



Larry Hogan, Governor
Boyd Rutherford, Lt. Governor
Jeannie Haddaway-Riccio, Acting Secretary
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**Maryland Department of Natural Resources
Fiscal Year 2020 Capital Budget
Response to Department of Legislative Services Analysis**

Senate Budget and Taxation Committee
Senate Capital Budget Subcommittee
Senator Douglas J.J. Peters
February 19, 2019

House Appropriations Committee
House Capital Budget Subcommittee
Delegate Adrienne A. Jones
February 20, 2019

Issues

1. Therefore, DLS recommends repurposing the \$38.2 million of general funds budgeted in the Dedicated Purpose Account programmed to be used to fund capital programs in DNR and MDA to instead fund DHCD programs in order to avoid the issuance of taxable bonds. The recommendation includes fully replacing the \$38.2 million of general funds programmed to support DNR and MDA capital programs with GO bonds but also reprioritizing the distribution of those funds to DNR capital park development and critical maintenance programs.

Agency Response: Chapter 10 of 2016 requires that the repayment amount (in this fiscal year, the \$38.2 million) is to be allocated according to the transfer tax allocation in statute. The Governor's budget as proposed does that. The Department of Legislative Services' recommendation does not allocate the transfer tax repayment according to the statutory formula. Instead the recommendation takes funds from POS Stateside, Parks, and the Maryland Agricultural Land Preservation Fund and allocates them to capital development general obligation bonds. The estimated average per-acre acquisition cost for POS Stateside land acquisition is \$4,000 per acre. The \$11.4 million in repayment funds included in the Governor's budget for POS Stateside could preserve at least 2,800 acres, a substantial impact to POS Stateside if funds are redirected to Critical Maintenance and the Natural Resources Development Fund as recommended in the DLS analysis. In addition, the analysis states on page 13 that

“\$5.6 million of the repayment supports the Park Service and Engineering and Construction operating budgets, all of which is not needed to meet the service’s operating budget plan, and a portion of this funding could be reallocated to increase the allocation to DNR critical maintenance projects.”

The \$5.6 million of transfer tax payback referred to here is budgeted to cover ongoing park expenses and supplies and essential engineering personnel to manage Critical Maintenance (CM) and Natural Resources Development Fund (NRDF) projects. The recommended shifting of POS stateside funds to CM and NRDF capital projects would require even more additional staffing than what is currently contained within the \$5.6 million.

2. DLS recommends that DNR submit a five-year CIP updated for the fiscal 2021 allowance for both the Critical Maintenance Program and the Natural Resources Development Fund. The CIP should include project estimates of planning, construction, and equipment funding by fiscal year for all projects; project prioritization; and a general depreciation schedule for DNR's facilities.

Agency Response: The department concurs with this recommendation and is in the process of determining the FY 21 Capital Improvement Program (CIP) allowance distribution with the Department of Budget and Management.

PayGo Recommended Actions (p. 31)

1. Natural Resources Development Fund and Critical Maintenance Program Capital Improvement Program: The committees are concerned about the impact of the inclusion of large unplanned projects on the ability of the Natural Resources Development Fund to provide for amenities at Department of Natural Resources' (DNR) facilities and the Critical Maintenance Program to reduce the project and funding backlog. Therefore, the committees request that DNR and the Department of Budget and Management (DBM) develop a capital improvement program for both the Natural Resources Development Fund and the Critical Maintenance Program that is updated to conform with the statewide 2020 Capital Improvement Program. DNR's capital improvement program shall include project estimates of planning, construction, and equipment funding by fiscal year for all projects; project prioritizations; explanations for any changes in project scheduling or amount; and a general depreciation schedule for DNR's facilities. The narrative shall be submitted with the fiscal 2021 budget submission.

Agency Response: The department concurs in part with this DLS recommendation. DNR's capital improvement program as detailed in the CBIS system currently includes project estimates of planning, construction, and equipment funding by fiscal year for all projects, project prioritizations, and explanations for changes in project scheduling or amounts. A general depreciation schedule for DNR's facilities can be provided.

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

Agency Response: Concur with DLS recommendation.

3. Concur with Governor’s allowance of \$13,500,000 in special funds and \$2,500,000 in federal funds for the Waterway Improvement Program.

Agency Response: Concur with DLS recommendation.

1. Add \$12,000,000 in general obligation bond authorization for the Natural Resources Development Fund.

Add the following language:

(C) Natural Resources Development Fund. Provide funds to design, construct, and equip capital development projects on Department of Natural Resources property in accordance with § 5-903(g) of the Natural Resources Article
12,000,000

Agency Response: The department does not concur with this DLS recommendation. Please see the response to Issue No. 1, above.

2. Add \$9,286,358 in general obligation bond authorization for the Critical Maintenance Program.

Add the following language:

(E) Critical Maintenance Program. Provide funds to construct capital improvements such as planned maintenance and repair projects at public use facilities on State-owned property 9,286,358

Agency Response: The department does not concur with this DLS recommendation. Please see the response to Issue No. 1, above.

3. Add \$8,535,752 in general obligation bond authorization for Program Open Space – Local.

Add the following language:

(D) Program Open Space – Local. Provide funds to make grants to local jurisdictions for the purchase of conservation easements and acquisition of land and development of recreational facilities. Funds appropriated for local grants shall be administered in accordance with §§ 5-905 through 5-906 of the Natural Resources Article.....8,535,752

Agency Response: The department does not concur with this DLS recommendation. Please see the response to Issue No. 1, above.

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

Agency Response: Concur with DLS recommendation.

5. Add \$1,893,048 in general obligation bond authorization for the Rural Legacy Program.

Agency Response: The department does not concur with this DLS recommendation. Please see the response to Issue No. 1, above.

6. Reduce the \$6,065,000 general obligation bond authorization for the Coastal Resiliency Program by \$3,980,000.

Agency Response: The department does not concur with this DLS recommendation. As climate change and weather events become more frequent and intense in Maryland, disruptions and stressors become a common concern among local officials and residents alike. Additionally, Maryland is one of the most susceptible states to climate change and sea level rise. Last summer saw some of the wettest weather ever recorded on the East Coast, with the Mid-Atlantic region seeing the highest amounts. Parts of Maryland experienced rainfall amounts 200 percent above average, making 2018 the wettest year on record. This program has enabled Maryland to lead by example and save money in the long run by proactively addressing associated issues. Reducing the general obligation bond authorization for the Coastal Resiliency Program now will end the momentum the state has created and will erode the local support we have gained over the last three years which is necessary in identifying and proactively advancing projects that meet community needs and achieve shared benefits. Specifically, this action will delay construction for projects in the Town of Oxford, Worcester County, Anne Arundel County and the City of Annapolis. Each of these projects was identified through a competitive solicitation, approved by the Board of Public Works, and is leveraging a high degree of community engagement. Moving forward with these projects in accordance with the agreed to timelines demonstrates the state's commitment to investing in preventative strategies, as a more cost effective approach to addressing long-term climate threats.

7. Approve the \$2,610,000 general obligation bond authorization for the Oyster Restoration Program to design and construct oyster habitat restoration projects.

Agency Response: Concur with DLS recommendation.