertise to the public and private sectors for the conservation of Maryland's wildlife resources, including the management of threatened and endangered species, game birds, and mammals, and the operation of over 125,000 acres of State-owned lands classified as Wildlife Management Areas.
- ***Maryland Park Service (MPS):*** Manages natural, cultural, historic, and recreational resources in parks across the State and provides related educational services.
- ***Land Acquisition and Planning:*** Administers diverse financial assistance programs that support public land and easement acquisitions and local grants and leads the preparation of the Maryland Land Preservation and Recreation Plan.
- ***Licensing and Registration Service:*** Operates eight regional service centers (primarily within the Motor Vehicle Administration branch offices) that assist the public with vessel titling and registration, off-road vehicle registration, commercial fishing licenses, and recreational hunting and fishing licenses.
- ***Natural Resources Police (NRP):*** Preserves and protects Maryland's natural resources and its citizens through enforcement of conservation, boating, and criminal law; provides primary law enforcement services for Maryland's public lands owned by DNR; and serves as the State's lead on maritime homeland security.
- ***Engineering and Construction:*** Provides engineering, project management, and in-house construction services.

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- ***Critical Area Commission:*** Implements the cooperative resource protection program between the State and local governments in the 1,000-foot-wide critical area surrounding the Chesapeake Bay by reviewing local development proposals, providing technical planning assistance to local governments, approving amendments to local plans, and providing grants for the implementation of 64 local critical area programs.
- ***Resource Assessment Service:*** Evaluates and directs implementation of environmental restoration and protection policy for tidal and nontidal ecosystems, ensures electricity demands are met at reasonable costs while protecting natural resources, and provides scientific assessments and technical guidance for the management of geologic and hydrologic resources.
- ***Maryland Environmental Trust:*** Negotiates and accepts conservation easements over properties with environmental, scenic, historic, or cultural significance and provides grants, loans, and technical assistance to local land trusts.
- ***Chesapeake and Coastal Service:*** Coordinates State efforts to restore and protect the Chesapeake and Atlantic Coastal Bays by providing technical assistance and financial resources to local governments, State government agencies, nonprofit organizations, and private landowners in order to restore local waterways and prepare for future storms and coastline changes. In addition, the unit also administers the Waterway Improvement Program’s capital projects – public boating access facilities and navigation channel dredging – and coordinates the Clean Marina Initiative and Pumpout Program.
- ***Fishing and Boating Services:*** Manages commercial and recreational harvests to maintain sustainable fisheries and to optimize recreational and economic use of these resources. In addition, the unit also oversees a State-owned marina and places regulatory markers and navigation aids in support of sustainable development, use, and enjoyment of Maryland waterways for the general boating public.

DNR’s mission is to lead Maryland in securing a sustainable future for its environment, society, and economy by preserving, protecting, restoring, and enhancing the State’s natural resources. DNR’s goals are as follows.

- ***Goal 1:*** Healthy terrestrial ecosystems.
- ***Goal 2:*** Healthy aquatic ecosystems.
- ***Goal 3:*** Fiscal responsibility – efficient use of energy and resources and the support of long-term economic prosperity.
- ***Goal 4:*** Citizen stewardship, outdoor recreation, and opportunities to take action.
- ***Goal 5:*** Vibrant communities and neighborhoods.

Performance Analysis: Managing for Results

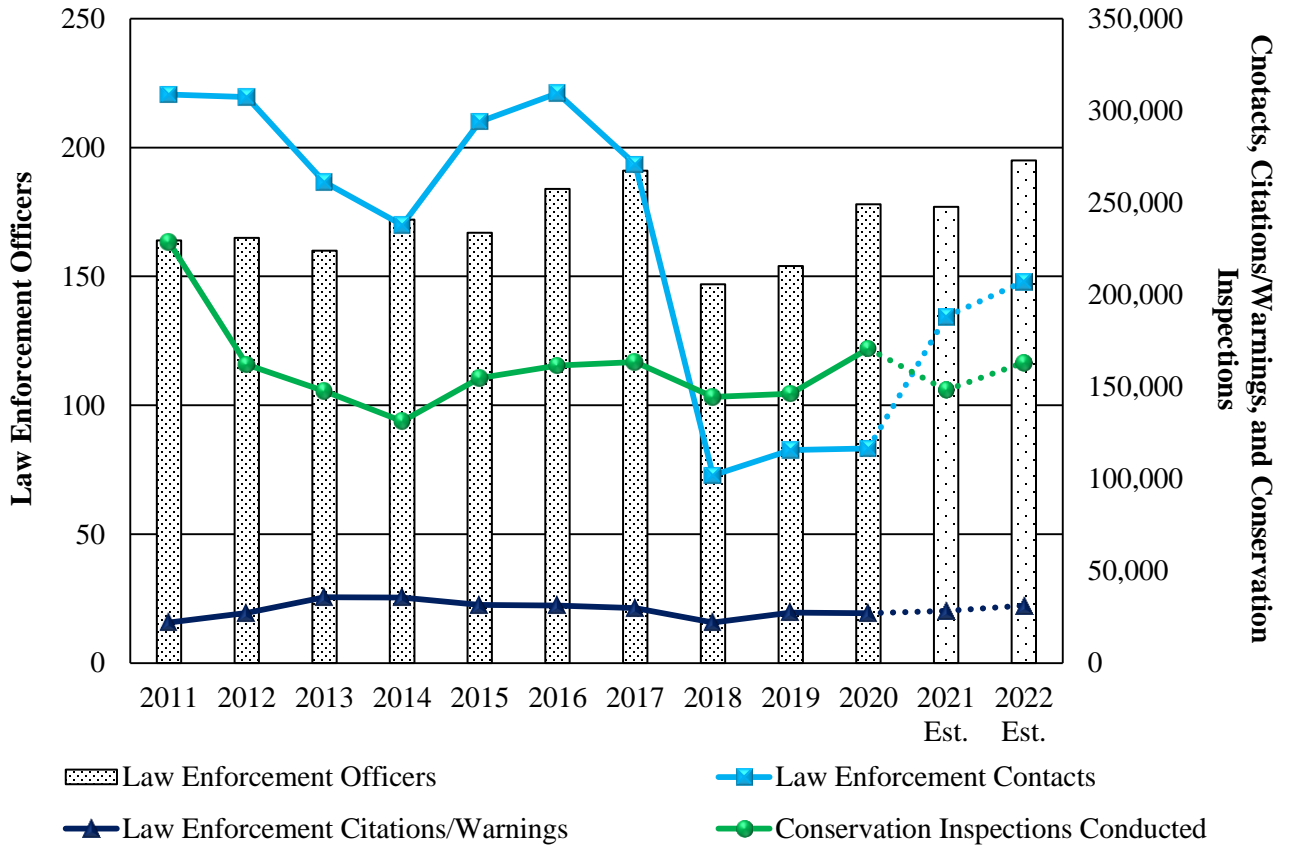
The Managing for Results analysis shows that (1) NRP met the objective of 170,000 conservation inspections by 2021; (2) the Oyster Biomass Index is still lagging while measures of hatchery oysters planted and oysters harvested show improvement; and (3) Maryland State Parks capacity closures are increasing.

1. NRP Conservation Inspections Objective Met

DNR’s first and fourth goals apply to the work of NRP. The first goal is healthy terrestrial ecosystems. Under this goal, one of the objectives is to preserve and protect Maryland’s aquatic and wildlife habitats and populations by increasing the number of conservation inspections conducted annually to 170,000 by fiscal 2021. The fourth goal is citizen stewardship, outdoor recreation, and opportunities to take action. Under this goal, one of the objectives is to ensure safe and enjoyable recreational opportunities for boaters, hunters, park visitors, and others participating in outdoor recreation activities by providing effective law enforcement services as a public safety agency.

As shown in **Exhibit 1**, the number of law enforcement officers in the field increased between fiscal 2011 and 2017, decreased in fiscal 2018, and then increased again in fiscal 2019 and 2020. DNR has noted that in fiscal 2018, a high number of patrol officers were temporarily assigned to conduct background investigations in order to hire new officers. This decrease in officers coincided with decreases in the number of law enforcement contacts; citations/warnings; and, to a lesser extent, conservation inspections conducted. The increase in law enforcement officers in the field in fiscal 2020 boosted DNR’s conservation inspections conducted to 170,789, helping DNR meet the goal of 170,000 conservation inspections conducted annually by fiscal 2021. In addition, the increased number of officers in the field is anticipated to increase the number of law enforcement contacts from the fiscal 2020 actual of 116,635, to an estimated 188,151 in the fiscal 2021 estimate. DNR has noted in the past that NRP has a higher number of officers available to conduct inspections due to a decrease in retirements compared to the past five years. In addition, the NRP academy graduated 27 new officers on October 26, 2020, which DNR notes brings the number of officers to around a record high of 268 or 269 officers.

Exhibit 1
Law Enforcement Officer Statistics
Fiscal 2011-2022 Est.



