

KA00
Department of Natural Resources

Capital Budget Summary

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

| Program | 2024 Approp. | 2025 Request | 2026 Est. | 2027 Est. | 2028 Est. | 2029 Est. |
|--|-------------------------|-------------------------|----------------------|----------------------|----------------------|----------------------|
| POS – Land Acquisition and Local Program | \$175.188 | \$49.785 | \$64.936 | \$102.564 | \$119.886 | \$135.119 |
| POS – Public Access Program | 19.200 | 8.063 | 22.000 | 22.000 | 22.000 | 22.000 |
| POS – Greenspace Equity Program | 0.000 | 5.000 | 7.000 | 10.000 | 10.000 | 10.000 |
| POS – Natural Resources Development Fund | 32.485 | 12.294 | 17.702 | 22.409 | 27.994 | 28.472 |
| POS – Critical Maintenance Projects | 5.475 | 0.000 | 0.000 | 4.806 | 5.551 | 8.001 |
| Park System Critical Maintenance Fund | 70.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Park System Capital Improvement and Acquisition Fund | 36.874 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Rural Legacy Program | 33.424 | 15.329 | 17.995 | 21.698 | 23.339 | 24.783 |
| Ocean City Beach Maintenance | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| Waterway Improvement Program | 16.000 | 24.000 | 24.000 | 24.000 | 18.500 | 18.500 |
| Community Parks and Playgrounds | 2.500 | 5.000 | 5.000 | 5.000 | 5.000 | 5.000 |
| Oyster Restoration Program | 1.961 | 2.460 | 4.032 | 0.589 | 1.517 | 1.517 |
| Total | \$395.107 | \$123.931 | \$164.664 | \$215.067 | \$235.788 | \$255.392 |

POS: Program Open Space

Note: The fiscal 2023 funding from the Dedicated Purpose Account (DPA) is reflected as special funds. There is an additional \$25.0 million in general funds in fiscal 2023 for critical maintenance projects budgeted in the DPA that is not reflected in this exhibit.

For further information contact: Andrew D. Gray

Andrew.Gray@mlis.state.md.us

Key Observations

- ***Transfer Tax Revenue Decreases Due to Reduced Revenue Estimate and Fiscal 2023 Underattainment Applied to Fiscal 2025:*** The budget includes \$160.6 million of transfer tax revenues comprised of \$240.1 million of estimated fiscal 2025 revenues, reduced by the \$79.5 million underattainment of fiscal 2023 revenues. Capital programs supported by the transfer tax receive \$111 million in fiscal 2025 compared to \$326 million in fiscal 2024, a decrease of \$215 million.
- ***Capital Funding Spending Delayed:*** HB 228 and SB 259 (Natural Resources – Maryland State Parks – Funds and Plan Alterations) have been introduced in the 2024 session. The departmental bills modify Chapter 39 of 2022 (Great Maryland Outdoors Act) by extending the \$70.0 million Park System Critical Maintenance Fund spending deadline, expanding the uses of the Park System Capital Improvements and Acquisition Fund, and extending the deadline for the comprehensive long-range strategic plan required by Chapter 39. The fiscal 2023 Budget Bill appropriated \$100.0 million in general funds in the Dedicated Purpose Account (DPA) for Facilities Renewal – State Agencies, with an allocation of \$25.0 million of this \$100.0 million for the Department of Natural Resources (DNR) for critical maintenance. Given a number of factors, it is highly unlikely that DNR will be able to spend the \$25.0 million in the DPA within the funding’s four-year lifespan before it reverts to the Revenue Stabilization Account.
- ***Land Preservation and Recreation Plan Delayed:*** The Maryland Land Preservation and Recreation Plan is required to be developed every five years as part of the receipt of federal Land and Water Conservation Fund funding and is used to identify issues impacting outdoor recreation and natural resource protection in Maryland. The last plan covered the calendar 2019 to 2023 time period. The new plan originally was scheduled to be completed by the end of calendar 2023 but has since been delayed due to procurement challenges. DNR notes that the National Park Service (NPS) has approved a one-year extension until March 31, 2025, and that the plan is currently out to bid.

PAYGO Recommended Actions

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

GO Bond Recommended Actions

1. Approve all authorizations and the proposed preauthorization for the Department of Natural Resources.

Budget Reconciliation and Financing Act Recommended Actions

1. **New Action** – Transfer \$25.0 million from the Dedicated Purpose Account to the General Fund in fiscal 2024 attributable to the fiscal 2023 appropriation for the Facilities Renewal – State Agencies allocation to the Department of Natural Resources Critical Maintenance.

Updates

- ***Resiliency through Restoration Initiative Program No Longer Planned to Receive Funding:*** The 2024 *Capital Improvement Program* (CIP) does not reflect any additional funding for the Resiliency through Restoration Initiative Program. The 2023 CIP had included funding of \$1.5 million in general obligation (GO) bonds and \$1.5 million in nonbudgeted funds for fiscal 2026 through 2028. The program’s original goal was to fund at least 15 demonstration projects using natural and nature-based techniques for shoreline stabilization and flood reduction. Funding was provided for 29 projects.
- ***Critical Maintenance Program Funding Pushed Out in the 2024 CIP:*** Funding for the Critical Maintenance Program is deferred. The 2023 CIP programmed \$3.2 million in special funds in fiscal 2025 and \$1.0 million in in fiscal 2026. However, according to the 2024 CIP, funding will not resume until fiscal 2027.

Budget Overview

Fiscal 2025 Budget

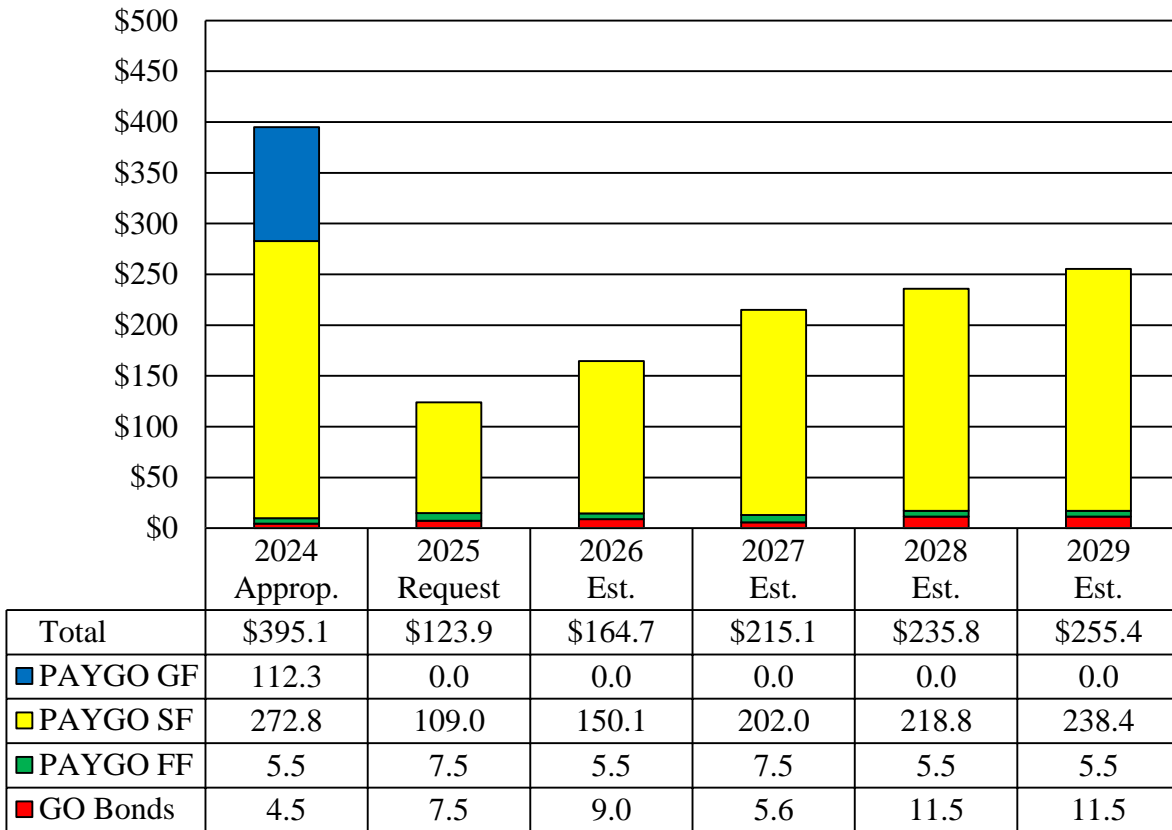
As shown in **Exhibit 1**, the fiscal 2025 budget provides \$123.9 million for the various capital programs administered by DNR and is comprised of \$109.0 million in special funds, \$7.5 million in federal funds, and \$7.5 million in GO bonds. The changes in funding between fiscal 2024 and 2025 are as follows.

