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**Maryland Department of Natural Resources
Fiscal Year 2026 Operating Budget
Response to Department of Legislative Services Analysis**

**House Appropriations Committee
Transportation and The Environment Subcommittee
Delegate Courtney Watson
February 26, 2025**

**Senate Budget and Taxation Committee
Public Safety, Transportation, and the Environment Subcommittee
Senator Michael A. Jackson
March 3, 2025**

Operating Budget Recommended Actions

Recommendation #1 (p. 3)

Adopt narrative on a summary of Chesapeake Bay restoration spending.

Agency Response: DNR concurs with this recommendation.

Recommendation #2 (p. 3)

Adopt narrative on a historical and projected Chesapeake Bay restoration spending report.

Agency Response:

DNR agrees that it is appropriate and is very willing to submit a report to DLS summarizing Maryland's Chesapeake Bay funding and restoration progress to date, current status, and future plans. However, the Administration respectfully requests that the scope of the requested report be scaled back from what has historically been requested. The current scope of the report requires a tremendous amount of staff time to compile, and it is unclear how much of it is useful to the committees. The Administration is willing to work with DLS to identify a more appropriate scope.

Recommendation #3 (p. 3)

Adopt narrative on the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund annual work and expenditure plans.

Agency Response: DNR concurs with this recommendation.

Performance Analysis: Managing for Results

Recommendation #1 (p. 7)

DNR should provide the number of each type of fiscal 2024 park capacity closure and discuss what is being done to limit each type of closure.

Agency Response:

There were 166 capacity closures in fiscal year 2024. To begin addressing the number of capacity closures, the Department advertised a Request for Proposal to develop and implement a web-based application that accepts day use reservations for several State Parks. This is a pilot program for the 2025 summer season and is slated to be operational this spring at Greenbrier, Point Lookout, Newtown Neck, Sandy Point and North Point State Parks. These reservations will reduce the number of closures by allowing visitors to know ahead of time whether they will be able to enter the park or not.

The Park Service is working towards refining the process of tracking other types of park and facility closures, like storm and flooding. The goal is to have the process in place later this year.

Recommendation #2 (p. 11)

DNR should comment on how the new Chesapeake Bay Stock Assessment will differ from the 2011 assessment and how it will better inform blue crab management decisions.

Agency Response:

The new Chesapeake Bay Blue Crab Stock Assessment will evaluate and apply new scientific understandings and management lessons that have developed over the past 13+ years since the previous stock assessment.

Blue crab larvae develop in the coastal ocean and are heavily reliant on suitable temperatures, salinities, oceanic currents, winds, and other factors beyond our control for growth, survival, and resettlement in the Chesapeake Bay. As a result, blue crab abundance and commercial fishery harvest are naturally highly variable from year to year. However, recent continued declines in the Chesapeake Bay blue crab population, particularly while the commercial fishery has been harvesting females below target levels, suggests that our current understanding of blue crab population dynamics and resulting management objectives may no longer be appropriate in the current state of the environment. To better understand blue crab population dynamics under current conditions, a new benchmark stock assessment is being conducted by blue crab and fishery experts throughout the Chesapeake Bay. This stock assessment will be applying the best scientific developments over the past 13+ years, including:

- leveraging long-term data sets that were not incorporated in the 2011 assessment, including indices derived from fishery-dependent surveys;
- considering of environmental conditions, habitat availability, and predator-prey interactions in the model framework;
- exploring a modeling approach that incorporates a monthly time step which would better capture the population dynamics of this short-lived species;
- examining the role of male productivity and sperm limitation in blue crab population dynamics; and
- better characterizing uncertainty in the data and in the abundance and harvest estimates - understanding uncertainty is highly useful in making effective and equitable management decisions that balance conservation and economic impacts.

The benchmark stock assessment will ensure that the most up-to-date data and best analytical models are being used to assess the Chesapeake Bay blue crab population. New management reference points may be identified with the results of this assessment.

Implementation of Legislative Priorities

Recommendation #1 (p. 13)

DNR should comment on the current status of the funding for the fiscal 2025 legislative priorities.

Agency Response:

- **Freshwater Mussel:**

The \$250,000 was for additional planning for the full-scale mussel hatchery. DNR remains committed to the design and construction of the mussel hatchery at the existing Joseph Manning Hatchery in southern Maryland, but that project is proceeding slower than originally anticipated. Our Fisheries and Boating Services (FABS) and Resource Assessment Service will continue to support the freshwater mussel programs, including mobile mussel hatchery.

- **Whole Watershed Restoration Partnership:**

- The Natural Resources Planner III, Project Officer position, has been hired and started on Feb 5th.
- The Natural Resources Planner IV, Coordinator position, was hired and will start on March 5th.
- All funds encumbered, no expenditures to date.

