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Maryland Department of Natural Resources
Fiscal Year 2017 Operating Budget
Response to Department of Legislative Services Analysis

House Appropriations Committee
House Transportation and the Environment Subcommittee
Delegate Tawanna P. Gaines, Chair
March 3, 2016

Senate Budget and Taxation Committee
Senate Public Safety, Transportation, and Environment
Senator James E. DeGrange, Sr., Chair
March 4, 2016

Recommended Actions (page 34)

1. Reduce funding for vehicles in Natural Resources Police – Field Operations. The fiscal 2017 allowance includes an increase of \$765000 for new vehicle purchases in the Natural Resources Police – Field Operations. This reduction reflects a more measured increase in funding for this purpose.

Amount Reduced
\$382, 500 GF

Agency Response: Oppose.

The Natural Resources Police (NRP) conducted a strategic assessment of its vehicle fleet in 2014, and continues to update vehicle planning each fiscal year. Properly running vehicles are a critical component for natural resource law enforcement. The analysis concluded we should replace 45 vehicles annually, providing for a six year turnover of the fleet. This would allow the agency to minimize repair costs for older vehicles. Analysis of maintenance and repair costs of the NRP patrol vehicle fleet, revealed the following:

- The average yearly mileage on an NRP patrol vehicle is 25,000 miles.
- The average repair and maintenance cost for a NRP patrol vehicle from new to 150,000 miles is 3 cents per mile. NRP currently has 139 vehicles in this category.
- The average repair and maintenance cost for an NRP patrol vehicle having 150,000+ miles is 9 cents per mile. NRP currently has 133 vehicles in this category. 71 of these units will have over 200,000 miles by FY 2017.

- The data suggests that to achieve maximum fiscal efficiency vehicles should be replaced upon achieving 150,000 miles, or approximately every 6 years.

Despite an aggressive maintenance schedule, engine and transmission failures are becoming commonplace, and, in many cases, repair costs exceed the value of the vehicle. In FY 2015, NRP was able to purchase only 22 vehicles, and in FY 2016 only 26. Both years fall well below the 45 vehicles needed annually to address the agency vehicle deficiency. To catch-up with the deferred replacements of the past several years, the FY 2017 allowance provides for \$1.4 million for vehicle purchase, which would allow 55 units to be replaced.

The reduction proposed by DLS (\$382,500) would reduce the number of vehicles replaced by 12, and not allow the agency to achieve the desired replacement schedule and result in much higher repair costs. Once a patrol vehicle reaches 150,000 miles, the cost to maintain the vehicle triples over the next 50,000 miles. Any reduction in funding for this critical equipment will impact the agency's ability to provide public safety and natural resources protection services, as well as, cause an undue fiscal burden for repair and maintenance of vehicles that have far exceeded their life expectancy.

2. Add the following language to the special fund appropriation:

, provided that \$250,000 of this appropriation made for the purposes of providing funding to the Maryland Energy Administration for administrative and fiscal support for studies relating to the conservation or production of electric energy shall be reduced contingent upon the enactment of SB 389 or HB 459 repealing the requirement to provide support to the Maryland Energy Administration.

Agency Response: Concur

Issues:

DLS recommends that DNR comment on the long-term impact of funding the Power Plant Assessment Program with Strategic Energy Investment Fund revenues and the rationale for reducing angler and coastal sport fishing license fees in fiscal 2018 given the recent effort to make the Fisheries Service more self-sufficient through cost recovery. (page 23)

Power Plant Assessment Program

The shift to Strategic Energy Investment Fund (SIEF) revenues for funding the Power Plant Assessment Program will offer greater short term stability and address one of the Governor's key priorities of reducing the tax burden on Maryland's citizens. Proceeds from the Regional Greenhouse Gas Initiative (RGGI) are the primary funding source for SEIF. Over the most recent complete six year period (2009 - 2014), Maryland RGGI proceeds have ranged from approximately \$33M to \$107M, with an average of approximately \$61M annually. Therefore, there is adequate revenue to meet the Power Plant Assessment Program's needs over the long-term.

Fisheries Service

The rationale for reducing angler and coastal sport fishing license fees in FY 2018 are to follow up on the Governor's promise to continue to roll back Maryland's high fees and put money back into the pockets of Maryland families and businesses.

DLS recommends that DNR comment on the status of pursuing the revenue opportunities noted in the Land Preservation Workgroup report requested by the budget committees in the 2015 Joint Chairmen's Report. DLS also recommends that DNR comment on how full-service cabin, mini-cabin, individual and group camping site, electrical hookup, and park day use fees can be reduced. (page 27)

DNR has given consideration to a variety of revenue generation strategies to help ensure the unit's short and long-term financial sustainability. A demand-based pricing plan has helped make parks affordable for basic recreation services such as hiking, picnicking and tent camping. Customer satisfaction remains extremely high, including the perceived value of the State Park services and experience provided.

There is unprecedented demand for Maryland State Parks. Park visitation increased from 11.2 million in 2014 to over 12 million in 2015. During the summer of 2015, 15 State Parks filled to capacity 122 times and campground and cabin inventory was sold out. Also, additional State parks have been established in recent years, including Cypress Branch NRMA and Belt Woods NEA. This strong demand for services has prompted a meaningful increase in staff workload and additional strain on already limited resources such as vehicles, supplies, and equipment.