Source: Department of Budget and Management

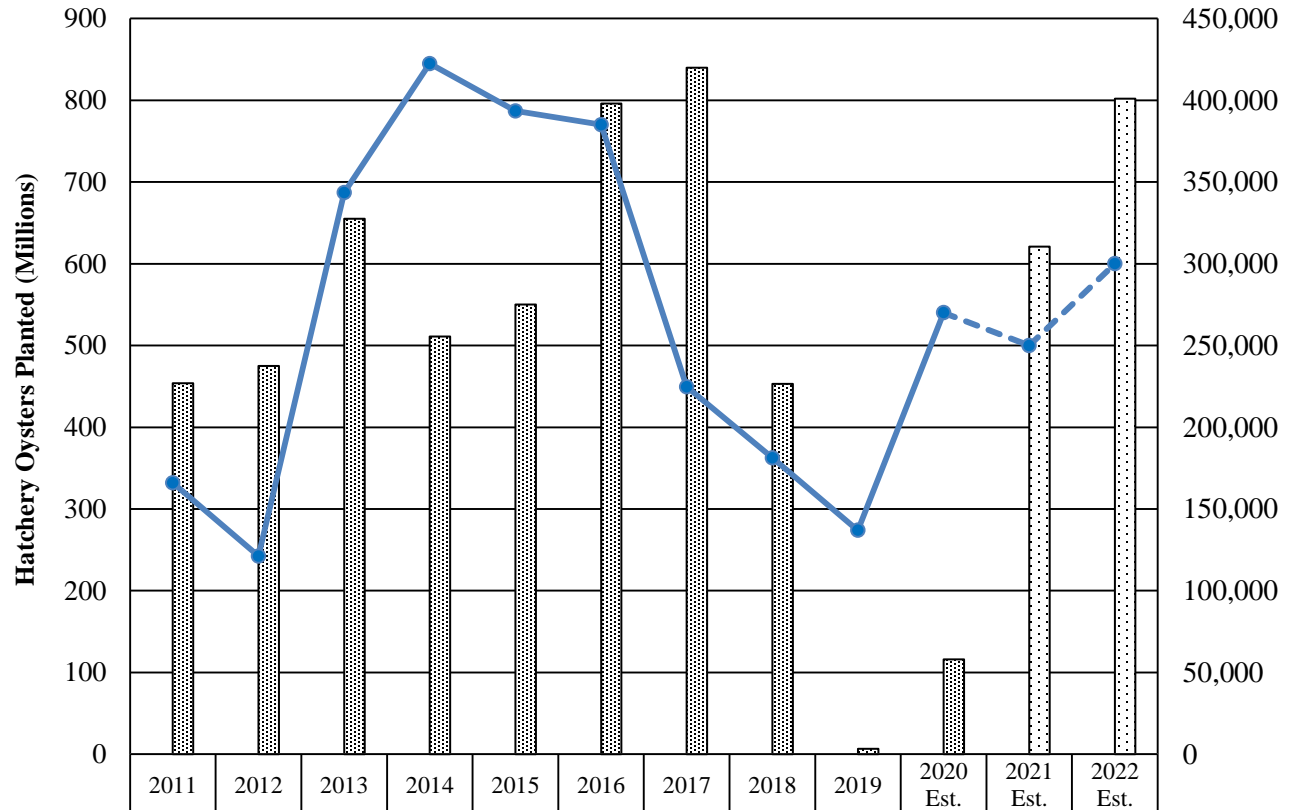
2. Oyster Biomass Index Still Lagging While Hatchery Oysters Planted and Oysters Harvested Improve

DNR’s second goal is healthy aquatic ecosystems. Under this goal is the objective to restore native oyster habitat and populations to 10 tributaries (5 in Maryland) by calendar 2025 and to ensure their protection. A larger objective is to increase the oyster biomass index from the 1994 base of 1 to an index of 10. There appears to be no trend in the health of oyster stock in the Chesapeake Bay in recent years, as shown in **Exhibit 2**. Between calendar 2015 and 2018, both the oyster biomass index and the number of bushels of oysters harvested declined. The number of hatchery oysters planted provided a healthy counterpoint to these declines over the calendar 2015 to 2017 time period, with a high of 840 million hatchery oysters planted in calendar 2017, but then there was a sharp decrease in the number of hatchery oysters planted between calendar 2017 and 2019. DNR notes that the decline in the number of bushels harvested corresponds to low spatfall; spat are young oysters that become market oysters a few years later. Above average spatfalls in calendar 2010 and 2012 boosted harvests from calendar 2012 to 2016, but then there has been average to low spatfalls and very low salinity levels due to heavy rain in calendar 2018. The heavy rain lowered salinity levels into calendar 2019, which decreased oyster growth and consequently the oysters available for harvest. The hatchery larval production also was affected by the high rainfall, since lowered salinity lowers the reproductive capability of oysters at the hatchery. In calendar and fiscal 2020, there has been moderate to strong growth in two of the three oyster measures with both the hatchery oysters planted and bushels of oysters harvested showing a substantial increase and even higher numbers projected for the fiscal 2022 estimate. The oyster biomass index still appears to be lagging.

3. Maryland State Park Capacity Closures Increasing

DNR’s fourth goal is citizen stewardship, outdoor recreation, and opportunities to take action. Under this goal is the objective to annually provide outdoor recreational, historical, and cultural resource experiences for over 10 million visitors to State parks. DNR has more than exceeded this objective with 14.9 million visitors in calendar 2019, pre-COVID-19 pandemic, and 21.5 million visitors in calendar 2020, during the COVID-19 pandemic. As shown in **Exhibit 3**, the increased attendance has been accompanied by increased capacity closures. These capacity closures are noted for the top 8 of Maryland’s 14 parks with capacity closures. The parks are spread among DNR’s different region categories, but they all appear to be focused on a water amenity, whether it is a man-made lake, a river, the Chesapeake Bay, or the Atlantic Ocean. DNR notes that the recent surge in park visitation highlights the continued demand and need for State and local parks.

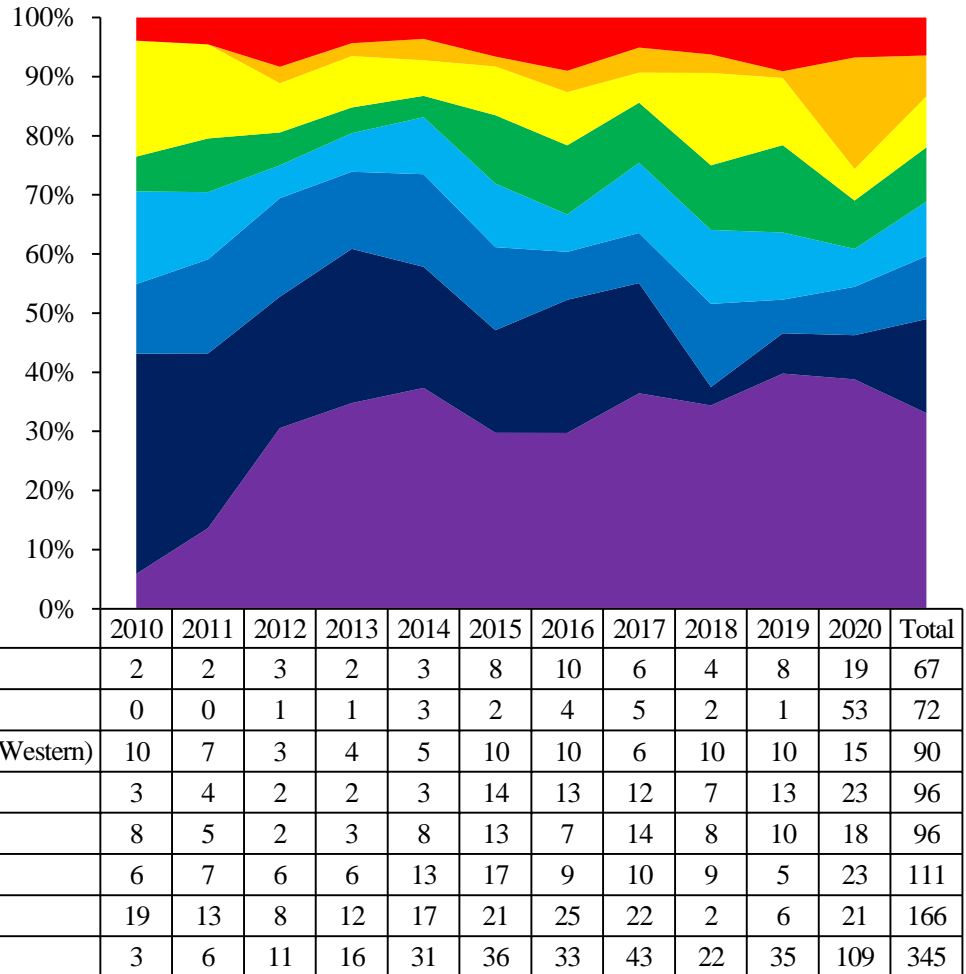
**Exhibit 2
Oyster Statistics
Calendar and Fiscal 2011-2022 Est.**



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Source: Department of Budget and Management

**Exhibit 3
Maryland State Park Capacity Closures
Calendar 2010-2020**



Note: The exhibit reflects the top 8 of 14 Maryland State Parks with capacity closures. The Patapsco Valley State Park includes the following locations: Avalon; Hollofield; Hilton; Pickall; and McKeldin.

Source: Department of Natural Resources

Fiscal 2021

Proposed Deficiency

The Governor has submitted deficiency appropriations for the fiscal 2021 operating budget for four programs that would increase DNR’s appropriation overall by \$3,590,859. The funding increase

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is comprised of \$2,765,859 in special funds and \$825,000 in federal funds. The changes would be as follows.