- **Potomac Oyster Revitalization:**

This grant is part of a bi-state initiative to enhance the restoration efforts for the Potomac River oyster population and industry, with Maryland and Virginia each providing \$100,000 to the Potomac River Fisheries Commission (PRFC). The PRFC's Oyster Strategic Planning Panel recommends purchasing 50,000-60,000 bushels of oyster shell from the State of Virginia to develop a seed production area in the Lower Potomac River, with the goal of obtaining a high natural spat set to yield young seed oysters for the river and industry. This project serves as a model for collaborative, sustainable resource management and economic development in the region. This recommendation will be formally considered by the PRFC Oyster/Clam Advisory Committee on February 25th. The \$200,000 project is designed to be fully implemented by the end of calendar year 2025, per PRFC.

Infrastructure Investment and Jobs Act and Inflation Reduction Act Funding

Recommendation #1 (p. 21)

DNR should discuss the status, allocation, budgeted funding, timing of budgeted funds, and planned uses for all IJA and IRA funding.

Agency Response:

DNR has four current open and active grant awards issued under the Inflation Reduction Act. All four were granted to DNR by the U.S. Forest Service (USDA) to support tree planting, urban forest planning and management, and related activities. The grant awards have multiyear terms, and a combined available balance of \$14,780,321. The terms end on June 30, 2028, March 31, 2029, September 30, 2029, and December 31, 2028, respectively. All of these grant awards under IRA support salaries of DNR employees.

DNR has ten current open and active grant awards issued under the Infrastructure Investment and Jobs Act (IIJA). The largest award DNR has received under the IIJA is the Chesapeake Bay

Implementation Grant issued by EPA under the Clean Water Act to DNR's Chesapeake and Coastal Services Division. This \$10 million grant award funds the implementation of the multistate Chesapeake Bay Watershed Agreement and all programs and projects that further Maryland's commitments and goals established by the Chesapeake Bay Program. This award term extends through June 30, 2027 and DNR expects to spend more than \$2M of the award this fiscal year (State fiscal year 2025).

Eight of DNR's open and active grant awards under the IIA were issued by the U.S. Forest Service (USDA) to DNR's Forest Service to support fire assistance, wildfire defense, forest action plan priorities, logging bridges, revegetation funding, and other fire management resources. These eight forestry grants have a combined available balance of more than \$2.5M, and four of the awards support salaries of DNR employees. The tenth IIA/BIL grant award that DNR actively manages was issued by the U.S. Geological Service to support mineral deposit mapping in Maryland by DNR's Resource Assessment Service. The award from USGS has an available balance of more than \$300,000 and supports salaries of DNR employees.

As noted in the analysis, DNR has several pending grant applications seeking additional funding under the federal IRA and IIA programs. The following three grants have been awarded under the IRA, and DNR is in the process of finalizing contracts with the federal agencies that will establish the timelines for the grant projects and make the funding available to DNR:

DNR was awarded a \$10M NOAA grant under the IRA to conduct a large scale oyster sanctuary project. Based on recent discussions between DNR and NOAA, this funding will be used for work in the Hooper Strait sanctuary on the lower Eastern Shore of Maryland near Hooper Island. The grant will fund the creation of 40-50 acres of oyster habitat using stone, recycled concrete, or shell (depending on availability and cost of each material). This new habitat will acquire a natural spat set and a population of oysters will inhabit the site. If the natural set is too low, then the oyster population can be greatly enhanced by planting spat-on-shell.

Status and Timeline: DNR submitted a permit application in February 2025 and is working with the permit agencies (MDE and the Corps of Engineers) as they review the project. A permit is needed before in-water construction of the habitat can begin. DNR will release an RFP in late February 2025 to solicit bids for implementing the project, with a pre-bid meeting set for mid March. After being awarded, the project will occur in phases. Phase 1 (\$24,000) will groundtruth potential locations in 2025 to decide the exact location for the project. Phase 2 (\$9.99M) is reef construction which will begin in late 2025 and continue into 2027. Phase 3 (\$24,000) is monitoring of the project in 2027-2028 to assess its performance.

Maryland DNR is partnering with the Maryland Department of the Environment, the Alliance for the Chesapeake Bay and the Chesapeake Bay Foundation to finalize a grant award from the Natural Resources Conservation Service (NRCS) Regional Conservation Partnership to plant trees and conduct climate smart forest management on Maryland forest and agricultural land. Increasing forest area, particularly in priority areas like riparian buffers, represents a cost effective pathway to achieving both Maryland's water quality goals for the Chesapeake Bay and our ambitious greenhouse gas emission reduction goal to achieve carbon neutrality by 2045. NRCS will dedicate \$10 million dollars over the next four years for this work, which will be matched by \$10 million of existing state tree planting efforts through the 2021 Tree Solutions Now Act. It is anticipated that the funding will support the planting of nearly 1 million trees, representing significant progress towards Maryland's 5 million trees planted by

2031 goal, and 600 acres of implementation of climate smart forest management practices, like invasive species control, deer browse suppression, and timber stand improvement.