- ***General Funds:*** There is a decrease of \$112.3 million in general funds that reflects the elimination of one-time fiscal 2024 funding mandated by Chapter 39, including \$5.4 million for the Rural Legacy Program, \$70.0 million for the Park System Critical Maintenance Fund, and \$36.9 million for the Park System Capital Improvements and Acquisition Fund.
- ***Special Funds:*** There is a net decrease of \$163.9 million. This is primarily due to a \$171.9 million decrease in the transfer tax revenue available for DNR’s programs, partially offset by an increase of \$8.0 million in estimated available Waterway Improvement Fund revenues.

KA00 – Department of Natural Resources

- **Federal Funds:** There is an increase of \$2.0 million due to the budgeting of additional federal Land and Water Conservation Fund grants in Program Open Space (POS).
- **GO Bonds:** There is an increase of \$3.0 million in GO bonds. This reflects an increase of \$2.5 million for the Community Parks and Playgrounds program and \$0.5 million for the Oyster Restoration Program.

Exhibit 1
Department of Natural Resources Capital Program Funding
Fiscal 2024-2029 Est.
(\$ in Millions)



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

Source: Department of Budget and Management

Transfer Tax Revenue Decreases Due to Underattainment and Lower Revenue Projection

The budget includes \$146.6 million of transfer tax revenues that are comprised of \$233.1 million of estimated fiscal 2025 revenues and the budgeting of a \$79.5 million underattainment of fiscal 2023 revenues, which reduces the fiscal 2025 funding available for allocation. As shown in **Exhibit 2**, capital programs supported by the transfer tax receive \$111.0 million in fiscal 2025 compared to \$326.0 million in fiscal 2024, a decrease of \$215.0 million. The December 2023 revenue estimates suggest a fiscal 2024 underattainment of \$67.8 million, which would be applied to fiscal 2026, that would reduce the amount available in fiscal 2026 from \$254.6 million to \$186.8 million. The 2024 CIP already makes adjustments to programmed funding levels to account for this estimated underattainment. **Appendix 1** illustrates the revised transfer tax estimates.

Exhibit 2 Transfer Tax Funding Fiscal 2024-2025 (\$ in Millions)

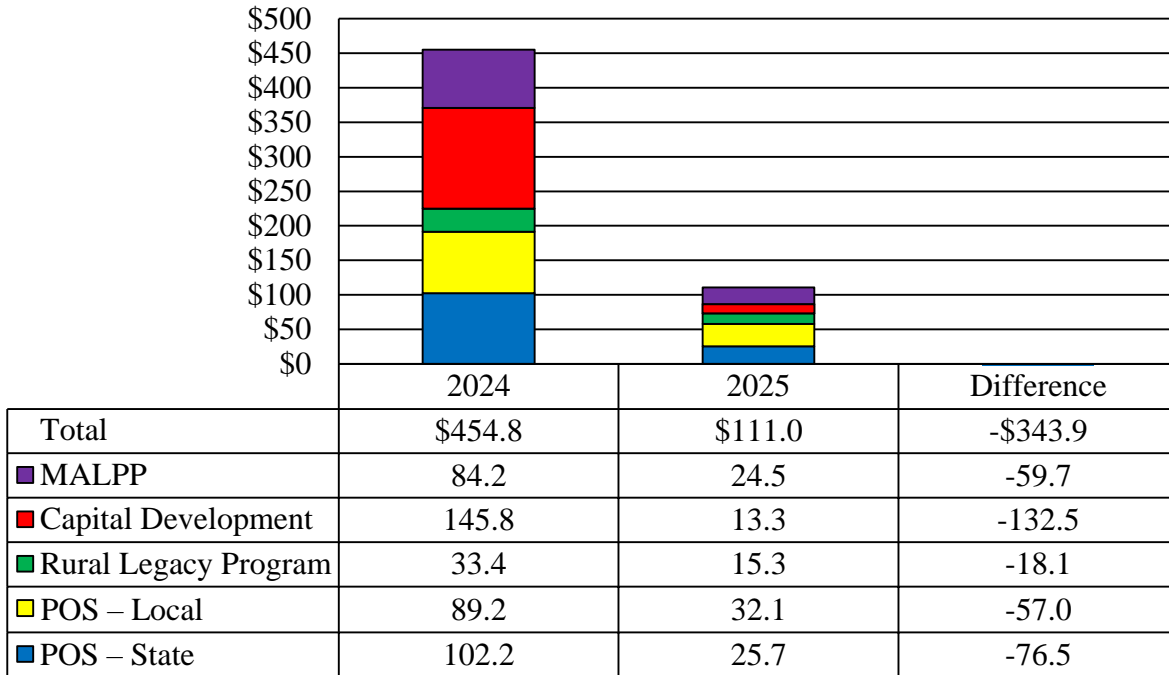
| | <u>2024</u> | <u>2025</u> | <u>Difference</u> |
|---------------------------------------|----------------|----------------|-------------------|
| Revenue Estimate | \$286.1 | \$233.1 | -\$53.1 |
| Administrative Expenses | -8.6 | -7.0 | 1.6 |
| Under/Overattainment | 122.0 | -79.5 | -201.5 |
| Available for Allocation | \$399.6 | \$146.6 | -\$253.0 |
| Available for Capital Programs | \$326.0 | \$111.0 | -\$215.0 |

Source: Department of Budget and Management

Funding for Programs Traditionally Funded with Transfer Tax Revenue Decreases

As shown in **Exhibit 3**, there is a decrease of \$343.9 million between fiscal 2024 and 2025, reflecting both general funds and special funds, for programs traditionally funded with transfer tax revenues. The fiscal 2024 general funds reflect the repayment of prior year transfer tax revenues that were diverted to the General Fund as mandated forward funding for the Maryland Agricultural Land Preservation Program (\$16.6 million) and the Rural Legacy Program (\$5.4 million) per Chapter 39 as well as \$70.0 million for the Park System Critical Maintenance Fund and \$36.9 million for the Park System Capital Improvement and Acquisition Fund, shown within Capital Development. Overall, there is a decrease of \$128.9 million in general funds, \$51.8 million in transfer tax base funding, and \$163.2 million in under/overattainment funding between fiscal 2024 and 2025.