- ***MPS:*** An increase of \$2,098,793 in transfer tax special funds would be used for specialized equipment for turf improvements at Fair Hill Natural Resources Management Area’s racetrack and special events area. DNR notes that the additional funds are available due to conservative budgeting of transfer tax special funds as a result of revenue uncertainties. The 5 Star equestrian event at Fair Hill Natural Resources Management Area is now planned for October 14 through 17, 2021, after being delayed by the COVID-19 pandemic.
- ***Land Acquisition and Planning:*** An increase of \$648,834 in Calvert County gaming tax special funds provides funding for the development of the Ward Farm Park project, which is eligible for reimbursement through the Calvert County Youth Recreational Fund. Calvert County did not spend its fiscal 2020 appropriation and thus the revenue remained in the fund, but is now seeking reimbursement for all of the available remaining funds.
- ***NRP – Field Operations:*** An increase of \$825,000 in federal funds comes from two federal funding sources. There is \$325,000 in federal funds from the U.S. Department of Justice’s Equitable Sharing Program. The funding would be used for additional equipment for NRP activities authorized under an agreement with the U.S. Department of Justice. There is also \$500,000 from the U.S. Department of Homeland Security – U.S. Coast Guard’s Boating Safety Financial Assistance funding. The funding would be used for salaries (\$325,000) and additional equipment (\$175,000) for activities supported by the U.S. Coast Guard. DNR notes that, per federal regulations, NRP receives federal grants that are only allowed to be added to the budget during the fiscal year in which the expenditures are planned to take place.
- ***Monitoring and Ecosystem Assessment:*** An increase of \$18,232 in special funds from the Environmental Trust Fund to provide funding for a rent increase at the monitoring and nontidal field office. DNR notes that this funding need is due to a new 10-year rental agreement that became effective January 1, 2021, and the deficiency will cover the additional cost for six months.

In addition to the agency-specific deficiencies noted, the Governor has also submitted a deficiency appropriation in the Maryland Department of Health’s (MDH) Office of Preparedness and Response that would allocate \$178,385,595 in federal funds from the Coronavirus Relief Fund for COVID-19-related expenses associated with State agency public safety salaries. This funding will be reimbursed by a reimbursable fund budget amendment for the incurred costs. DNR’s share of this funding is \$17,454,022 for NRP – Field Operations and \$4,105,234 for NRP – General Direction. In addition, Section 19 of the fiscal 2022 operating budget bill specifies that \$173,385,595 in general fund appropriation will be reduced contingent upon the approval of the federal fund deficiency appropriation. Therefore if the MDH deficiency appropriation is approved, then DNR’s fiscal 2021 operating budget will be reduced by the amount noted in general funds and be increased by a commensurate amount of reimbursable funds, once the budget amendment is processed.

Cost Containment

At the July 1, 2020 Board of Public Works meeting, the board approved cost containment reductions in order to balance the fiscal 2021 budget as a result of the COVID-19 pandemic. The DNR share of this reduction totaled \$4,254,574 and 2 positions.

Statewide reductions for the Department of Information Technology (DoIT) enterprise services costs, IT position salaries, and excess balance from the State's self-insured unemployment insurance fund totaled \$768,797. Agency-specific reductions for DNR included the following:

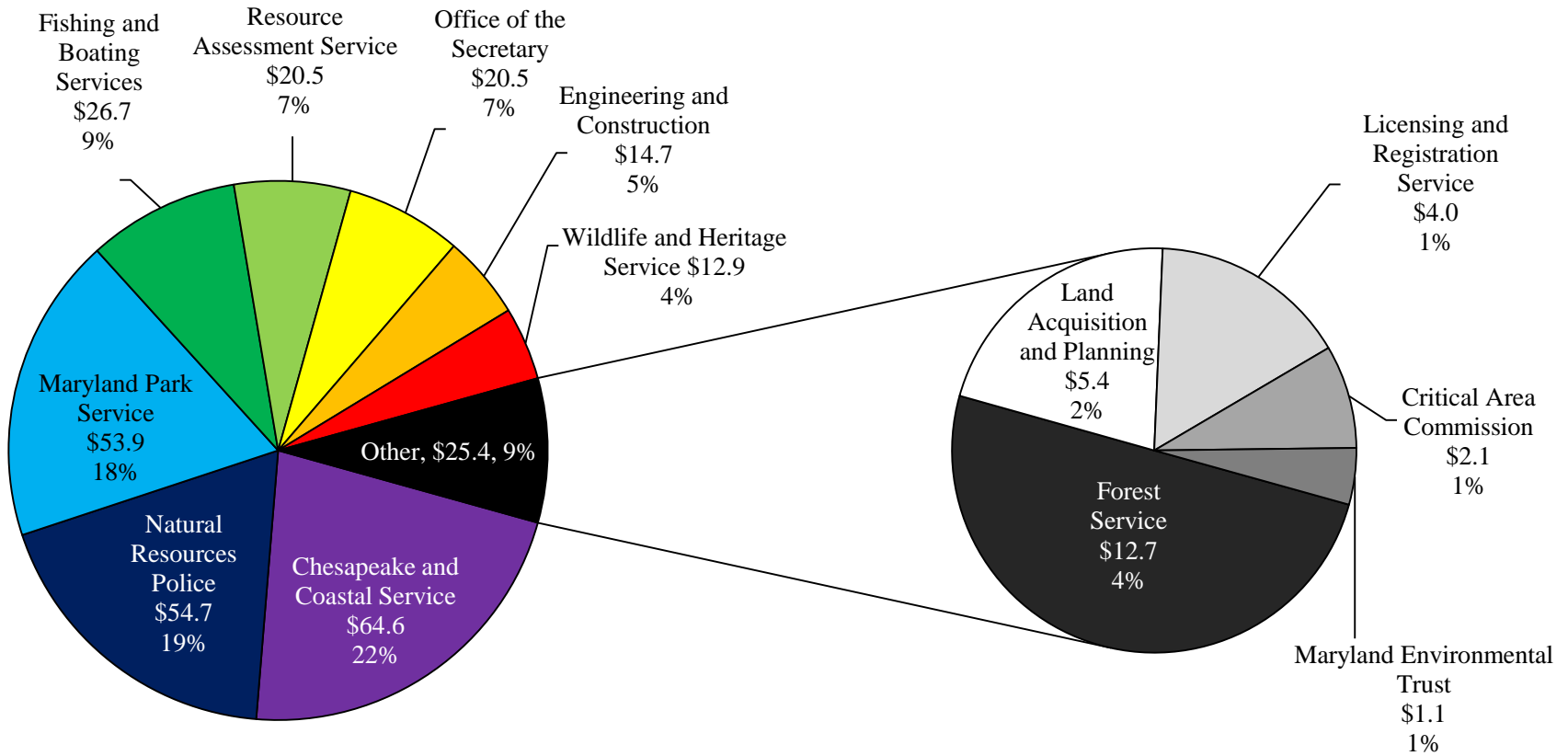
- ***NRP:*** \$1,161,909 in general funds comprised of \$402,081 for elimination of the aviation program and \$59,828 for 1 vacant helicopter maintenance technician position that was abolished, \$600,000 for vehicle purchases, and \$100,000 for patrol vessel purchases;
- ***MPS:*** \$909,315 in general funds comprised of \$350,000 for support of the maintenance of the equine racing facility at Fair Hill Natural Resources Management Area provided in the fiscal 2021 supplemental budget; \$359,315 for the Revenue Equity Program funding for Allegany, Dorchester, Garrett, and Somerset counties; and \$200,000 in payment-in-lieu-of-taxes (PILOT) funding for counties with certain amounts of State park and forest land;
- ***Finance and Administrative Services:*** \$163,960 in general funds for vehicle pool purchases and \$69,453 in special funds for a vacant agency grants specialist trainee position;
- ***Monitoring and Ecosystem Assessment:*** \$100,000 in general funds and \$100,000 in special funds for the State Lakes Protection and Restoration Fund, which is mandated to receive \$1,000,000 in general funds in fiscal 2021 per Chapter 698 of 2018, which are then spent as special funds;
- ***Wildlife and Heritage Service:*** \$100,000 in general funds provided as extra salary support in the fiscal 2021 supplemental budget;
- ***Chesapeake and Coastal Service:*** \$88,337 in general funds to shift 1 position to nongeneral fund support;
- ***Forest Service:*** \$50,000 in general funds for the Mel Noland Fellowship mandated in Chapter 223 of 2019;
- ***Critical Area Commission:*** \$17,550 in general funds for Critical Area Commission grants; and
- ***Multiple Programs:*** \$603,261 in general funds and \$121,992 in special funds for reductions to various operating expenses.

Fiscal 2022 Overview of Agency Spending

DNR is structured into a number of programmatic units and is staffed by 1,352 regular positions and 396.41 contractual full-time equivalents (FTE) in the fiscal 2022 allowance. **Exhibit 4** reflects the \$295.4 million spending breakdown for DNR’s programmatic units without the adjustment for the annualization of the fiscal 2021 2% cost-of-living adjustment (COLA) and the fiscal 2022 annual salary review (ASR). The programmatic units with the largest amount of funding are as follows.

