



Wes Moore, Governor
Aruna Miller, Lt. Governor
Josh Kurtz, Acting Secretary
Allan Fisher, Deputy Secretary

**Maryland Department of Natural Resources
Fiscal Year 2024 Capital Budget
Response to Department of Legislative Services Analysis**

**Senate Budget and Taxation Committee
Senate Capital Budget Subcommittee
Senator Craig J. Zucker
February 28, 2023**

**House Appropriations Committee
House Capital Budget Subcommittee
Delegate Mark S. Chang
March 1, 2023**

PAYGO Recommended Actions (p. 3)

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

Agency Response: DNR concurs with this recommendation.

GO Bond Recommended Actions (p. 3)

1. Approve all authorizations, amendments to prior authorizations, and proposed preauthorizations for the Department of Natural Resources.

Agency Response: DNR concurs with this recommendation.

Program Open Space Critical Maintenance Projects (p. 16)

The Department of Legislative Services (DLS) recommends approval of the modification of the fiscal 2023 authorization for the Critical Maintenance Program and the fiscal 2023 authorization for the POS funding for the purchase of the Simkins Mill property.

Agency Response: DNR concurs with this recommendation.

Waterway Improvement Program (p. 19)

DLS recommends that DNR comment on how it is using the fiscal 2021 and 2022 vessel excise tax revenue and the future estimates for vessel excise tax revenue.

Agency Response: The Chesapeake and Coastal Service's (CCS) Waterway Improvement and Infrastructure Program awards capital funds each year to State facilities and local governments through a competitive grant process. DNR has gradually increased the competitive grants budgeted amount since the inception of the fund. For example, the capital grants' budget was \$6 million in FY 2016 and has increased to \$13.5 million in FYs 2023 and 2024. For the FY24 solicitation, \$29.7M was requested for public boating motorized boating needs, which demonstrates the significant demand for capital funding by both local governments and the state for eligible public boating facilities. DNR plans to consider increasing the capital grants budget again in FY 2025, depending on revenue forecasts. DNR recognizes the need to reevaluate how the revenues are distributed and expended in line with the authorized uses of the fund, which includes other uses as well as the capital grants portion. Other lines of eligible expenditures could be considered such as capital improvements and operations at State marina facilities, support of boating hydrographic services, and additional funding for local government projects. Funding for DNR projects alone could easily encumber \$10 million per year, not including dredging projects. The majority of the inspections DNR performs on state marinas lead to the complete replacement of all components. Marine work is very expensive and has taken a sharp upturn as have all materials lately. DNR estimates that the record-setting revenues of FY 2021 will not repeat in the next five years. DNR must proceed by budgeting conservatively due to current economic uncertainties.

Issues***Large Funding Increases and a Tight Deadline Challenge DNR's Engineering and Construction Unit (p. 25)***

DLS recommends that DNR comment on how it will address the staffing flux, the July 1, 2026 expenditure deadline required in Chapter 39, and lack of an asset management system as it works through its PAYGO capital funding and critical maintenance needs.

Agency Response: The DNR Engineering and Construction Unit (E&C) continues to work with DNR Human Resources (HR) to fill all vacant positions. E&C has several applicants to whom we are making offers, and has scheduled additional interviews. The high demand for engineers continues to be the main reason that applicants do not apply, or turn down our offers due to E&C's non-competitive salaries. We are currently working with HR to prepare a reclassification request to submit to DBM's Office of State Personnel, to raise all engineering positions by one pay grade to induce more qualified engineers to apply.

E&C has met twice so far with DGS to determine a strategy for expending the \$70,000,000 in Park Critical Maintenance Funding. One solution is to group many smaller projects together and use indefinite quantity contracts (IQCs) to avoid delays that accompany the bidding of several separate small projects. It is probable that E&C will not be able to expend the funds by the required deadline of June 30, 2026, even when full E&C staffing is achieved. DNR will be

submitting a time extension proposal during the next legislative session at which time we will have a clearer picture of the overall time needed, given both the current high rate of construction cost inflation and supply chain issues. DNR will be proposing that the statute language be changed from “THE DEPARTMENT SHALL EXPEND THE FUNDS ... BEFORE JULY 1, 2026” to “The Department shall expend or encumber the funds ... before [date to be determined]”.

The Electronic Maintenance Program Asset Management staff positions are in recruitment. We believe we will have several eligible applicants. One existing E&C staff member has already moved into the Western Maryland position and is currently working with the facility managers to coordinate the FY 2025 Project Justification cycle.

E&C has met several times with DGS and the staff of eMaint Software and is coordinating the activation of DNR’s account so that we can begin inputting our inventory information. We are going to concentrate on a Western Maryland park and input all information associated with their infrastructure so that we may use it as an example for other facilities. E&C expects to complete the first facility by summer of 2023.