Exhibit 3
Programs Traditionally Funded with Transfer Tax Revenue
Fiscal 2024-2025
(\$ in Millions)



POS: Program Open Space
 MALPP: Maryland Agricultural Land Preservation Program

Note: The fiscal 2024 funding reflects general fund appropriations for the following programs: \$16.6 million for MALPP; \$5.4 million for the Rural Legacy Program; and \$106.6 million for Capital Development, which is comprised of \$70.0 million for the Park System Critical Maintenance Fund and \$36.9 million for the Park System Capital Improvement and Acquisition Fund. This exhibit does not include MALPP local participation special funds.

Source: Department of Budget and Management

Program Open Space – Land Acquisition and Local Program

Program Description: Title 5, Subtitle 9 of the Natural Resources Article established POS for the purpose of expediting the acquisition of outdoor recreation and open space areas and the provision of recreation facilities before land is devoted to other purposes. The POS appropriation has historically been split between the State (land acquisition and operation) and local governments (acquisition, development, and planning projects). State acquisitions tend to place a greater emphasis on natural resource management. In addition, POS funds are allocated to capital

KA00 – Department of Natural Resources

improvements and critical maintenance, which are described as separate programs. Primary funding for POS has historically been provided by the State transfer tax of 0.5% of the consideration paid for the transfer of real property from one owner to another. POS administers the Heritage Conservation Fund, which is used to acquire land that provides habitat for rare, threatened, and endangered species.

| Fund Sources: | | | | | | |
|-------------------------|---------------------|---------------------|-----------------|------------------|------------------|------------------|
| (\$ in Millions) | 2024 Approp. | 2025 Request | 2026 | 2027 | 2028 | 2029 |
| SF | \$172.188 | \$44.785 | \$61.936 | 99.564 | \$116.886 | \$132.119 |
| FF | 3.000 | 5.000 | 3.000 | 3.000 | 3.000 | 3.000 |
| Total | \$175.188 | \$49.785 | \$64.936 | \$102.564 | \$119.886 | \$135.119 |

| Fund Uses (\$ in Millions): | | | | |
|---|--------------------|--------------------|---------------------|-----------------------|
| Project (Jurisdiction) | Est. Cost | Prior Auth. | 2025 Request | Future Request |
| Baltimore City Direct Grant – Special Funds (Baltimore City) | \$96.000 | \$46.000 | \$10.000 | \$40.000 |
| Program Open Space – Federal Funds (Statewide) | 46.750 | 29.750 | 5.000 | 12.000 |
| Program Open Space – Local – Acquisition and Development Projects (Statewide) | 750.833 | 470.617 | 32.147 | 248.019 |
| Program Open Space – State – Land Acquisitions – Heritage Conservation Fund (Statewide) | 540.449 | 415.375 | 2.638 | 122.435 |
| Total | \$1,434.033 | \$961.742 | \$49.785 | \$422.454 |

- **Changes:** The fiscal 2025 allowance reflects \$61.9 million less than the planned amount for fiscal 2025 due to a \$69.3 million reduction in the transfer tax revenue, which is offset partially by an increase of \$2.0 million in federal funds;
- **Encumbrances and Expenditures:** There is \$4.7 million still to be encumbered from before fiscal 2020, and \$64.5 million left to be expended. On average, about \$80.3 million was encumbered each year from fiscal 2020 to 2023. The fiscal 2024 spending plan is to encumber \$106.5 million, leaving \$305.5 million remaining unencumbered at the beginning of fiscal 2025; and
- **Other Comments:** The fiscal 2025 POS – State land acquisition funding of \$2.6 million reflects the allocation to the Heritage Conservation Fund, and the POS – State land acquisition cost is estimated to be \$8,000 per-acre. The fiscal 2025 spending plan includes the use of some POS – State funding for Conservation Reserve Enhancement Program easement purchases in fiscal 2024. The local POS distribution is shown in **Appendix 2**.

Program Open Space – Public Access Program

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

| Fund Sources: | | | | | | |
|-------------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-----------------|
| (\$ in Millions) | 2024 Approp. | 2025 Request | 2026 | 2027 | 2028 | 2029 |
| SF | \$19.200 | \$8.063 | \$22.000 | \$22.000 | \$22.000 | \$22.000 |
| Total | \$19.200 | \$8.063 | \$22.000 | \$22.000 | \$22.000 | \$22.000 |

| Fund Uses (\$ in Millions): | | | | |
|--|------------------|--------------------|---------------------|-----------------------|
| Project (Jurisdiction) | Est. Cost | Prior Auth. | 2025 Request | Future Request |
| Bohemia River State Park – Phase 2 Site Improvements (Cecil County) | \$4.400 | \$1.400 | \$3.000 | \$0.000 |
| Somers Cove Marina – Bulkhead Replacement and Site Improvements (Somerset) | 6.000 | 0.000 | 1.000 | 5.000 |
| Gunpowder Falls State Park – Torey Brown Trail Bridge Improvements (Baltimore County) | 0.613 | 0.000 | 0.613 | 0.000 |
| Bay Club State Forest – Access Road, Parking, and Bridge Improvements (Worcester County) | 1.900 | 0.000 | 0.400 | 1.500 |
| Remaining Projects | 13.800 | 0.000 | 3.050 | 10.750 |
| Total | \$26.713 | \$1.400 | \$8.063 | \$17.250 |

- Changes:** The fiscal 2025 allowance reflects \$17.9 million less than the planned amount for fiscal 2025 due to a reduction in the transfer tax revenue. The 2024 CIP reflects an additional \$10.0 million for fiscal 2026 through 2028, increasing the planned amounts from \$12.0 million to \$22.0 million, and reflects the addition of \$22.0 million in fiscal 2029.
- Other Comments:** The fiscal 2025 budget includes funding for 24 projects in 15 jurisdictions. The largest project is \$3.0 million for the Bohemia River State Park – Phase 2 Site Improvements. Prior funding for this project helped construct the entrance, access road, and parking at Bohemia River State Park, which opened in calendar 2022. The fiscal 2025 funding will provide access to the Great Bohemia Creek and Bohemia River

KA00 – Department of Natural Resources

for kayaking and canoeing. Projects are evaluated based on current POS – State balances, acquisition projects in the POS – State pipeline, the number of projects identified to enhance public access to existing DNR-owned lands, the funding needed for those projects, and the amount of DNR capital development funds available.

- **Encumbrances and Expenditures:** The fiscal 2024 spending plan is to encumber \$26.9 million, leaving \$5.5 million unencumbered at the beginning of fiscal 2025.