- **Chesapeake and Coastal Service (\$64.6 Million, 22%):** The primary funding is the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund grant funding of \$48.2 million in fiscal 2022. There is also \$7.4 million for contracts and \$6.4 million for regular positions.
- **NRP (\$54.7 Million, 19%):** The primary funding is the \$46.3 million for law enforcement officer regular positions. This includes funding for the fiscal 2022 State Law Enforcement Officers Labor Alliance (SLEOLA) increments and 4% COLA.
- **MPS (\$53.9 Million, 18%):** The primary funding is \$22.0 million for regular positions and \$8.9 million for contractual FTEs in Maryland’s parks. There is also \$3.7 million for the Revenue Equity Program payments to counties, and \$2.1 million for PILOT funding for the counties.
- **Fishing and Boating Services (\$26.7 Million, 9%):** The primary funding is \$16.2 million for regular positions along with \$5.0 million for contracts.
- **Resource Assessment Service (\$20.5 Million, 7%):** The primary funding is \$9.1 million for contracts, including \$3.0 million for four power plant siting technical assistance contracts and \$1.0 million for the State Lakes Protection and Restoration Fund, as well as \$8.5 million for regular positions.
- **Office of the Secretary (\$20.5 Million, 7%):** The primary funding is \$11.1 million for regular positions along with \$6.2 million for contracts, including \$5.0 million for DoIT’s service allocation.
- **Engineering and Construction (\$14.7 Million, 5%):** The primary funding is \$10.0 million for construction contracts, primarily with the Waterway Improvement Program and for the Cassleman Bridge improvements project, and \$4.0 million for regular positions.
- **Wildlife and Heritage Service (\$12.9 Million, 4%):** The primary funding is \$7.8 million for regular positions.

Exhibit 4
Overview of Agency Spending
Fiscal 2022 Allowance
(\$ in Millions)



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

Proposed Budget Change

DNR’s fiscal 2022 adjusted allowance decreases by \$15.4 million, or 4.9%, relative to the fiscal 2021 adjusted working appropriation, as shown in **Exhibit 5**. The changes by fund reflect an increase of \$14.2 million in general funds, a decrease of \$9.8 million in special funds, a decrease of \$0.4 million in federal funds, and a decrease of \$19.3 million in reimbursable funds. The general fund increase reflects a one-time fiscal 2021 fund swap with \$21.6 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act reimbursable funds for the NRP salaries that is offset partially by reductions for MPS and Forest Service transfer tax repayments. The special fund decrease primarily reflects the reduction in the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revenue estimate. The federal fund decrease reflects several smaller adjustments. The reimbursable fund decrease reflects the one-time fiscal 2021 fund swap with general funds for the NRP salaries and a \$6.0 million decrease for the J. Millard Tawes ice breaking buoy tender vessel replacement project, which is offset partially by an increase of \$8.3 million for Engineering and Construction projects that are typically reflected in budget amendments. Changes in personnel funding are discussed first, followed by other changes.

Exhibit 5
Proposed Budget
Department of Natural Resources
(\$ in Thousands)

| How Much It Grows: | General Fund | Special Fund | Federal Fund | Reimb. Fund | Total |
|-----------------------------------|---------------------|---------------------|---------------------|--------------------|----------------|
| Fiscal 2020 Actual | \$63,836 | \$151,405 | \$28,848 | \$24,053 | \$268,142 |
| Fiscal 2021 Working Appropriation | 64,630 | 176,177 | 32,610 | 37,341 | 310,758 |
| Fiscal 2022 Allowance | <u>78,784</u> | <u>166,397</u> | <u>32,226</u> | <u>18,006</u> | <u>295,413</u> |
| Fiscal 2021-2022 Amount Change | \$14,154 | -\$9,779 | -\$384 | -\$19,335 | -\$15,345 |
| Fiscal 2021-2022 Percent Change | 21.9% | -5.6% | -1.2% | -51.8% | -4.9% |

Where It Goes:

Personnel Expenses

| | Change |
|--|---------------|
| Fiscal 2022 law enforcement officers cost-of-living allowance and increments | \$1,990 |
| Net annualization of fiscal 2021 2% cost-of-living adjustment | 781 |
| 12 new contractual conversion positions | 659 |
| Employee and retiree health insurance..... | 483 |
| Unemployment compensation..... | 248 |
| Reclassification | 247 |
| Fiscal 2022 annual salary review for fiscal officers..... | 73 |
| Other fringe benefit adjustments | 28 |
| 1 abolished position..... | -71 |
| Retirement contributions | -133 |

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| Where It Goes: | <u>Change</u> |
|--|----------------------|
| Law enforcement officers pension system contributions | -310 |
| Fiscal 2021 deficiencies | -325 |
| Turnover adjustments..... | -360 |
| Regular earnings..... | -546 |
| Other Changes | |
| <i>Natural Resources Policy</i> | |
| U.S. Fish and Wildlife Service land management funding for Wildlife and Heritage..... | \$986 |
| Revenue Equity Program increase and shift from general funds to special funds | 496 |
| Payment-in-lieu-of-taxes payments to counties | 300 |
| One-time Park and People Foundation grant for the Middle Branch project..... | -250 |
| One-time Forest Legacy Program acquisition in Cecil County with federal funds..... | -555 |
| U.S. Environmental Protection Agency nontidal project funding..... | -630 |
| Transfer tax repayment not budgeted..... | -5,691 |
| Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revised revenue estimate | -7,815 |
| <i>One-time Fiscal 2021 Deficiencies</i> | |
| NRP federal funding for Equitable Sharing Program and Boating | -500 |
| Calvert County Youth Recreational Fund funding for Ward Farm Park project | -649 |
| Fair Hill Natural Resources Management Area turf improvement equipment | -2,099 |
| <i>Routine Operations</i> | |
| Engineering and Construction reimbursable projects usually reflected in amendments | 8,251 |
| Department of Information Technology services allocation | 378 |
| Maryland Environmental Service charge increases primarily at State parks | 305 |
| Vessel re-rigging work needed due to a shift to a new outboard motor manufacturer..... | 247 |
| COMPASS lease cost reductions | -299 |
| Vehicle purchase reduction due to fiscal constraints | -321 |
| 700 megahertz radio system operating costs..... | -327 |
| Contractual FTE funding decreases primarily due to contractual conversions | -567 |
| NRP federal funding for supplies and materials | -1,000 |
| Fisheries Research and Development Fund mandate hiatus | -1,794 |
| J. Millard Tawes Ice Breaking Vessel funding decreases as construction nears completion | -6,000 |
| Other..... | -575 |
| Total | -\$15,345 |

FTE: full-time equivalent
NRP: Natural Resources Police

Note: Numbers may not sum due to rounding. The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions and annualization of fiscal 2021 general salary increases.

Personnel

DNR's overall personnel expenditures increase by \$2,763,642 in the fiscal 2022 adjusted allowance. The major change is in NRP with an increase of \$1,990,377 comprised of an increase of \$1,268,203 for the 4% SLEOLA COLA and \$722,174 for increments.

Other large increases include \$781,035 for the net annualization of the fiscal 2021 2% COLA, \$658,659 for 12 new contractual conversion positions, \$482,838 for employee and retiree health insurance, \$248,371 for unemployment compensation, and \$246,836 for reclassifications. The fiscal 2022 budget also includes ASR funding for the fiscal series. This funding is budgeted in the Department of Budget and Management and will be allocated by a budget amendment. DNR's portion of this funding is \$73,363, comprised of \$36,443 in general funds, \$25,070 in special funds, \$11,575 in federal funds, and \$275 in reimbursable funds.

The personnel decreases include \$546,321 for regular earnings, \$359,715 as a result of an increase in the turnover rate in the fiscal 2022 allowance, \$325,000 for the one-time personnel component of the fiscal 2021 deficiency for Boating Safety Financial Assistance federal funding, \$310,128 for law enforcement officer pension system contributions, and \$133,492 for regular retirement contributions. There is also a reduction of \$70,681 for 1 abolished long-term vacant position.

Other Changes

Overall, the nonpersonnel portion of DNR's fiscal 2022 adjusted allowance decreases by \$18,108,280. The areas of change may be broadly categorized as natural resources policy, deficiencies, and routine operations.

Natural Resources Policy

The largest increases under the natural resources policy category are an increase of \$986,353 in federal funds in the Wildlife and Heritage Service as part of U.S. Department of the Interior – U.S. Fish and Wildlife Service funding for several tractors, dump trucks and rollbacks (\$379,314); for service agreements and contracts with universities (\$279,039); and for tractor attachments, mowers, and other equipment (\$328,000). Other increases include \$495,524 for the Revenue Equity Program payments to counties, which shift from general funds to special funds; and an increase of \$300,000 in PILOT payments to counties.

The largest decreases include \$7,814,700 in special funds for the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund revised revenue estimate; and \$5,690,501, primarily in general funds, because the transfer tax repayment is reduced in the Dedicated Purpose Account contingent on legislation revising the repayment schedule. In fiscal 2022, \$3,500,000 is budgeted in the Forest Service and \$2,190,501 in MPS for the transfer tax repayment. Other decreases include \$629,599 in Tidewater Ecosystem Assessment due to the lack of funding from the U.S. Environmental Protection Agency for nontidal projects, \$555,000 in federal funds for a one-time Forest Legacy Program acquisition in Cecil County, and \$250,000 in special funds for a one-time grant to the Parks and People Foundation for the Middle Branch Waterfront project in Baltimore City.