A five-year plan for seeking to address the demands on State Parks was developed, but not fully implemented, three years ago. The Maryland Park Service and Department of Budget and Management released a Five-Year Strategic Plan in January 2013 that identified priority funding needs for investment in State Park operations and maintenance in fiscal 2014-2017. The Five-Year Strategic Plan elaborated upon and updated recommendations contained in a 2007 reported entitled "Maryland State Parks Funding Study: A Plan to Fully Fund the Operations of the Maryland Park Service." The Five-Year Strategic Plan also discussed park system operations and management, the use of nationally-recognized best management practices within the park system, and presented a sustainable, five-year resource plan. Specific recommendations in the plan included additional funding for 70 permanent positions and additional seasonal positions, new vehicles, supplies, and equipment. Recommendations also addressed capital infrastructure, including developing strategic plans to reduce the critical maintenance backlog, prioritize and fund restoration of historic sites, and integrate energy efficiency and alternative energy facility improvements.

The Five-Year Strategic Plan assumed that \$26.9 million increased transfer tax revenue would be available in fiscal 2014-2017 to help fund implementation. However, transfer tax revenues experienced a decline in recent years, severely limiting implementation of the Plan. The fiscal 2016 and 2017 transfer tax allocations to park operations are \$8.6 million less than the plan anticipated. In fiscal 2015, MPS did allocate some new funding for seasonal staff, and \$1.8

million to replace vehicles, supplies and heavy equipment; however, no additional permanent staff positions have been established as the plan recommended.

DNR is not investigating a reduction in fees associated with cabin rentals and camp sites, as these fees reflect a user-pay pricing approach that is reasonable for these special services. In addition, it is important to note that 31 cabins are being upgraded during the 2014-2016 period and there has been no concurrent increase in rental rates. Due to the significant demands on State Parks as well as the limited resources allocated to meet these demands in recent years and recent fluctuations in transfer tax revenues, the fiscal 2017 budget depends on attainment of robust State Park fee revenue. However, the Maryland Park Service will continue to investigate options for extending the value of existing fees, as Governor Hogan did in September 2015 by extending Golden Age Pass benefits to include free boat launch.

DLS recommends that DNR comment on how it will be using the Genuine Progress Indicator to measure the relative economic, environmental, and social benefits of the Cannery Project, whether the use of the Genuine Progress Indicator will have implications for future project selection; and any preliminary information about the cost-effective nonpoint source project competitive solicitation responses received to date. (page 33)

1) Community green space enhancement is a key factor in building and maintaining beautiful, livable and prosperous communities. Aspects of the GPI will be used as a framework to conduct an economic analysis and develop benchmark measures for creating and enhancing green space as part of the Cannery Park community development project in Cambridge. The Department has provided funding for park land acquisition through Program Open Space and an associated urban stream restoration project through the Chesapeake and Atlantic Coastal Bays Trust Fund. The project has also attracted additional federal and non-profit partners. The 6.6 acre park will provide many benefits to Cambridge and is located adjacent to a 60,000 sf historic building in need of revitalization as well as being located within walking distance of a part of the town underserved by park space. The park will host a community garden which will serve regional food hub interests and will provide an opportunity to tell the story of Cambridge's industrial past. It could also become a trailhead for a rails-to-trails system as it has a historic rail line running through the property. The restoration project affords a unique opportunity to improve water quality in an urban context. Although not funded by the Department, the park plan has led to a great deal of interest in adaptive reuse of the factory, according to Cambridge City Planner, Anne Roane, which could trigger economic development, in addition to the recreational and environmental benefits. We are evaluating our investments in this project, including the leverage of additional public and private investments, by identifying specific GPI factors, pulled from the combined array of 26 economic, environmental and social indicators that are most relevant to the project scope. Locally derived data will be used to quantify the relevant GPI factors as a baseline before the project is initiated, and then to evaluate the economic, environmental and social benefits of the project following its completion. This pilot project, using the GPI framework, will be branded as the DNR Community Enhancement Tool for use in future projects.

2) The Department is interested in identifying additional community enhancement projects that will combine multiple funding sources and leverage partnerships for green space improvement.

Because the Tool development is in its pilot stage and requires the use of locally relevant data, our intentions for its use are to measure the impact of State investment on communities once a project has been selected. It may be possible in the future to develop a rapid screening approach to assist in the selection of future community investment projects but, currently, that application is premature. In addition, the tool can be made available to local partners for analysis of green space development and enhancement investments.

Currently, the Department's non-point source project decision making process is annually reviewed by a Scientific Advisory Panel and is based on achieving the greatest environmental benefit for every dollar spent and allows the flexibility necessary to take advantage of constantly changing conditions, opportunities and scientific developments. It is this singular focus on reducing non-point source pollution using an adaptive decision-making system, which guides investment processes, that has made the Trust Fund one of the most forward-thinking water quality financing programs in the region and across the country. A rapid screening version of the Tool, as described above, could certainly assist in make decisions between two comparable projects.