



Larry Hogan, Governor
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**Maryland Department of Natural Resources
Fiscal Year 2019 Capital Budget
Response to Department of Legislative Services Analysis**

Senate Budget and Taxation Committee
Senate Capital Budget Subcommittee
Senator James E. DeGrange, Sr., Chair
February 27, 2018

House Appropriations Committee
House Capital Budget Subcommittee
Delegate Adrienne A. Jones, Chair
February 28, 2018

Issues

1. The Department of Legislative Services (DLS) recommends that the Department of Natural Resources (DNR) comment on what an entity like the Rhode Island Infrastructure Bank would look like in Maryland, and the financial calculations that support and incentivize investment in resilience projects and programs (page 31).

Agency Response: In regard to resilience, as an environmental, community development, and financing issue, resilience represents perhaps the most complex and all-encompassing infrastructure challenge in history. Achieving resilience will require an equally all-encompassing financing effort, and the state—led by the department — will be instrumental in establishing that financing effort. Regardless of what an “entity” could look like - what’s important is that the state serve a catalytic role in incentivizing investment in resiliency thereby making outside investment more impactful and immediate. Though the private sector is essential to the process, it is state and local governments that will ultimately be held responsible, and thus they will continue to lead the effort and serve as primary investors for the foreseeable future. However, to make sure these investments incentivize the flow of private capital, public investments should be structured so they are consistent with what the private sector needs in order to participate fruitfully. So regardless of what it would look like, it will be important that the financing system has the capacity to: pool, hold, and leverage revenue; is based on science and; has the ability to target investments to the best projects, not just ones that are ready for funding in a given budget cycle. The department’s work with the University of Maryland that began in 2017 to develop and

pilot a “Resilience Finance Stress Test” will help state leaders to evaluate and better understand the options, structures and unique opportunities needed for financing resiliency at scale.

2. DLS recommends that DNR comment on the optimal staffing levels within DNR and the Department of General Services (DGS) in order to complete the planned Critical Maintenance Program and Natural Resources Development Fund projects. (page 31).

Agency Response: DNR anticipates that current staffing levels are adequate to meet the needs of the Critical Maintenance and Natural Resources Development Fund programs. However, DNR will continue to re-evaluate staffing needs in out-years to determine if changes are needed. DNR is also utilizing alternative external methods of supporting the needs of the Programs. This includes combining multiple paving projects into regional contracts to achieve efficiencies and reduce costs, and subcontracting infrastructure utility projects to the MD Environmental Service who specializes in this type of work.

DNR is aware that additional transfer tax funding has been allocated to DGS to meet their critical maintenance needs, but defers to the Department of General Services for comment on staffing concerns.

3. DLS recommends that DNR comment on the timeline for the restoration of the Breton Bay and the St. Mary’s River oyster sanctuaries, and the importance of oyster shells from the Man O’War Shoal in this effort. (page 33)

Agency Response: The timeline was estimated in a previous response in mid-2017, but at that time the two areas had not yet been named and it was assumed by the partner agencies that the 4th and 5th areas would be done sequentially, not together. After Breton Bay and the St. Mary’s were named in December 2017 it was decided that they could be done together. The revised estimated timeline follow:

Spring-Summer 2018

- **Data collection (bottom surveys, population surveys, and other data)**
- **Determine the acreage to be restored**

Fall/Winter 2018

- **Develop the draft “restoration blueprint”, which is a specific plan for each sanctuary listing the acreage to be restored and the sites and techniques to be applied per site (substrate planting, seed planting, amount of material or seed per planting, and other details)**

Winter 2018 thru Summer 2019

- **Public comment period to obtain input on the blueprints and revise them if needed**
- **Finalize blueprints based on public comment and scientific review**

- Apply for and obtain permits, if needed, to undertake the work specifying the details of the plans

Summer 2019 and out years

- Begin implementing restoration, which may take up to three years to complete depending on the specifics of the blueprints.
- In the case of St Mary's River it is anticipated that less work will be needed than Breton Bay. Breton Bay habitat is in greater need of enhancement which will require an extra permitting step by the Corps of Engineers (NEPA process) for the habitat construction work they will undertake.