Status and Timeline: 2025 - 2029. DNR has the main agreement in place, but there are supplemental agreements necessary to get the funding moving. We were in the final stages of the agreement negotiation. On February 11, we were notified by USDA that there was a pause of all RCPP-IRA Funds on all NRCS Program.

Maryland is expected to receive \$50M in funding from a Climate Pollution Reduction Grant issued by EPA under the IRA in October 2024. The funding is expected to flow from EPA to North Carolina and then to Maryland's Department of the Environment. DNR expects to receive \$44 million of the combined Maryland grant award to fund lower eastern shore climate resilience projects over the next 5 years including marsh, forest, and coastal habitat building. This grant funding will also support contractual employee salaries.

Status and Timeline: October 2024 - September 2029. On February 3, 2025 North Carolina received notice from the EPA that "the agency has paused all funding actions related to the Inflation Reduction Act and the Infrastructure Investment and Jobs Act at this time. EPA is continuing to work with OMB as they review processes, policies, and programs, as required by the Executive Order." On February 7, 2025 Maryland received notice from North Carolina indicating that the CPRG Atlantic Conservation Coalition grant was back online in the EPA grant payment portal (ASAP). Maryland has sent final edits and comments to North Carolina regarding Maryland's subaward agreement and is taking all action necessary to finalize the agreement and secure the funding.

Issues

Recommendation #1 (p. 23)

The Department of Legislative Services (DLS) recommends that a BRFA provision be adopted to modify the transfer tax allocation for fiscal 2026 through 2029 to provide a base amount of funding to MPS that would inflate each year and transfer funding for land preservation programs – POS State, POS Local, Maryland Agricultural Land Preservation Program, and Rural Legacy Program – to the General Fund. DLS also recommends that BRFA provisions be adopted for fiscal 2026 through 2029 to expand the use of the Waterway Improvement Fund and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund to be used for DNR's general operating expenses.

Agency Response:

The Department respectfully disagrees with the recommended BRFA provisions repurposing the majority of the transfer tax budget to the General Fund and allowing the Waterway Improvement Fund and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund be used for DNR's general operating expenses for FY26 - FY29 as it would significantly and negatively impact Maryland's ability to move forward on its Chesapeake Bay and watershed protection and restoration goals. These three Special Fund sources are, collectively, the foundation that supports DNR's most important priorities and programs. Without this funding, DNR and the State could not move forward with land preservation, Chesapeake and Coastal Bay restoration, the Whole Watershed Act, climate change mitigation and adaptation, or programs that advance the access and use of Maryland's waterways to our public.

The transfer tax item would eliminate funding in Program Open Space to develop and maintain facilities at state parks, forests, and wildlife management areas; acquire land for state parks forests, and

wildlife management areas; and for grants to local governments and nonprofit organizations for acquisition and development projects through the Rural Legacy or Greenspace Equity Program. It will damage the State's relationship with local government partners by eliminating funding for Program Open Space Local. Program Open Space Local funding is used by local governments to support land conservation work and associated staff. The BRFA item will also eliminate funding for the Maryland Agricultural Land Preservation Fund and program in the Maryland Department of Agriculture (MDA). MALPF is a highly successful, nationally recognized program that preserves productive agricultural land and woodland to limit urban development and protects that land in perpetuity as open space. Failure to fund this program may also adversely affect the positions in MDA that support MALPF. As the specific change in statute is not presented here, it is unclear if other portions of the Program Open Space budget would be impacted, such as the funding for the Maryland Heritage Areas Authority and Ocean City Beach Replenishment.

Similarly, if the Waterway Improvement Fund and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund budgets are diverted to support operating expenses in the Department to allow for General Fund savings, this would have a direct adverse impact on important projects that support the safety of Maryland's waterways and the health of the Chesapeake Bay and its watershed. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund also supports legislative priorities including funding tree planting mandated by the Tree Solutions Now Act, including the 5 Million Trees Initiative. The Trust Fund, in FY2026, is also set to provide \$5 million for the Whole Watershed Act enacted last legislative session, which establishes a highly collaborative, science-based approach to watershed restoration across the state promoting innovative solutions to waterway restoration efforts. The Chesapeake and Atlantic Coastal Bays 2010 Trust Fund also supports positions in DNR, MDA, and the Maryland Department of the Environment (MDE). The Waterway Improvement Fund supports \$750,000 in the Department's operating expenses and \$2 million for the Natural Resource Police's (NRP) marine operations, including vessel replacement. If this funding were repurposed to replace General Funds in the agency, it is unclear how DNR, MDA, and MDE would continue to support those positions and how NRP would be able to maintain a safe fleet for its officers.