Program Open Space – Greenspace Equity Program

Program Description: Chapter 487 of 2023 (Natural Resources – Greenspace Equity Program – Establishment) established the POS – Greenspace Equity Program. The purpose of program is to enhance the public health and livability of overburdened communities and underserved communities by implementing projects to preserve, create, and enhance community greenspace. Funding comes from the POS – State share, and the Governor is required to appropriate funding as follows: fiscal 2025, up to \$5.0 million; fiscal 2026, up to \$7.0 million; and fiscal 2027 and thereafter, up to \$10.0 million. DNR is required to make grants to eligible applicants for community greenspace projects located (1) in an overburdened community; (2) in an underserved community; or (3) on a property that is owned by an eligible applicant or for which the applicant holds a conservation easement and is located in a census tract adjacent to an overburdened or underserved community. The funding may also be used for (1) appraisals, environmental assessments, site clearance or development, and other due diligence expenses related to implementing a project; (2) administrative and compliance costs; and (3) stewardship projects.

| Fund Sources: | | | | | | |
|-------------------------|---------------------|---------------------|----------------|-----------------|-----------------|-----------------|
| (\$ in Millions) | 2024 Approp. | 2025 Request | 2026 | 2027 | 2028 | 2029 |
| SF | \$0.000 | \$5.000 | \$7.000 | \$10.000 | \$10.000 | \$10.000 |
| Total | \$0.000 | \$5.000 | \$7.000 | \$10.000 | \$10.000 | \$10.000 |

- **Changes:** The POS – Greenspace Equity Program is reflected for the first time in fiscal 2025. The 2024 CIP reflects the full amount of the funding authorized for the program by Chapter 487. Projects will be determined based on the applications received.
- **Other Comments:** Eligible applicants are (1) land trusts or nongovernmental organizations located or working in either an overburdened or an underserved community in which a project is proposed to be implemented and (2) a county or municipality. DNR is working on establishing the Greenspace Equity Advisory Board that is also created by Chapter 487. DNR is also developing a grant application and policies and procedures governing the program. **The Department of Legislative Services (DLS) recommends that DNR comment on the status of establishing the Greenspace Equity Advisory Board and developing the grant application and policies and procedures governing the program.**

Program Open Space – Natural Resources Development Fund

Program Description: State law allows up to 25.0% of 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 for designing and constructing development projects on DNR property. Capital development projects include shower buildings, building renovations, road parking and trail improvements, and general park improvements. In addition, the Natural Resources Development Fund provides funding for dam and bridge rehabilitations and water and wastewater projects on DNR property through the Maryland Environmental Service’s (MES) Infrastructure Improvement Fund capital program. Nonbudgeted funds come from the POS – Public Access Program and the Park System Capital Improvement and Acquisition Fund.

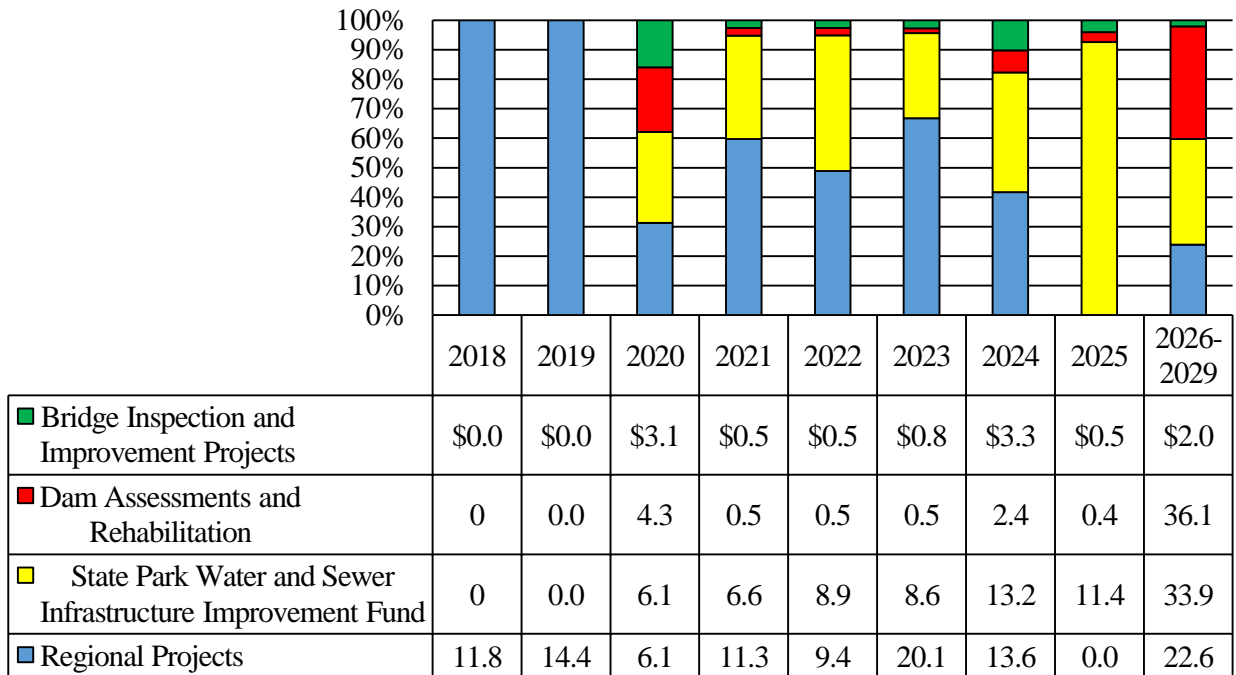
| Fund Sources: | | | | | | |
|-------------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-----------------|
| (\$ in Millions) | 2024 Approp. | 2025 Request | 2026 | 2027 | 2028 | 2029 |
| SF | \$32.485 | \$12.294 | \$17.702 | \$20.409 | \$22.994 | \$23.472 |
| FF | 0.000 | 0.000 | 0.000 | 2.000 | 0.000 | 0.000 |
| GO Bonds | 0.000 | 0.000 | 0.000 | 0.000 | 5.000 | 5.000 |
| Total | \$32.485 | \$12.294 | \$17.702 | \$22.409 | \$27.994 | \$28.472 |

| Fund Uses (\$ in Millions): | | | | |
|--|------------------|--------------------|---------------------|-----------------------|
| Project (Jurisdiction) | Est. Cost | Prior Auth. | 2025 Request | Future Request |
| State Park Water and Sewer Infrastructure Improvement Fund (Statewide) | \$84.137 | \$38.869 | \$11.386 | \$33.882 |
| Bridge Inspection and Improvement Projects (Statewide) | 8.656 | 6.156 | 0.500 | 2.000 |
| Dam Assessments and Rehabilitation (Statewide) | 44.671 | 8.163 | 0.408 | 36.100 |
| Total | \$137.464 | \$53.188 | \$12.294 | \$71.982 |

- **Changes:** The decrease in funding relative to the programmed amount for fiscal 2025 reflects the decrease in transfer tax revenues and projects associated with planned federal funds and nonbudgeted funds that are delayed. The 2024 CIP reflects reduced special funds in the out-years as a result of a downward revision in the transfer tax and the inclusion of GO bonds in fiscal 2028 and 2029.
- **Encumbrances and Expenditures:** There is still \$3.9 million to be encumbered and \$4.5 million to be expended from before fiscal 2020. The plan is to encumber \$44.6 million in fiscal 2024, which appears to be optimistic given the recent trend of encumbering approximately \$12.7 million per year between fiscal 2020 and 2023, leaving \$27.6 million for fiscal 2025.

- Projects Selected:** The fiscal 2025 spending plan provides funds for only the three statewide programs: Bridge Inspection and Improvement projects; Dam Assessments and Rehabilitation; and the State Park Water and Sewer Infrastructure Improvement Fund for projects managed by MES.
- Concerns:** As shown in **Exhibit 4**, before fiscal 2020, the Natural Resources Development Fund was used solely for new amenities on DNR-managed lands – regional projects. While there were occasional dam and bridge projects, funding was not allocated to dam or bridge programs. Then, in fiscal 2020, funding was allocated for the first-time to dedicated programs for bridge inspection and improvement projects and dam assessments and rehabilitations as well as the State Park Water and Sewer Infrastructure Improvement Fund administered by MES. Since fiscal 2020, a greater proportion of funding has been allocated to the State Park Water and Sewer Infrastructure Improvement Fund such that, in fiscal 2025, almost all of the Natural Resources Development Fund funding is allocated for that purpose. In addition, the proportion of funding for dam assessments and rehabilitations increases substantially in fiscal 2026 through 2029.