Role of Shells from Man O War Shoals

If the permit for Man O War shell dredging is approved, shells from the shoal will be used to improve habitat in the 4th and 5th sanctuaries. Breton Bay will need more shell planting than St. Mary's River due to the habitat being more degraded in Breton Bay. Shell plantings in St. Mary's River will acquire a natural spat set, which is typical for the river. Seed plantings will be made to augment those populations. Shell plantings in Breton Bay will be used to improve the habitat on which seed oysters will then be planted. Spat set is low in Breton Bay so the shells will be most useful to prepare the bottom for the high numbers of seed that will be planted to boost the oyster population and broodstock in the area.

PayGo Recommended Actions (Pages 40-41)

1. Reduce funding for the Cambridge Marine Terminal – New Steel Bulkhead project. The House and Senate budget committees wrote a joint letter on March 18, 2014, stating the intent that no additional funding be provided for the Cambridge Marine Terminal project beyond the \$4,000,000 in cash and the \$2,250,000 in-kind contribution of land. Therefore, this action reduces the funding for the Cambridge Marine Terminal – New Steel Bulkhead project. The Department of Natural Resources should propose a new use of the Waterway Improvement Program funding in a supplemental budget item for the budget committees' consideration.
Reduction: \$2,000,000

Agency Response: DNR does not concur with this DLS recommendation.

DNR believes that the project being referred to above is the former Cambridge Terminal Property, located at 200 Byrne Street, which was turned over to the City of Cambridge, along with the 4 million dollar grant in 2014 for the creation of Sailwinds Park.

The proposed DNR project at the current Cambridge Marine Terminal is on the other side of Town on Cemetery Road. The two projects have nothing in common but the name of the facility. DNR has already invested close to a million dollars installing the new railway system. The entire bulkhead is failing and must be replaced in order for this facility to continue to operate. Funding is needed to support this project.

2. Concur with Governor's allowance of \$1,000,000 in special funds for the Ocean City maintenance local funding.

Agency Response: Concur with DLS recommendation.

3. Add language modifying the Outdoor Recreation Land Loan allocation to reflect the State's share of funding for the Maryland Heritage Areas Authority as follows:

SECTION XX. AND BE IT FURTHER ENACTED, That for fiscal 2019 \$1,900,000 of the special fund appropriation for Land Acquisitions under K00A05.10 Outdoor Recreation Land Loan shall be reduced.

Further, it is the intent of the General Assembly that the following special fund appropriations be increased in fiscal 2019 by the amounts specified:

(1) K00A04.01 Statewide Operations – \$600,000;

(2) K00A05.10 Outdoor Recreation Land Loan – Allowance, Local Projects – \$900,000; and

(3) K00A05.10 Outdoor Recreation Land Loan – Department of Natural Resources Capital Improvements: Natural Resource Development Fund – \$400,000.

Authorization is granted to the Department of Natural Resources to process a special fund budget amendment to increase the appropriations as noted above.

Agency Response: Concur with DLS recommendation.

4. Add language prohibiting funding for the Cambridge Marine Terminal as follows:

AND BE IT FURTHER ENACTED, That no monies in this budget may be used for the Cambridge Marine Terminal

Agency Response: DNR does not concur with this DLS recommendation. Reference response to question #1 under PayGo recommendations.

GO Bond Recommended Actions (page 42)

1. Approve the \$2,500,000 general obligation bond authorization for Community Parks and Playgrounds to provide funds for grants to local governments to design and construct capital-eligible park and playground improvement projects.

Agency Response: Concur with DLS recommendation.

2. Approve the \$5,000,000 general obligation bond authorization for the Rural Legacy Program to provide funds for the purchase of conservation easements and the acquisition of land.

Agency Response: Concur with DLS recommendation.

3. Approve the \$4,725,000 general obligation bond authorization for the Coastal Resiliency Program to provide funds for the acquisition, design, and construction of shoreline restoration and other projects to protect coastal infrastructure, and for post implementation monitoring and adaptive management.

Agency Response: Concur with DLS recommendation.

4. Approve the \$270,000 general obligation bond authorization for the Oyster Restoration Program to provide funds to design and construct oyster habitat restoration projects.

Agency Response: Concur with DLS recommendation.