One-time Fiscal 2021 Deficiencies

The budget decreases by \$3,247,627 due to the one-time nature of three of the four fiscal 2021 deficiency appropriations. This reflects reductions of \$2,098,793 for the Fair Hill Natural Resources Management Area turf improvement equipment, \$648,834 for the Calvert County Youth Recreational Fund funding for the Ward Farm Park project, and \$500,000 for the nonpersonnel component of the NRP federal funding through the Equitable Sharing Program and Boating Safety Financial Assistance program.

Routine Operations

Under routine operations, there is one large increase of \$8,251,000 for the Engineering and Construction program, which reflects the budgeting of reimbursable funding from the Waterway Improvement Program and for the Cassleman Bridge improvements project. This funding is usually brought in via budget amendments, which explains the increase from fiscal 2021. Other increases include \$378,375 for the DoIT services allocation; \$304,804 for Maryland Environmental Service charges, primarily at State parks, for well repairs and replacements, service repairs for membranes, backflow preventer services, equipment and repairs, and algae testing in lakes; and \$247,179 due to the need for re-rigging of water vessels due to a shift to a new outboard motor manufacturer.

Large decreases in funding include \$6,000,000 for the J. Millard Tawes ice breaking buoy tender vessel replacement project as construction of the new vessel nears completion; \$1,794,000 in general funds as part of a reduction in general funds for the mandated appropriation to the Fisheries Research and Development Fund contingent on a provision in the Budget Reconciliation and Financing Act of 2021, and therefore the special fund appropriation is backfilled with fund balance; \$1,000,000 for NRP federal funding for supplies and materials; and \$566,964 that is primarily due to the conversion of contractual FTEs to 12 regular positions. Other decreases include \$327,408 for the 700 megahertz radio system operating costs, \$321,179 for vehicle purchases across the agency due to fiscal constraints, and \$299,157 for lease costs associated with the superannuated COMPASS licensing and permitting system.

Personnel Data

| | <u>FY 20 Actual</u> | <u>FY 21 Working</u> | <u>FY 22 Allowance</u> | <u>FY 21-22 Change</u> |
|------------------------|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Regular Positions | 1,348.75 | 1,341.00 | 1,352.00 | 11.00 |
| Contractual FTEs | <u>341.78</u> | <u>407.98</u> | <u>396.41</u> | <u>-11.57</u> |
| Total Personnel | 1,690.53 | 1,748.98 | 1,748.41 | -0.57 |

Vacancy Data: Regular Positions

| | | |
|---|--------|-------|
| Turnover and Necessary Vacancies, Excluding New Positions | 78.12 | 5.83% |
| Positions and Percentage Vacant as of 12/31/20 | 116.00 | 8.65% |
| Vacancies Above Turnover | 37.88 | |

- DNR’s regular positions increase by a net of 11 between the fiscal 2021 working appropriation and the fiscal 2022 allowance. This reflects 12 long-term contractual FTEs being converted to regular positions and 1 long-term vacant agency project position in the Chesapeake and Coastal Services being abolished. The contractual FTE conversions are in the following programs: Forest Service (3); Wildlife and Heritage Service (3); MPS (4); Land Acquisition Planning (1); and Chesapeake and Coastal Service (1).
- DNR’s contractual FTEs decrease by 11.57 in the fiscal 2022 allowance. The largest change is a decrease of 9.00 FTEs in NRP – Field Operations as follows: 3.00 administrative officer II FTEs and 3.00 polygraph examiner FTEs that were hired to conduct background checks and polygraph examinations for NRP officer candidates and cadets; and 3.00 seasonal law enforcement officers that provided extra support in areas of the State due to increased boating and personal watercraft activity.
- DNR had 116 vacant positions as of December 31, 2020. Of these vacant positions, 43 have been vacant for longer than a year. DNR notes that the administration implemented a hiring freeze in March 2020 and that a number of the positions were at various stages in the recruitment process at the time of the hiring freeze. However, hiring efforts have been reinitiated for almost all of the positions.
- DNR’s turnover rate increases from 5.48% in the fiscal 2021 working appropriation to 5.83% in the fiscal 2022 allowance, which reflects an increase in the number of necessary vacancies to approximately 78. DNR has 116 vacancies as of December 31, 2020, which is 38 vacancies above turnover.

Issues

1. COVID-19 Impact on DNR and Natural Resources in General

The COVID-19 pandemic has affected DNR in a number of ways, both tangentially and directly. Teleworking became a priority with an attendant increase in the number and amount of teleworking equipment purchases. In addition, DNR modified its work processes in order to move to virtual platforms where possible. In terms of field work, DNR worked with MDH and the Maryland Department of the Environment to establish protocols in order to achieve its mission. The impact of the COVID-19 pandemic can also be seen in the seafood industry – which received federal CARES Act funding – as well as in Chesapeake Bay restoration and monitoring, parks and recreation, and licensing and permitting.

Seafood Industry Market and Labor Disruptions

Restaurant closures, particularly in the early months of the pandemic, significantly disrupted Maryland’s seafood industry. According to the National Oceanic and Atmospheric Administration (NOAA), approximately 70% of the seafood consumed in the United States is typically consumed at restaurants, which meant that seafood wholesalers, processors, watermen, and aquaculturists had to find other buyers to stay in business when restaurants were closed or serving at reduced capacity.

The pandemic essentially cut Maryland’s oyster season short by two weeks in March 2020, forcing some local shucking houses to scale back operations and lay off workers. Impacts on the oyster market continued for the 2021 oyster season due to restrictions on the restaurants. The early part of the crab season was impacted as well. Some watermen and aquaculturists were able to adapt by shifting to direct-to-consumer sales. These efforts were aided by the Maryland Department of Agriculture’s (MDA) Maryland’s Best Program, which developed an interactive map of locations where local produce and seafood could be purchased directly from producers, and local nonprofits, which held special distribution events.

Labor shortages compounded disruptions to the seafood industry. Many seafood processors in the region rely on foreign guest workers employed through the H-2B visa program to fill seasonal positions at their facilities. This past year, a combination of caps on the number of H-2B visas, the recently imposed lottery system, and coronavirus-related immigration restrictions significantly decreased the number of guest workers employed by local processors. In Dorchester County, for example, local crab packing houses employ up to 500 guest workers during a typical summer; this past year, they employed only 180. Keeping these workers safe and healthy presented additional challenges. Despite employer efforts to reduce the risk of coronavirus outbreaks by cutting shift sizes, increasing space between work stations, and checking workers’ temperatures, the Dorchester County Health Department reported that about 50 crab pickers tested positive for COVID-19 in July.

CARES Act Funding

The U.S. Department of Commerce provided \$300 million in fisheries assistance funding as part of the CARES Act for coastal and marine fishery participants who have been negatively affected by COVID-19. Maryland's share of this funding was \$4,125,118, which is being administered by the Atlantic States Marine Fisheries Commission – one of the nation's regional fisheries commissions. The Atlantic States Marine Fisheries Commission, in turn, has been tasked with working with State officials to develop State-specific spending plans that comply with National Oceanic Atmospheric Administration guidelines. Fishery participants that may ultimately be eligible for funding include commercial fishing businesses, charter fishing businesses, qualified aquaculture operations, seafood processors, and other fishery-related businesses. However, businesses lower on the supply chain, such as vessel repair businesses, restaurants, or seafood retailers, are not considered fishery-related businesses for purposes of the CARES Act fisheries assistance, although these entities are eligible for other CARES Act funding and the Paycheck Protection Program.

DNR's role in the CARES Act funding is mainly as a liaison for the federal communications and administration aspects of the program, which has an application period between November 4, 2020, and February 28, 2021. Maryland's funding is being allocated as follows:

- **Revenue Loss:** \$3,000,000 for direct payments to commercial, for hire, aquaculture, and seafood processing operations that have experienced a calendar 2020 revenue loss greater than 35% because of COVID-19, comprised of a first round of license fee reimbursement to be paid by March 31, 2021, and a second round of equally distributed direct payments by April or May 2021;
- **Seafood Marketing and Business Support:** \$1,000,000 for the third round of funding to be provided to seafood marketing and business support for individuals in the seafood industry with payments completed by September 2021; and
- **Administrative:** \$92,171 to pay for costs incurred by DNR during the administration of CARES Act relief.

DNR notes that, as of February 8, 2021, a total of \$659,031 has been paid to 758 individuals/business entities as part of the first round of funding for revenue loss direct payments. Overall, 100 applications have been rejected, but new applications continue to be evaluated, and second payments will be made to all qualified applicants in spring 2021.

Bay Restoration and Monitoring

Some Chesapeake Bay restoration and monitoring activities were canceled, delayed, or scaled back as a result of the COVID-19 pandemic. For example, operations at shad hatcheries and fish lifts were suspended in early spring, a crucial time for shad migration. Activities at the University of Maryland Center for Environmental Science’s Horn Point oyster hatchery, which supplies oyster spat for State restoration projects, were likewise suspended in spring 2020. The activities resumed later in the summer but under a reduced staff for social distancing and could only complete part of the restoration work that was needed. The oyster hatchery continues to operate with a modified staffing plan for the 2021 season. Scientific field research and surveys were also halted in much of the region. While some of these activities have resumed following the easing of pandemic-related restrictions, there are concerns about the pandemic’s long-term effects on both public and private funding for Bay restoration and monitoring.