Exhibit 4
Natural Resources Development Fund Allocation by Purpose
Fiscal 2018-2029



Note: The fiscal 2026 to 2029 funding for Dam Assessments and Rehabilitation includes \$10.0 million in general obligation bonds.

Source: Department of Budget and Management

- **Other Comments:** There is a preauthorization of \$1.8 million in GO bonds in fiscal 2026 for the Elk Neck State Park – Mauldin Mountain Day Use Area Improvements, Rustic Cabins Replacement, and Shower Building Renovations project in Cecil County.

Rural Legacy Program

Program Description: The purpose of the Rural Legacy Program is to protect agricultural and natural resources land from sprawl development and thus, to promote resource-based economies and develop greenbelts. Program funds are used to purchase conservation easements on land based on Rural Legacy Areas recommended by the Rural Legacy Board and approved by the Board of Public Works.

| Fund Sources: | | | | | | |
|-------------------------|---------------------|---------------------|-----------------|-----------------|-----------------|-----------------|
| (\$ in Millions) | 2024 Approp. | 2025 Request | 2026 | 2027 | 2028 | 2029 |
| GF | \$5.444 | \$0.000 | \$0.000 | \$0.000 | \$23.339 | \$24.783 |
| SF | 27.980 | 15.329 | 17.995 | 21.698 | 0.000 | 0.000 |
| Total | \$33.424 | \$15.329 | \$17.995 | \$21.698 | \$23.339 | \$24.783 |

- **Changes:** The decrease in funding relative to the programmed amount for fiscal 2025 reflects the decrease in transfer tax revenues.
- **Encumbrances and Expenditures:** There is no funding to be encumbered or to be expended from before fiscal 2020. The spending plan is to encumber the fiscal 2024 \$33.4 million appropriation, leaving no funding for fiscal 2025. The program has encumbered \$20.8 million on average between fiscal 2020 and 2023.
- **Performance Measures:** The Rural Legacy Program has funded approximately 19% of the grant amounts requested since the program’s inception.
- **Other Comments:** The fiscal 2025 cost per acre for the Rural Legacy Program is estimated to be \$4,500, which would allow for the preservation of approximately 3,406 acres.

Ocean City Beach Maintenance

Program Description: The Ocean City Beach Maintenance Fund was established to fund annual maintenance for the Ocean City beach replenishment project. When the fund was established, the State entered into a funding agreement with Worcester County and Ocean City. The funding agreement stipulates that the following amounts be provided annually: not less than \$1.0 million from the State; and not less than \$500,000 each from the county and the city. Periodic nourishment, usually on a four-year cycle, is deemed the most cost-effective method of maintaining the beach over a 50-year period, with the costs usually shared as 53% federal and 47% State, Worcester County, and Ocean City. Transfer tax revenue within POS or GO bonds are used to fund the State’s contribution to this effort.

| Fund Sources: | | | | | | |
|-------------------------|-------------------------|-------------------------|----------------|----------------|----------------|----------------|
| (\$ in Millions) | 2024 Approp. | 2025 Request | 2026 | 2027 | 2028 | 2029 |
| SF | \$2.000 | \$2.000 | \$2.000 | \$2.000 | \$2.000 | \$2.000 |
| Total | \$2.000 | \$2.000 | \$2.000 | \$2.000 | \$2.000 | \$2.000 |

- **Encumbrances and Expenditures:** There is still \$0.3 million to be encumbered and \$1.6 million to be expended from before fiscal 2020. The spending plan reflects an opening balance of \$5.9 million for fiscal 2024, the addition of the \$2.0 million in State and local funding, and \$1.5 million in encumbrances, presumably for the new three-year maintenance contract being negotiated in fiscal 2024, which leaves \$6.4 million available for fiscal 2025.
- **Projects Selected:** While not reflected in the supporting material for the program, funding will be spent as part of the three-year annual maintenance contract.
- **Performance Measures:** DNR has placed approximately 13.3 million cubic yards of sand on the Ocean City shoreline. According to the U.S. Army Corps of Engineers (USACE), the protective beach, dunes, and bulkhead prevented approximately \$1.5 billion in potential storm damages to the Ocean City infrastructure from Hurricane Sandy.
- **Other Comments:** The next planned beach replenishment project is scheduled for fiscal 2026. The total estimated project cost is \$18 million, which would require a State contribution of approximately \$9.5 million based on the State’s 53% portion of the total project cost shared with USACE. The fiscal 2026 beach replenishment project will reduce the Ocean Beach Maintenance Fund’s unencumbered balance considerably.

Waterway Improvement Program

Program Description: The Waterway Improvement Program finances projects to expand and improve public boating access throughout the State. The 5.0% excise tax paid on the sale of motorized vessels within the State and 0.5% of the motor vehicle fuel tax support the fund. Funding is provided in the form of grants and/or long-term, interest-free loans to local governments, DNR, and some federal government agencies: (1) grants (100.0%) not to exceed \$5,000; (2) grants (100.0%) less than \$100,000; (3) public navigation improvement and DNR boating facility construction grants (100%) of unlimited amounts; (4) matching grants with a maximum State cost-share (50%); and (5) interest-free loans (100%) with a 25-year maximum. Additional funding specifications are provided for dredging/navigation projects and boating access facility and boating safety projects.

| Fund Sources: | | | | | | |
|-------------------------|-------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| (\$ in Millions) | 2024 Approp. | 2025 Request | 2026 | 2027 | 2028 | 2029 |
| SF | \$13.500 | \$21.500 | \$21.500 | \$21.500 | \$16.000 | \$16.000 |
| FF | 2.500 | 2.500 | 2.500 | 2.500 | 2.500 | 2.500 |
| Total | \$16.000 | \$24.000 | \$24.000 | \$24.000 | \$18.500 | \$18.500 |

| Fund Uses (\$ in Millions): | | | | |
|--|----------------------|------------------------|-------------------------|---------------------------|
| Project (Jurisdiction) | Est. Cost | Prior Auth. | 2025 Request | Future Request |
| U.S. Fish and Wildlife Service Boating Access Projects (Statewide) | \$2.500 | \$0.000 | \$2.500 | \$0.000 |
| Somers Cove Marina – Bulkhead Replacement and Site Improvements (Somerset County) | 2.000 | 0.000 | 2.000 | 0.000 |
| Statewide – Emergency Dredging and Navigation Needs (Statewide) | 1.516 | 0.000 | 1.516 | 0.000 |
| Choptank Marina Seawall and Marina Restoration (Caroline County) | 1.353 | 0.000 | 1.353 | 0.000 |
| Smallwood State Park – Sweden Point Marina Improvements (Charles County) | 1.000 | 0.000 | 1.000 | 0.000 |
| Janes Island Boat Ramp and Repairs and Transient Slip Improvements (Somerset County) | 1.000 | 0.000 | 1.000 | 0.000 |
| Pocomoke River State Park – Shad Landing Marina Services Building Renovations (Worcester County) | 1.000 | 0.000 | 1.000 | 0.000 |
| Remaining Projects | 13.631 | 0.000 | 13.631 | 0.000 |
| Total | \$24.000 | \$0.000 | \$24.000 | \$0.000 |

- **Changes:** The funding plan for the Waterway Improvement Program has changed as a result of the large fund balance in the Waterway Improvement Fund, which supports the

KA00 – Department of Natural Resources

program. The large balance is due to vessel excise tax revenues accrued during the COVID-19 pandemic because of increased boat sales. The fiscal 2025 through 2027 planned amounts have been increased by \$8.0 million in special funds for each year, and the fiscal 2028 and 2029 appropriations have been increased by \$2.5 million in special funds for each year.

