



Wes Moore, Governor
Aruna Miller, Lt. Governor
Josh Kurtz, Secretary
David Goshorn, Deputy Secretary

**Maryland Department of Natural Resources
Fiscal Year 2027 Capital Budget
Response to Department of Legislative Services Analysis**

**House Appropriations Committee
Capital Budget Subcommittee
Delegate Malcolm P. Ruff
March 2, 2026**

**Senate Budget and Taxation Committee
Capital Budget Subcommittee
Senator Craig J. Zucker
March 3, 2026**

PAYGO Recommended Actions

Pg 3:

1. Adopt the following narrative:

Baltimore City Direct Grant Spending Spreadsheet: A portion of the Program Open Space Stateside funding is allocated for the Baltimore City Direct Grant. In recent years, certain projects have been specified for Baltimore City Direct Grant funding, but the status of spending and project progress has not been clear. In the 2025 session, a total of five prior year Baltimore City Direct Grant projects with specified funding were identified as either abandoned or completed with funding remaining, and the General Assembly repurposed the prior year project funding for new projects. The large number of projects identified in the 2025 session as either abandoned or completed with funding remaining reflects the need for additional information about Baltimore City Direct Grant funding. The committees request that the Department of Natural Resources (DNR) provide an editable electronic spreadsheet showing each year of Baltimore City Direct Grant funding, the projects funded by each year of funding broken down by projects specified by the legislature and specified by Baltimore City, and the status of each project in terms of reimbursement sought and project stage. The reports are requested to be submitted by October 1, 2026, and December 31, 2026. Grant funding, the projects funded by each year of funding broken down by projects specified by the legislature and specified by Baltimore City, and the status of each project in terms of reimbursement sought and project stage. The reports are requested to be submitted by October 1, 2026, and December 31, 2026.

Agency Response: Concur.

GO Bond Recommended Actions

Pg 4:

1. Approve all authorizations, preauthorizations, and deauthorizations for the Department of Natural Resources.

Agency Response: Concur.

Waterway Improvement Program

Pg 24:

Other Comments: The fiscal 2027 allowance supports 23 projects in 13 jurisdictions and 5 statewide projects. The federal funds are from the U.S. Department of the Interior Sportfishing and Boating Safety Act (i.e., Boating Infrastructure Grants) funding. Of note, the capital budget worksheets supporting DNR's Waterway Improvement Program fiscal 2027 allowance reference a reduction in the fiscal 2026 special fund appropriation from \$24.0 million to \$20.0 million and show a revised project list reflecting this new appropriation level. However, there have been no budget amendments submitted for this appropriation reduction, which appears to be an internal decision about how much of the Waterway Improvement Program special fund appropriation will be spent. Therefore, this analysis does not reflect the reduction in the fiscal 2026 special fund appropriation.

The Department of Legislative Services (DLS) recommends DNR comment on why it plans to reduce its Waterway Improvement Program fiscal 2026 special fund appropriation, when this information will be conveyed as a budget amendment, and what impact this reduction will have on the Waterway Improvement Program's fiscal 2026 project list.

Agency Response: The Waterway Improvement Fund is primarily funded by the vessel excise tax and by gasoline sales to motorized vessels in the State. DNR had previously planned to increase state funding for the Capital Grant Program to \$24 million annually for three fiscal years given a fund balance in the Fund, hence the originally planned investment at that level for FY26. However, vessel sales, and therefore revenues from the vessel excise tax, declined more rapidly than expected. In response, DNR made the difficult decision last fall to reduce the planned \$24 million state investment in FY26 capital grants to \$20 million in order to prevent a fiscal cliff from severely hampering the agency's ability to fund projects over the next few years. This reduction resulted in removal of 8 projects from the planned program. Three of those projects are being funded through the FY27 grant round, one has already identified alternative funding, and DNR is actively working with the sponsors of the remaining projects to identify funding sources in the future. DNR's original plan was to allow the appropriation to revert at the end of the fiscal year. DNR would be open to a budget amendment or deficiency if needed.

Oyster Restoration Program

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Concerns: Funding for Eastern Bay beyond fiscal 2026 was intended to be contingent on the outcome of an evaluation of oyster outcomes. However, DBM's fiscal capital budget worksheets reflect that the five-year evaluation will be conducted after fiscal 2028.

The Department of Legislative Services (DLS) recommends that DNR comment on the timing of the completion of the five-year evaluation of the oyster replenishment, restoration, and aquaculture activities in Eastern Bay, given that funding commitments beyond fiscal 2026 are meant to be contingent on the evaluation.

Agency Response:

The 2022 legislation requires the Department to conduct an evaluation after the first five years of plantings. Due to timing of procurement and contracts, the fifth year of planting in the Eastern Bay sanctuaries will occur in FY28, at which time the Department will begin a full assessment. In the interim, the Department is using annual stock assessment results to gauge progress. The 2024 benchmark stock assessment showed improvement and the preliminary results for the 2025 Fall Survey indicate that trend is continuing. In addition to the seven sanctuary areas, the Eastern Bay project also includes nine active aquaculture leases (as of September 2025) and 32 harvest areas designated as Public Shellfish Fishery Area.

Issues

1. Engineering and Construction Project Completion Trends Lower Due to Project Influx; GMOA Spending Increasing but Meeting Park System Critical Maintenance Fund Spending Goal Unclear

Pg 32: DNR should comment on the likelihood of reaching the \$70.0 million spending goal for the Park System Critical Maintenance Fund by July 1, 2029. DNR should also comment on the status of and next steps for completing the capital components of the GMOA and on what deadlines the General Assembly may hold DNR to account.

Agency Response: DNR is proud of the significant improvements in project throughput that have resulted from the reorganization and expansion of our procurement division and Engineering & Construction unit, the legislature's grant of expanded delegated procurement authority for Park Service Critical Maintenance projects, and better internal tracking of capital maintenance needs across DNR-managed properties. As Exhibit 8 of the analysis shows, the decline in completion percentage is the mathematical consequence of a significant increase in the identification of critical maintenance projects, and the number of projects completed in each year has actually increased significantly since 2023. The agency believes that the projected tripling of spend from FY25 to FY26 sets us on a path towards fully expending the Park Service Critical Maintenance Fund by the end of FY29.

2. Baltimore City Direct Grant Spreadsheet

Pg 32: DLS recommends committee narrative requesting that DNR submit an updated Baltimore City Direct Grant spending spreadsheet by October 1, 2026, and December 31, 2026.

Agency Response: Concur.