Parks and Recreation

With many businesses closed and travel limited during the pandemic, many people have turned to local parks and waterways for recreation. State and local parks logged record levels of attendance during the spring and summer. For instance, DNR notes that park attendance increased from 14.9 million visitors in calendar 2019 to 21.5 million visitors in calendar 2020. The dramatic increase in visitors is reflected in the 35% increase in new reservation transactions between the June to September time period over calendar 2019 and 2020 and contributed to a record 292 capacity closures across 11 parks statewide. While there were pandemic-related temporary closures of campgrounds, cabins, and popular beaches at State parks, those closures were lifted before Memorial Day, and DNR continues to adapt its pandemic management plan as new health advisories are issued.

As outdoor recreation has surged, DNR has taken steps to mitigate the risk of disease spread at parks. Measures include implementing enhanced cleaning protocols at public facilities, restrooms, ranger stations, nature centers, and other public buildings; canceling all events and gatherings of groups larger than 10 people; and restricting access by the public to certain park buildings and facilities. DNR also temporarily suspended spring trout stocking this summer, in an effort to protect the health and safety of its employees and discourage anglers from gathering near stocked waterways.

Licensing and Permitting

On March 12, 2020, Governor Lawrence J. Hogan, Jr. issued an executive order addressing licenses, permits, registrations, and other authorizations that would be expiring or up for renewal during the state of emergency. The order granted a grace period of 30 days after the date of termination of the state of emergency for these items. DNR encouraged customers to take advantage of the grace period for licenses, permits, and registrations that would typically be processed in-person at the department’s licensing service centers. DNR has also encouraged people to use its online COMPASS portal to purchase recreational licenses, permits, and stamps that can be purchased online. When it was safe to do so, DNR’s seven licensing centers reopened on an appointment-only basis.

2. Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Allocation

Chapter 6 of the 2007 special session established the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be used to implement the State’s tributary strategy. The fund is financed with a portion of existing revenues from the motor fuel tax and the sales and use tax on short-term vehicle rentals. Subsequently, Chapters 120 and 121 of 2008 established a framework for how the trust fund money must be spent by specifying that it be used for nonpoint source pollution control projects and by expanding it to apply to the Atlantic Coastal Bays.

The revenue estimate for fiscal 2021 has been reduced by \$8,136,291 from \$57,146,931 – comprised of \$13,314,000 from the motor fuel tax and \$43,832,931 from the sales and use tax on short-term vehicle rentals – to \$49,010,640 – comprised of \$13,768,828 from the motor fuel tax and \$35,241,812 from the sales and use tax on short-term vehicle rentals. This reduction in the revenue estimate has curtailed the fiscal 2021 expenditure plan. Fiscal 2022 revenue is estimated to be \$49,811,901 – comprised of \$13,407,109 from the motor fuel tax and \$36,404,792 from the sales and use tax on short-term vehicle rentals – which reflects a minimal increase from the fiscal 2021 revised revenue estimate. Of note, the revenue budgeted for a particular fiscal year may differ from the amount of the revenue estimate reflecting either the spending of fund balance if the appropriations are more than the revenue estimate or the augmenting of fund balance if appropriations are less than the revenue estimate.

The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund allocations for the fiscal 2021 allowance, the fiscal 2021 revised estimate, and the fiscal 2022 allowance are shown in **Exhibit 6**, although final decisions on allocations typically are made by the BayStat agencies after the final funding levels have been determined. A couple of observations about the exhibit are as follows.

- ***Revised Fiscal 2021 Spending Plan:*** The fiscal 2021 spending plan has been reduced by \$10.2 million, which reflects \$10.1 million less for the Competitive Grant Program to fund cost-effective nonpoint source nutrient and sediment reduction projects and \$0.1 million less for administration and management. DNR notes that it may take several fiscal years to return to full funding of new Competitive Grant Program projects because approximately \$7.0 million in proposed project funding for fiscal 2021 already has been moved into fiscal 2022.
- ***Fiscal 2022 Appropriations:*** The fiscal 2022 appropriations reflect an increase of \$1.8 million relative to the fiscal 2021 revised spending plan, consisting of \$1.74 million for the Competitive Grant Program and \$30,000 for administration and management. Overall, the largest components of the fiscal 2022 spending plan are as follows: \$17.2 million for the Competitive Grant Program; \$11.3 million for the Cover Crop Program; \$6.0 million for the Natural Filters on Public Lands Program to fund nutrient and sediment reduction projects, such as forested buffers and stream and floodplain restoration; and \$4.9 million for agricultural technical assistance to fund the soil conservation district positions in MDA’s budget.
- ***Annual vs. Structural Practices:*** While not reflected explicitly in the exhibit, the majority of the nitrogen, phosphorus, and sediment pollution reductions are attributable to annual practices

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such as cover crops and manure transport. For instance, the fiscal 2020, 2021, and 2022 nitrogen annual reductions are 3,420,380 pounds, 2,997,798 pounds, and 3,110,694 pounds, respectively, relative to the cumulative practice reductions of 206,544 pounds, 181,026 pounds, and 187,844 pounds, respectively. This reflects an approximately 17 times greater annual reduction of nitrogen from the annual practices funded relative to the structural practices, such as wetland restoration, reforestation and floodplain reconnection. However, the annual practices have to be funded every year in order to maintain the prior year’s progress, whereas the structural practices are more expensive upfront but have longer term benefits. DNR notes that the structural practices are also more resilient to annual weather fluctuations and provide environmental co-benefits such as carbon sequestration, habitat, and flood control.

Exhibit 6
Chesapeake and Atlantic Coastal Bays 2010 Trust Fund
Planned Expenditures
Fiscal 2021-2022
(\$ in Millions)

| <u>Category/Activity</u> | 2021 | | 2022 | Difference | |
|--|------------------|----------------|----------------|--|--------------------------------------|
| | <u>Allowance</u> | <u>Revised</u> | <u>Request</u> | <u>2021 Allowance and 2021 Revised</u> | <u>2021 Revised and 2022 Request</u> |
| Accountability, Verification, and Management | | | | | |
| Strategic Monitoring and Assessment | \$0.4 | \$0.4 | \$0.4 | \$0.0 | \$0.0 |
| Restoration Research Grant Program | 0.3 | 0.3 | 0.3 | 0.0 | 0.0 |
| Implementation Tracking Administration and Management (1.5%) | 0.2 | 0.2 | 0.2 | 0.0 | 0.0 |
| | 0.9 | 0.8 | 0.8 | -0.1 | 0.0 |
| Subtotal | \$1.8 | \$1.7 | \$1.7 | -\$0.1 | \$0.0 |
| Accelerating Restoration through Research and Development | | | | | |
| Innovative Technology Fund | \$1.0 | \$1.0 | \$1.0 | \$0.0 | \$0.0 |
| Manure Management through Proven Technology | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Subtotal | \$1.0 | \$1.0 | \$1.0 | \$0.0 | \$0.0 |
| Implementation Technical Assistance | | | | | |
| Agricultural Technical Assistance | \$4.9 | \$4.9 | \$4.9 | \$0.0 | \$0.0 |
| Water Management Permit Expeditors | 0.8 | 0.8 | 0.8 | 0.0 | 0.0 |
| Field Restoration Specialists | 0.8 | 0.8 | 0.8 | 0.0 | 0.0 |
| Subtotal | \$6.4 | \$6.4 | \$6.4 | \$0.0 | \$0.0 |

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| <u>Category/Activity</u> | 2021 | | 2022 | Difference | |
|---|------------------|----------------|----------------|--|--------------------------------------|
| | <u>Allowance</u> | <u>Revised</u> | <u>Request</u> | <u>2021 Allowance and 2021 Revised</u> | <u>2021 Revised and 2022 Request</u> |
| Nonpoint Source Pollution Control Projects | | | | | |
| Cover Crop Program | \$11.3 | \$11.3 | \$11.3 | \$0.0 | \$0.0 |
| Conservation Reserve Enhancement Program Bonus Payments | 0.5 | 0.5 | 0.5 | 0.0 | 0.0 |
| Grants to Farmers | 3.0 | 1.8 | 1.8 | -1.3 | 0.0 |
| Manure Transport Program | 1.8 | 3.0 | 3.0 | 1.3 | 0.0 |
| Development of the Phosphorus Management Tool | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Competitive Grant Program | 25.5 | 15.4 | 17.2 | -10.1 | 1.7 |
| Natural Filters on Public Lands | 6.0 | 6.0 | 6.0 | 0.0 | 0.0 |
| Subtotal | \$48.0 | \$37.9 | \$39.7 | -\$10.1 | \$1.7 |
| Total | \$57.2 | \$47.0 | \$48.8 | -\$10.2 | \$1.8 |

Note: In fiscal 2022, the funding for Manure Management through Proven Technology and Development of the Phosphorus Management Tool are funded through Grants to Farmers and other nonpoint source pollution funding items.

Source: Department of Natural Resources

The Department of Legislative Services (DLS) recommends the addition of committee narrative to request that the Administration continue to publish the overall Chesapeake Bay restoration data in the Governor’s Budget Books and provide the electronic data separately.