- ***Encumbrances and Expenditures:*** There is still \$6.4 million to be encumbered and \$5.1 million to be expended from before fiscal 2020. The program is encumbering about \$12.5 million per year. The spending plan reflects \$22.9 million from fiscal 2023 plus the \$16.0 million in fiscal 2024 appropriation for a total of \$38.9 million. Of this amount, the plan is to encumber \$16.0 million, leaving \$22.9 million for fiscal 2025.
- ***Projects Selected:*** The fiscal 2025 project list includes \$0.3 million for the State match for federal Boating Access and Boating Infrastructure Grants.
- ***Concerns:*** The updated current year project list is usually provided as part of the budget supporting materials. This information was not provided for the fiscal 2024 projects. **DLS recommends that DNR provide the updated fiscal 2024 project list.**
- ***Other Comments:*** As noted in last year’s analysis, vessel excise tax revenues were \$37.3 million in fiscal 2021 and \$36.8 million in fiscal 2022 after averaging approximately \$21.2 million annually over the preceding five-year period. These increased revenues were not reflected in either DNR’s operating budget or the 2023 CIP for the Waterway Improvement Program but are now reflected in the 2024 CIP. The increased funding will be used for previous capital boating projects that went unfunded as well as to address inflationary-related project cost escalation and the need to incorporate costs related to climate change and resilience into future projects. The fiscal 2025 allowance supports 57 projects in 15 jurisdictions and 6 statewide projects. The federal funds are from the Federal Boating Infrastructure Grants and Sport Fish Restoration Boating Access Grants.

Community Parks and Playgrounds

Program Description: The program provides flexible grants to municipalities and Baltimore City (counties are no longer eligible) to (1) rehabilitate, expand, improve, or maintain existing parks; (2) purchase land to create new parks; (3) develop new parks; (4) purchase and install playground equipment in urban neighborhoods and rural areas throughout the State; or (5) be used for environmentally oriented parks and recreation projects. While land acquisition costs are considered, highest priority is given to capital costs that are associated with park and playground development and improvement. The projects should be consistent with the local Land Preservation and Recreation Plan.

| Fund Sources: | | | | | | |
|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| (\$ in Millions) | 2024 Approp. | 2025 Request | 2026 | 2027 | 2028 | 2029 |
| GO Bonds | \$2.500 | \$5.000 | \$5.000 | \$5.000 | \$5.000 | \$5.000 |
| Total | \$2.500 | \$5.000 | \$5.000 | \$5.000 | \$5.000 | \$5.000 |

| Fund Uses (\$ in Millions): | | | | |
|--|----------------|----------------|----------------|----------------|
| Project (Jurisdiction) | Est. Cost | Prior Auth. | 2025 Request | Future Request |
| Keedysville – Taylor Park New Multi-use Sports Court (Washington County) | \$0.353 | \$0.000 | \$0.353 | \$0.000 |
| Rising Sun – Triangle Dog Park and Trails Improvements (Cecil County) | 0.300 | 0.000 | 0.300 | 0.000 |
| Westminster – Tahoma Farm Park Improvements Phase II (Carroll County) | 0.299 | 0.000 | 0.299 | 0.000 |
| Centreville – Wharf Park Improvements (Queen Anne’s County) | 0.281 | 0.000 | 0.281 | 0.000 |
| Chestertown – Carpenter Park Playground Improvements (Kent County) | 0.264 | 0.000 | 0.264 | 0.000 |
| Remaining Projects | 3.503 | 0.000 | 3.503 | 0.000 |
| Total | \$5.000 | \$0.000 | \$5.000 | \$0.000 |

- **Encumbrances and Expenditures:** There is \$0 to be encumbered and \$1.1 million to be expended from before fiscal 2020. The fiscal 2024 spending plan reflects \$0.3 million in available balance from fiscal 2023, \$2.5 million in new fiscal 2024 authorization, \$2.8 million in fiscal 2024 encumbrances, and approximately \$21,000 available as a result of reversions from two projects that came in under budget, leaving approximately \$60,000 for fiscal 2025. The program has encumbered \$3.9 million on average between fiscal 2020 and 2023.
- **Performance Measures:** The program has funded approximately 37% of the total project funding requested between fiscal 2002 and 2024.
- **Other Comments:** The fiscal 2025 allowance would fund 30 projects in 16 jurisdictions.

Oyster Restoration Program

Program Description: The Oyster Restoration Program provides funding to construct and rehabilitate oyster bar habitats and provide for aquaculture infrastructure improvements. Funding is guided by Maryland’s oyster plan, which includes goals to rehabilitate oyster bar habitats that were identified in a best oyster bar survey conducted in fall 2009 and to increase commercial oyster production by aquaculture. In addition, Maryland is guided by the Chesapeake Bay Agreement, which has the goal to restore native oyster habitats and populations in 10 tributaries by calendar 2025 and ensure their protection. The five sanctuaries picked to meet the Chesapeake Bay Watershed Agreement goal of restoring five tributaries each in the Maryland and Virginia area are Harris Creek (completed), Little Choptank River, Manokin River, Tred Avon River, and Upper St. Mary’s River.

| Fund Sources: | | | | | | |
|-------------------------|-------------------------|-------------------------|----------------|----------------|----------------|----------------|
| (\$ in Millions) | 2024 Approp. | 2025 Request | 2026 | 2027 | 2028 | 2029 |
| GO Bonds | \$1.961 | \$2.460 | \$4.032 | \$0.589 | \$5.000 | \$5.000 |
| Total | \$1.961 | \$2.460 | \$4.032 | \$0.589 | \$1.517 | \$1.517 |

| Fund Uses (\$ in Millions) | | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|--|
| Project | 2025 | 2026 | 2027 | 2028 | 2029 | |
| Manokin River – Initial Seeding | \$1.140 | \$2.712 | \$0.000 | \$0.000 | \$0.000 | |
| Manokin River – Second Seeding | 0.000 | 0.000 | 0.269 | 1.197 | 1.197 | |
| Small Sanctuaries | 0.300 | 0.300 | 0.300 | 0.300 | 0.300 | |
| Marylander’s Grow Oysters | 0.020 | 0.020 | 0.020 | 0.020 | 0.020 | |
| Eastern Bay | 1.000 | 1.000 | 0.000 | 0.000 | 0.000 | |
| Total | \$2.460 | \$4.032 | \$0.589 | \$1.517 | \$1.517 | |

- Changes:** The fiscal 2025 funding is \$2.4 million less than the originally planned amount because of a revised estimate of the number of acres to be constructed in the Manokin River sanctuary and some reefs not needing a second seeding to meet restoration goals. The 2023 CIP programmed \$1.0 million each year between fiscal 2025 and 2028 for the Eastern Bay restoration project as mandated by Chapters 30 and 574 of 2022 (Natural Resources – Oysters – Spat, Shells, and Substrate). However, Chapters 30 and 574 specify that funding provided for the activities in Eastern Bay after fiscal 2026 is contingent on a five-year evaluation of the effectiveness of oyster replenishment, restoration, and aquaculture activities. Therefore, the 2024 CIP does not reflect any funding for Eastern Bay beyond fiscal 2026. A revision in the number of acres needing restoration in the Manokin River and the timing of the initial and second-year seedings increases the fiscal 2026 recommendation from \$2.1 million to \$4.0 million.