We understand that Maryland is facing a challenging and complex fiscal situation that includes significant uncertainty surrounding the future of federal funding. The Administration recognizes this uncertainty and has proposed an operating budget that balances the State's ability to advance the critical work and programs associated with Chesapeake and Coastal Bays restoration, land preservation and conservation, while maintaining the continuity of workforces and operations. State funding for these programs and resources will be all the more essential in light of federal uncertainties - potentially serving as the only significant remaining fund source going forward over the next several years. Protecting and restoring the Chesapeake and Coastal Bays is not only good environmental stewardship, but is essential to ensuring the future social and economic health of the state. Finally, Maryland and Governor Moore are currently the formal leaders of the regional Chesapeake Bay restoration partnership during this critical time as we work collaboratively to identify and lead the partnership's path forward Beyond 2025. For Maryland as the leader to back off now in its efforts, will certainly have region-wide negative impacts for the future of the 41 year old collaborative effort to restore Chesapeake Bay and its watershed.

Recommendation #2 (p. 25)

DNR should comment on why the three reports were not submitted, the status of their development, and the information currently known in response to the report requests. In addition, DLS recommends that the funding restricted pending the submission of the NRP diversification progress report not be released.

Agency Response:

The *NRP Diversification Progress Report* was submitted on February 24, 2025. The *State Lakes Protection and Restoration Report* is being finalized and will be available soon. The *Fee, Fine, and Penalty Structure Report* requires a significant amount of data on all departmental fees, fines, and penalties. We are actively collecting the data requested and will submit the report as soon as possible.

Recommendation #3 (p. 25)

DNR should comment on the estimated increases in fishing and hunting items processed, the associated revenues, and the impact on DNR's operations from the new MD Outdoors licensing and registration system.

Agency Response:

MD Outdoors is expected to increase revenue through the sale of recreational fishing and hunting licenses by an estimated 15%. The increase would stem from a more customer-friendly user interface, targeted marketing by the contractor using purchase data analytics, automatic credit card renewals, and increased accessibility to the sales platform. Another way the new MD Outdoors system is expected to increase revenue is through the sale of hard cards.

Fee Bills

Recommendation #1 (p. 29)

DNR should comment on how the provisions in HB 717 contribute to the long-term fiscal sustainability of MPS. DNR also should comment on how the fee increases in HB 719 and HB 40/SB 258 figure into the larger plan to support DNR's programs in general, and in particular with special funds.

Agency Response:

HB 717 will contribute to the long-term fiscal sustainability of the Maryland Park Service and other land managing units by making two key changes to increase funding opportunities for operations. The bill authorizes the Department to create affiliated foundations to raise funds to support operation and maintenance activities within DNR-managed lands. The bill also authorizes the Department to utilize limited funding from the Program Open Space (POS) state land acquisition fund balance in certain circumstances, adding a new source of funding in addition to existing fund sources. The use of POS state land acquisition funds for specific Department operating costs was made deliberately to ensure that the Department had sufficient acquisition funds to address public access needs and meet statutory land conservation goals while also providing operational support to ensure that the Department has the staff needed to manage land acquired. This provision was developed recognizing the state's current fiscal situation but allowing the Department some flexibility in the use of funds to weather years with lower special funds available for salaries and operations.

HB 719 will generally support DNR programs in that the increased revenue generated by this legislation would offset the use of Waterway Improvement Funds that currently support the Fisheries and Boating Services operating expenses. This funding will support all license center operations, which is entirely funded with State Boat Act funds. This will ensure DNR can maintain exceptional customer

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service in selling fishing and hunting licenses, including sales through the new online licensing platform MD Outdoors launching this Spring. Additionally, this fund can be used to support fishing and boating operations across the Department. The bill as proposed would increase the funding by \$4 million, for a total of \$5.9 million.

HB 40/SB 258 - The increased revenue generated by this legislation would go primarily to the Fisheries Management and Protection Fund under Natural Resources Article, Section 4-208. The additional revenue generated through these fee increases would directly support existing nontidal fisheries management efforts as well as provide funding for additional projects (e.g., Invasive Fishes Program) and infrastructure (e.g., Coldwater Hatcheries) needs related to non-tidal fisheries. The additional revenue will also support DNR administrative expenditures (e.g., Office of the Attorney General, Finance and Administrative Services; the Natural Resources Police, and Human Resource Services).