3. Multi-year Special Fund Overhead Replacement Plan Changes

The budget committees were concerned that insufficient information had been provided about the scope of DNR’s multi-year plan to replace the special fund overhead charged to the Office of the Secretary with general funds. In addition, the budget committees were concerned that DNR appears to be shifting from a funding model of self-sustaining special funds to a funding model making greater use of general funds. Therefore, the budget committees requested that DNR submit a report on its multi-year special fund overhead replacement plan with additional information about its special funds and interunit reimbursable fund arrangements. The report was requested to be submitted by January 20, 2021.

The submitted report notes that DNR’s fiscal 2021 appropriation reflected the first year of a planned multi-year special fund overhead replacement plan for not only the Office of the Secretary but also for DNR’s other units that do not have a dedicated revenue source – the Licensing and Registration Service and NRP. As shown in **Exhibit 7**, the fiscal 2022 allowance reflects a continuation of the special fund replacement plan with a reduction of \$3.2 million in special funds for overhead, falling

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from \$16.8 million to \$13.7 million. However, there does not appear to be a commensurate increase in the general funds budgeted for the programs in fiscal 2022. For instance, the Office of the Secretary’s fiscal 2022 general fund appropriation decreases by \$135,458 from \$16,025,707 to \$15,890,249; the Licensing and Registration Service has no general fund appropriation and in fact decreases by \$222,318 in special funds from \$4,249,400 to \$4,027,082; and NRP only increases by \$1,580,987 in general funds from \$39,422,483 to \$41,003,470, and it is not clear whether the special fund overhead replacement plan is responsible. As a result, it appears that the fiscal 2022 allocation of the special fund overhead replacement plan has placed greater strains on DNR’s special funds, when the intention was to reduce the strains. For instance, the State Boat Act and Program Open Space Administrative Fee special fund balances have been drawn down at least partially because of the overhead allocation in fiscal 2022; and the Waterway Improvement Fund was drawn down sufficiently that the special fund allocation for the Waterway Improvement Program pay-as-you-go capital program was reduced by \$1,350,000, the amount of the fiscal 2022 special fund overhead allocation to NRP. **DLS recommends that DNR comment on the rationale for drawing down special fund balances at the same time that it is attempting to shift away from special fund overhead expenditures.**

**Exhibit 7
Special Fund Overhead Replacement Plan
Fiscal 2020-2022**

| <u>Program/Special Fund</u> | <u>2020 Actual</u> | <u>2021 Appropriation</u> | <u>2022 Allowance</u> | <u>2021-2022 Difference</u> |
|--|------------------------|-------------------------------|---------------------------|---------------------------------|
| <i>Office of the Secretary</i> | | | | |
| Deep Creek Lake Management and Protection Fund | \$86,700 | \$0 | \$0 | \$0 |
| Deer Stamp Account | 10,200 | 15,563 | 13,809 | -1,754 |
| Environmental Trust Fund | 721,900 | 0 | 0 | 0 |
| Fair Hill Improvement Fund | 48,600 | 0 | 0 | 0 |
| Fisheries Research and Development Fund | 1,076,315 | 853,107 | 0 | -853,107 |
| Forest and Park Reserve Fund | 962,800 | 0 | 654,081 | 654,081 |
| Forest and Park Reserve Fund – Forestry | 902,400 | 472,879 | 1,279,088 | 806,209 |
| Migratory Wildlife Waterfowl Stamp | 36,400 | 59,341 | 0 | -59,341 |
| Natural Resources Property Maintenance Fund | 50,800 | 0 | 0 | 0 |
| Offroad Vehicle Account | 1,400 | 0 | 0 | 0 |
| Program Open Space Administrative Fee | 620,900 | 678,682 | 679,105 | 423 |
| Shore Erosion Control Revolving Loan Fund | 69,700 | 143,224 | 142,716 | -508 |
| State Boat Act | 235,300 | 494,764 | 192,440 | -302,324 |
| Chesapeake Bay Endangered Species Fund | 67,000 | 68,045 | 0 | -68,045 |
| Fisheries Management and Protection Fund | 365,200 | 450,316 | 0 | -450,316 |
| Wildlife Management and Protection Fund | 590,400 | 707,691 | 836,999 | 129,308 |
| Waterway Improvement Fund | 750,000 | 729,567 | 0 | -729,567 |
| Woodlands Incentive Fund | 25,000 | 25,080 | 0 | -25,080 |
| Forest and Park Concession Fund | 171,400 | 0 | 0 | 0 |

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| <u>Program/Special Fund</u> | <u>2020 Actual</u> | <u>2021 Appropriation</u> | <u>2022 Allowance</u> | <u>2021-2022 Difference</u> |
|--|-------------------------------|--------------------------------------|----------------------------------|--|
| Chesapeake and Atlantic Coastal Bays 2010 Trust Fund | 135,000 | 133,959 | 0 | -133,959 |
| <i>Subtotal</i> | <i>\$6,927,415</i> | <i>\$4,832,218</i> | <i>\$3,798,238</i> | <i>-\$1,033,980</i> |
| <i>Licensing and Registration Service</i> | | | | |
| Deer Stamp Account | \$18,000 | \$20,454 | \$0 | -\$20,454 |
| Fisheries Research and Development Fund | 452,000 | 515,438 | 0 | -515,438 |
| Migratory Wildlife Waterfowl Stamp | 17,000 | 19,424 | 27,082 | 7,658 |
| State Boat Act | 813,000 | 924,821 | 4,000,000 | 3,075,179 |
| Fisheries Management and Protection Fund | 362,000 | 412,143 | 0 | -412,143 |
| Wildlife Management and Protection Fund | 188,000 | 214,766 | 0 | -214,766 |
| Waterway Improvement Fund | 1,885,487 | 2,142,354 | 0 | -2,142,354 |
| <i>Subtotal</i> | <i>\$3,735,487</i> | <i>\$4,249,400</i> | <i>\$4,027,082</i> | <i>-\$222,318</i> |
| <i>Natural Resources Police</i> | | | | |
| Fisheries Research and Development Fund | \$0 | \$2,472,559 | \$0 | -\$2,472,559 |
| Forest and Park Reserve Fund | 0 | 0 | 1,598,504 | 1,598,504 |
| State Boat Act | 555,113 | 1,636,510 | 0 | -1,636,510 |
| Fisheries Management and Protection Fund | 0 | 510,618 | 1,144,066 | 633,448 |
| Wildlife Management and Protection Fund | 0 | 1,013,586 | 1,740,555 | 726,969 |
| Waterway Improvement Fund | 3,384,914 | 2,100,000 | 1,350,000 | -750,000 |
| <i>Subtotal</i> | <i>\$3,940,027</i> | <i>\$7,733,273</i> | <i>\$5,833,125</i> | <i>-\$1,900,148</i> |
| Total | \$14,602,929 | \$16,814,891 | \$13,658,445 | -\$3,156,446 |

Source: Department of Budget and Management

Operating Budget Recommended Actions

1. Adopt the following narrative:

Summary of Chesapeake Bay Restoration Spending: The budget committees request that the Department of Budget and Management (DBM), the Department of Natural Resources (DNR), and the Maryland Department of the Environment (MDE) provide a report on Chesapeake Bay restoration spending. The report shall be drafted subject to the concurrence of the Department of Legislative Services (DLS) in terms of both electronic format to be used and data to be included. The scope of the report is as follows: Chesapeake Bay restoration operating and capital expenditures by agency, fund type, and particular fund source based on programs that have over 50% of their activities directly related to Chesapeake Bay restoration for the fiscal 2021 actual, fiscal 2022 working appropriation, and fiscal 2023 allowance to be included as an appendix in the fiscal 2023 budget volumes and submitted electronically in disaggregated form to DLS.

| Information Request | Authors | Due Date |
|---|-------------------|-------------------------------|
| Summary of Chesapeake Bay restoration spending for programs that have over 50% of their activities directly related to Chesapeake Bay restoration | DBM DNR MDE | Fiscal 2023 budget submission |

Appendix 1
2020 Joint Chairmen’s Report Responses from Agency

The 2020 *Joint Chairmen’s Report* (JCR) requested that the Department of Natural Resources (DNR) prepare three reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services (DLS) Library website.

- ***Multi-year Special Fund Overhead Replacement Plan:*** The budget committees requested a report on its multi-year special fund overhead replacement plan with additional information about its special funds and inter-unit reimbursable fund arrangements. Further discussion of this data can be found in Issue 3 of this analysis.
- ***Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Annual Work and Expenditure Plans:*** Budget bill language in the fiscal 2021 operating budget restricted funding pending the submission of the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund annual work and expenditure plans. Further discussion of this data can be found in Issue 2 of this analysis.
- ***Summary of Chesapeake Bay Restoration Spending:*** The budget committees requested that the Department of Budget and Management, DNR, and the Maryland Department of the Environment provide a report on Chesapeake Bay restoration spending. The report was requested to include the following: Chesapeake Bay restoration operating and capital expenditures by agency, fund type, and particular fund source based on programs that have over 50% of their activities directly related to Chesapeake Bay restoration for the fiscal 2020 actual, fiscal 2021 working appropriation, and fiscal 2022 allowance. The report was requested to be included as an appendix in the fiscal 2022 budget volumes and submitted electronically in disaggregated form to DLS. Further discussion of this data can be found in Issue 1 of the Chesapeake Bay Overview analysis.