KA00 – Department of Natural Resources

- ***Encumbrances and Expenditures:*** There is approximately \$2,000 to be encumbered from before fiscal 2020 and \$1.6 million to be expended. The fiscal 2024 spending plan reflects \$1.7 million in beginning balance from fiscal 2023, the fiscal 2024 appropriation of \$2.0 million, and the encumbering of \$3.6 million in fiscal 2024, leaving a \$0 balance at the end of fiscal 2024. The program has been able to encumber \$7.0 million on average between fiscal 2020 and 2023, including \$12.0 million in fiscal 2022 and \$12.4 million in fiscal 2023.
- ***Projects Selected:*** The fiscal 2025 funding supports the following: \$1.1 million for initial oyster spat seeding in 133 acres of the Manokin River; \$1.0 million for Eastern Bay restoration activities to plant oyster seed as part of constructing restored oyster reefs in sanctuaries; \$0.3 million for seeding 15 acres of sanctuaries outside the five large-scale restoration projects; and \$20,000 for the Marylanders Grow Oysters Program.
- ***Performance Measures:*** The U.S. Department of Commerce – National Oceanic and Atmospheric Administration’s National Marine Fisheries Service’s 2021 Maryland Oyster Monitoring Report notes that four out of the six oyster metrics success criteria were monitored in fall 2021; reef height and reef footprint were not measured due to COVID-19-related restrictions. The vast majority of reefs monitored met the four criteria measured: oyster density; oyster biomass; multiple-year classes; and shell budget. This follows the vast majority of reefs monitored, meeting the criteria from fall 2015 through calendar 2021. Overall, 99% of six-year-old restored reefs met at least the minimum threshold oyster density and biomass, and 83% met the higher target density and biomass.
- ***Other Comments:*** The Harris Creek sanctuary is now considered fully successfully restored. In terms of the overall oyster population in the Chesapeake Bay, the oyster biomass index decreased from 2.69 in fiscal 2022 to 2.37 in fiscal 2023, although DNR notes that these are the second- and third-highest values, respectively, on record since fiscal 1993 and are well above the average biomass for the time series. In addition, the spatfall intensity index of 86.8 spat, or juvenile oysters, per bushel was nearly four times the 39-year median of 23.6 spat per bushel and the fifth-highest index in that timeframe. There does not appear to have been any progress on the plan to dredge Man O’War Shoals for oyster shells. Governor Wes Moore created Maryland’s Oyster Shell and Substrate Taskforce by an executive order signed July 20, 2023. The task force is required to submit a report on recommendations for achieving a positive oyster shell and substrate environment by December 1, 2024. **DLS recommends that DNR comment on the status of Maryland’s Oyster Shell and Substrate Taskforce.**

Issues

1. Capital Funding Spending Delayed

HB 228 and SB 259 (Natural Resources – Maryland State Parks – Funds and Plan Alterations) have been introduced in the 2024 session. The departmental bills grant additional flexibility to DNR in spending funds allocated to the department under Chapter 39 as follows:

- extends the deadline by which DNR must spend the \$70.0 million in the Park System Critical Maintenance Fund from July 1, 2026, to July 1, 2029;
- expands the purposes and authorized uses of the Park System Capital Improvements and Acquisition Fund to include projects on any DNR-managed lands and expands the Great Maryland Outdoors Fund to support outdoor environmental education opportunities in Maryland; and
- extends the deadline for DNR to develop and publish a comprehensive long-range strategic plan for the State park system by one year from December 1, 2023, to December 1, 2024.

Ostensibly, the Park System Critical Maintenance Fund spending deadline has been extended because DNR will not be able to use all of the \$70 million to reduce the critical maintenance backlog by the end of fiscal 2026. The expansion of the Park System Capital Improvements and Acquisition Fund to include all DNR-managed lands, not just Maryland Park Service (MPS) managed lands, would help support the infrastructure needs of other DNR units, such as the Forest Service, Wildlife and Heritage Service and Fishing and Boating Services. DNR notes that the comprehensive long-range strategic plan is being delayed so that it can be developed with the updated Maryland Land Preservation and Recreation Plan.

There is no formal deadline for the development of an electronic asset management system for DNR's infrastructure, which is to be developed in coordination with the Department of General Services. Therefore, HB 228 and SB 259 are silent on its development. DNR notes that it is in contact with partners to determine which systems have worked and which have not. While getting the system right is important, MPS needs the system now to be able to address its capital infrastructure development and maintenance needs.

DNR notes that, depending on staffing levels, it currently anticipates encumbering \$10 million to \$15 million from the Park System Critical Maintenance Fund in fiscal 2025, \$30 million to \$35 million in fiscal 2026, and the remaining \$30 million to \$40 million of the \$70 million thereafter. However, it appears highly unlikely that DNR will be able to reach this level of encumbrance activity, especially in fiscal 2026, given DNR's recent encumbrance history for the Critical Maintenance Program of \$5.8 million per year between fiscal 2019 and 2022. In addition, HB 228 and SB 259 delay the Park System Critical Maintenance Fund spending deadline until the end of fiscal 2029.

The Park System Critical Maintenance Fund funding is not the only large infusion of funding for DNR’s critical maintenance work in recent years. The fiscal 2023 Budget Bill appropriated \$100.0 million in general funds in the DPA for Facilities Renewal – State Agencies, with an allocation of \$25.0 million of this \$100.0 million for DNR for critical maintenance. This funding in the DPA, if not spent, reverts to the Revenue Stabilization Account four years after the end of the fiscal year for which the appropriation was made. Given the large amount of funding for critical maintenance provided by Chapter 39 through the Park System Critical Maintenance Fund, DNR’s recent encumbrance schedule for critical maintenance funding, HB 228 and SB 259 pushing out the deadline for the spending of this funding, and the four-year lifespan of the funding in the DPA, it is highly unlikely that DNR will be able to spend the \$25.0 million in the DPA on critical maintenance. **DLS recommends that the General Assembly adopt a Budget Reconciliation and Financing Act provision transferring \$25.0 million from the DPA to the General Fund in fiscal 2024, attributable to the fiscal 2023 appropriation for the Facilities Renewal – State Agencies allocation to DNR for critical maintenance.**