Appendix 2
Modernization and OneStop Integration
Major Information Technology Project
Department of Natural Resources

| | | | | | | | | |
|---------------------------------------|-------------------|----------------|----------------|----------------|--|----------------|------------------|-----------------|
| New/Ongoing: Ongoing | | | | | | | | |
| Start Date: July 2020 | | | | | Est. Completion Date: June 2023 | | | |
| Implementation Strategy: Agile | | | | | | | | |
| (\$ in Millions) | Prior Year | 2021 | 2022 | 2023 | 2024 | 2025 | Remainder | Total* |
| GF | \$0.000 | \$6.500 | \$3.500 | \$7.325 | \$0.000 | \$0.000 | \$0.000 | \$17.325 |
| SF | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | \$0.000 |
| FF | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Total | \$0.000 | \$6.500 | \$3.500 | \$7.325 | \$0.000 | \$0.000 | \$0.000 | \$17.325 |

* Note: The overall project cost has decreased from \$16.5 million to \$15.5 million, but the number reflected in the Governor’s Budget Highlights is used for the exhibit above, since an updated cost schedule has not been provided.

- **Project Summary:** The project would replace the current COMPASS web-based licensing and registration system. The goals for the project are to integrate with the Maryland OneStop platform, reduce inefficiencies and redundancies, create a return on investment to ensure increased revenue, decrease monthly and annual operational costs, and increase customer satisfaction.
- **Need:** COMPASS can no longer meet current reporting requirements and is anticipated to become even less functional; the COMPASS contract expired in August 2020. For instance, COMPASS cannot integrate with the Maryland Park Service’s parks reservation system or shop the Department of Natural Resources’ (DNR) point of sale system. A new system could increase the retention of fishing and hunting license holders through autorenewal, which is not available with COMPASS.
- **Observations and Milestones:** DNR is in the user needs assessment stage. A key measure of the success of the project is the addition of all recreational and commercial hunting and fishing licenses as well as vessel registrations to the Maryland OneStop platform within the first 18 months of the project.
- **Changes:** The overall funding noted in the Governor’s Budget Highlights has increased from \$16.5 million to \$17.3 million, but apparently this is an error, and the funding need actually should have decreased to \$15.5 million. The scope has changed. The original scope for phase one was to migrate all hunting and license services as well as vessel registration functionality off the COMPASS system and into the new system. The new phase one scope is to focus on modernizing and converting current DNR paper processes to an electronic form submission via the new system. The current schedule has this phase being completed by July 2021.
- **Concerns:** Funding is a concern because of the relatively high cost of the project, even though the overall project cost has decreased from \$16.5 million to \$15.5 million in general funds since last

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year's analysis. Another concern is the interoperability with other systems such as those operated by the State Board of Elections, the Interstate Wildlife Violator Compact, the Maryland Child Support Administration, the Maryland Department of Transportation, the Maryland State Police, the Federal Duck Stamp, and the Natural Resources Police. A final concern is the need for a scope change so early in the project.

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

| <u>Object/Fund</u> | <u>FY 20 Actual</u> | <u>FY 21 Working Appropriation</u> | <u>FY 22 Allowance</u> | <u>FY 21 - FY 22 Amount Change</u> | <u>Percent Change</u> |
|---|-------------------------|--|----------------------------|--|---------------------------|
| Positions | | | | | |
| 01 Regular | 1,348.75 | 1,341.00 | 1,352.00 | 11.00 | 0.8% |
| 02 Contractual | 747.93 | 407.98 | 396.41 | -11.57 | -2.8% |
| Total Positions | 2,096.68 | 1,748.98 | 1,748.41 | -0.57 | 0% |
| Objects | | | | | |
| 01 Salaries and Wages | \$ 132,387,175 | \$ 136,108,288 | \$ 136,352,155 | \$ 243,867 | 0.2% |
| 02 Technical and Spec. Fees | 10,404,138 | 13,991,014 | 13,424,050 | -566,964 | -4.1% |
| 03 Communication | 2,357,799 | 3,678,444 | 3,220,673 | -457,771 | -12.4% |
| 04 Travel | 571,819 | 741,127 | 745,472 | 4,345 | 0.6% |
| 06 Fuel and Utilities | 5,265,243 | 5,597,444 | 5,903,786 | 306,342 | 5.5% |
| 07 Motor Vehicles | 7,651,551 | 9,803,847 | 9,924,972 | 121,125 | 1.2% |
| 08 Contractual Services | 35,196,982 | 44,317,546 | 46,055,979 | 1,738,433 | 3.9% |
| 09 Supplies and Materials | 6,413,452 | 10,534,319 | 9,426,311 | -1,108,008 | -10.5% |
| 10 Equipment – Replacement | 1,281,791 | 1,552,311 | 1,655,307 | 102,996 | 6.6% |
| 11 Equipment – Additional | 1,581,397 | 2,129,018 | 2,249,931 | 120,913 | 5.7% |
| 12 Grants, Subsidies, and Contributions | 61,537,411 | 73,757,959 | 61,001,087 | -12,756,872 | -17.3% |
| 13 Fixed Charges | 3,374,002 | 3,464,182 | 3,460,725 | -3,457 | -0.1% |
| 14 Land and Structures | 119,373 | 674,503 | 125,000 | -549,503 | -81.5% |
| Total Objects | \$ 268,142,133 | \$ 306,350,002 | \$ 293,545,448 | -\$ 12,804,554 | -4.2% |
| Funds | | | | | |
| 01 General Fund | \$ 63,835,946 | \$ 85,854,459 | \$ 78,105,829 | -\$ 7,748,630 | -9.0% |
| 03 Special Fund | 151,404,789 | 173,008,395 | 165,479,998 | -7,528,397 | -4.4% |
| 05 Federal Fund | 28,848,233 | 31,705,645 | 32,005,083 | 299,438 | 0.9% |
| 09 Reimbursable Fund | 24,053,165 | 15,781,503 | 17,954,538 | 2,173,035 | 13.8% |
| Total Funds | \$ 268,142,133 | \$ 306,350,002 | \$ 293,545,448 | -\$ 12,804,554 | -4.2% |

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.

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

| <u>Program/Unit</u> | <u>FY 20 Actual</u> | <u>FY 21 Wrk Approp</u> | <u>FY 22 Allowance</u> | <u>Change</u> | <u>FY 21 - FY 22 % Change</u> |
|--|-------------------------|-----------------------------|----------------------------|-----------------------|-----------------------------------|
| 01 Office of the Secretary | \$ 20,459,222 | \$ 21,403,211 | \$ 20,464,688 | -\$ 938,523 | -4.4% |
| 02 Forestry Service | 12,592,204 | 16,819,044 | 12,698,268 | -4,120,776 | -24.5% |
| 03 Wildlife and Heritage Service | 10,474,293 | 11,315,733 | 12,859,872 | 1,544,139 | 13.6% |
| 04 Maryland Park Service | 47,004,125 | 55,219,666 | 53,930,721 | -1,288,945 | -2.3% |
| 05 Capital Grants and Loan Administration | 3,868,984 | 5,480,113 | 5,407,972 | -72,141 | -1.3% |
| 06 Licensing and Registration Service | 3,747,554 | 4,249,400 | 4,027,082 | -222,318 | -5.2% |
| 07 Natural Resources Police | 50,225,568 | 53,001,545 | 52,714,378 | -287,167 | -0.5% |
| 09 Engineering and Construction | 6,735,728 | 6,816,477 | 14,679,953 | 7,863,476 | 115.4% |
| 10 Chesapeake Bay Critical Area Commission | 2,040,172 | 2,157,453 | 2,097,314 | -60,139 | -2.8% |
| 12 Resource Assessment Service | 18,226,734 | 21,063,844 | 20,484,551 | -579,293 | -2.8% |
| 13 Maryland Environmental Trust | 957,916 | 1,054,403 | 1,146,563 | 92,160 | 8.7% |
| 14 Watershed Services | 64,524,891 | 72,521,326 | 64,556,386 | -7,964,940 | -11.0% |
| 17 Fisheries Service | 27,284,742 | 35,247,787 | 28,477,700 | -6,770,087 | -19.2% |
| Total Expenditures | \$ 268,142,133 | \$ 306,350,002 | \$ 293,545,448 | -\$ 12,804,554 | -4.2% |
| General Fund | \$ 63,835,946 | \$ 85,854,459 | \$ 78,105,829 | -\$ 7,748,630 | -9.0% |
| Special Fund | 151,404,789 | 173,008,395 | 165,479,998 | -7,528,397 | -4.4% |
| Federal Fund | 28,848,233 | 31,705,645 | 32,005,083 | 299,438 | 0.9% |
| Total Appropriations | \$ 244,088,968 | \$ 290,568,499 | \$ 275,590,910 | -\$ 14,977,589 | -5.2% |
| Reimbursable Fund | \$ 24,053,165 | \$ 15,781,503 | \$ 17,954,538 | \$ 2,173,035 | 13.8% |
| Total Funds | \$ 268,142,133 | \$ 306,350,002 | \$ 293,545,448 | -\$ 12,804,554 | -4.2% |

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.