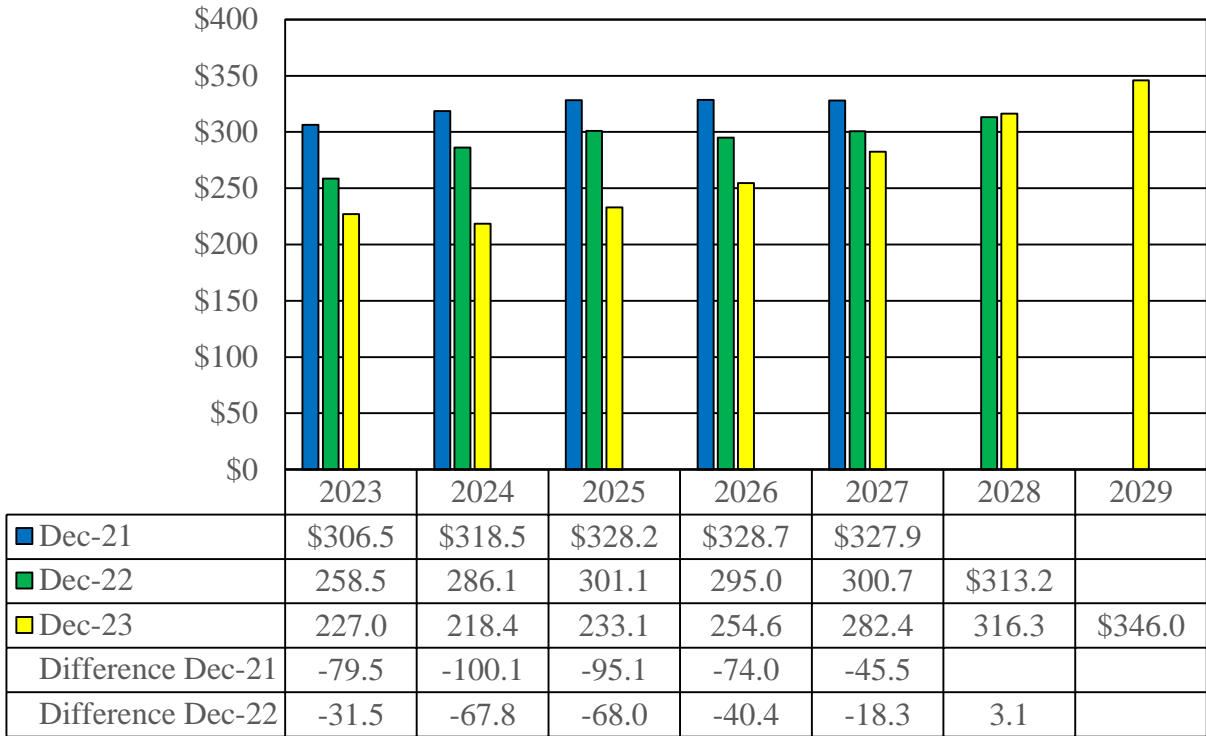
2. Land Preservation and Recreation Plan Delayed

The Maryland Land Preservation and Recreation Plan is required to be developed every five years as part of the receipt of federal Land and Water Conservation Fund funding and is used to identify issues impacting outdoor recreation and natural resource protection in Maryland. The last plan covered the calendar 2019 to 2023 time period. The new plan was originally scheduled to be completed by the end of calendar 2023 but has since been delayed due to procurement challenges. The procurement challenges appear to be related to the cost associated with a larger sample size for the detailed survey of Marylanders’ outdoor recreation habits and needs. DNR notes that NPS has approved a one-year extension until March 31, 2025, and that the plan is currently out to bid.

Every five years, the counties are required to submit a Land Preservation, Parks, and Recreation Plan. This submission is a prerequisite for county participation in the POS program and helps inform both the Maryland Land Preservation and Recreation Plan and the county land acquisition goals. DNR evaluates each of the county Land Preservation, Parks, and Recreation Plans to determine whether counties have met their land acquisition goals and, thus, are eligible to use a greater percentage of their POS – Local funding for development projects. In the past, a default metric of 30 acres of open space per 1,000 residents was used to determine whether counties met their land acquisition goal. An analytical methodology that includes user demand, population density, and land and facility distribution began to be used with the calendar 2017 Land Preservation, Parks, and Recreation Plans and is also a requirement of the calendar 2022 plans. This methodology enables a greater understanding of the spatial distribution of conserved lands in terms of both proximity to population centers and equity as it relates to serving underserved populations. **Appendix 3** reflects the status of counties and Baltimore City meeting the land acquisition goal metric based on proximity and equity for the calendar 2012, 2017, and 2022 Land Preservation, Parks, and Recreation Plans. **DLS recommends that DNR comment on the reasons for the delay in the timely completion of the Maryland Land Preservation and Recreation Plan, the status of the request for bids for the plan, and the timing of the comprehensive**

long-range strategic plan that is anticipated to be completed in the same timeframe and to be informed by the plan.

Appendix 1
Transfer Tax Revenue Estimates
Fiscal 2023-2029
(\$ in Millions)



Note: The fiscal 2023 amount for the December 2023 estimate – \$227.0 million – reflects the actual revenues.

Source: Department of Budget and Management

Appendix 2
Program Open Space – Local Distribution
Fiscal 2023-2025

| <u>Jurisdiction</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|---------------------|---------------------|---------------------|---------------------|
| Allegany | \$912,017 | \$993,046 | \$360,423 |
| Anne Arundel | 9,918,697 | 10,871,713 | 3,896,115 |
| Baltimore City | 12,525,976 | 17,223,945 | 12,611,840 |
| Baltimore County | 11,145,428 | 12,164,833 | 4,396,664 |
| Calvert | 990,473 | 1,076,333 | 387,608 |
| Caroline | 431,843 | 469,768 | 169,945 |
| Carroll | 2,218,579 | 2,414,703 | 872,595 |
| Cecil | 1,144,830 | 1,254,188 | 450,623 |
| Charles | 2,022,402 | 2,240,661 | 799,456 |
| Dorchester | 370,586 | 406,596 | 148,465 |
| Frederick | 2,386,078 | 2,592,988 | 938,484 |
| Garrett | 466,599 | 507,148 | 184,115 |
| Harford | 3,306,314 | 3,583,155 | 1,296,787 |
| Howard | 5,838,350 | 6,366,459 | 2,295,228 |
| Kent | 279,932 | 304,409 | 109,640 |
| Montgomery | 14,758,551 | 16,211,671 | 5,821,255 |
| Prince George’s | 12,606,444 | 13,218,796 | 4,772,889 |
| Queen Anne’s | 611,281 | 660,534 | 240,889 |
| St. Mary’s | 1,121,990 | 1,220,906 | 442,550 |
| Somerset | 265,260 | 288,984 | 104,921 |
| Talbot | 639,375 | 691,824 | 249,650 |
| Washington | 1,746,741 | 1,915,701 | 686,847 |
| Wicomico | 1,158,851 | 1,264,251 | 459,391 |
| Worcester | 1,142,829 | 1,247,376 | 450,209 |
| Total | \$88,009,426 | \$99,189,988 | \$42,146,589 |

Note: The Baltimore City funding reflects the Baltimore City Direct Grant funding in the POS – State share allocation as follows: \$6.0 million for fiscal 2023; and \$10.0 million for fiscal 2024 and 2025.

Appendix 3
County Land Acquisition Goal Attainment Status under
Land Preservation, Parks, and Recreation Plans
Calendar 2012, 2017, and 2022

| <u>Jurisdiction</u> | <u>2012</u> | <u>2017</u> | <u>2022</u> |
|---------------------|-------------|-------------|-------------|
| Allegany | Met | Met | Met |
| Anne Arundel | Not Met | Not Met | Not Met |
| Baltimore City | N/A | N/A | Met |
| Baltimore County | Not Met | Not Met | Not Met |
| Calvert | Not Met | Not Met | Met |
| Caroline | Met | Met | Met |
| Carroll | Met | Met | Met |
| Cecil | Not Met | Met | Met |
| Charles | Not Met | Not Met | Not Met |
| Dorchester | Met | Met | Met |
| Frederick | Met | Not Met | Met |
| Garrett | Met | Met | Met |
| Harford | Not Met | Not Met | Not Met |
| Howard | Not Met | Not Met | Met |
| Kent | Met | Met | Met |
| Montgomery | Not Met | Not Met | Not Met |
| Prince George’s | Not Met | Not Met | Met |
| Queen Anne’s | Met | Met | Met |
| Somerset | Met | Met | Met |
| St. Mary’s | Not Met | Met | Met |
| Talbot | Met | Met | Met |
| Washington | Met | Met | Met |
| Wicomico | Met | Met | Met |
| Worcester | Met | Met | Met |

Note: While the attainment status does not apply to Baltimore City, DNR notes that Baltimore City met its land acquisition goals in the calendar 2022 Land Preservation, Parks, and Recreation Plan, based on user demand, population density, and land and facility distribution.

Source: Department of Natural Resources