



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

Senate Budget and Taxation Committee
Senate Public Safety, Transportation and Environment Subcommittee
Senator James E. DeGrange, Sr., Chair
March 2, 2018

House Appropriations Committee
House Transportation and Environment Subcommittee
Tawanna P. Gaines, Chair
March 5, 2018

Issues

1. The Department of Legislative Services (DLS) recommends that DNR comment on the potential for landscape-scale projects using the performance-based financing model in other parts of Maryland and the overall plans for its use in projects funded by the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund.

Agency Response: The department continues to pursue opportunities to use the Trust Fund as a catalyst to explore opportunities and benefits associated with a shift toward a performance-financing approach, which focuses on the desired outcome (i.e. nonpoint source pollution reduction for Trust Fund projects) rather than the means to get there. BMPs are evaluated based on how many pounds of nutrients and sediments they reduce, which allows project sponsors to better target funds for practices that achieve reductions at the lowest cost.

Paying for results rather than prescribing methods provides the incentive that local government and non-governmental sponsors need to fund the most cost-effective and highest-performing technologies and practices. Paying for performance represents a new way of doing business for many public revenue programs; however, performance need not supplant other funding criteria. Considering performance in conjunction with other criteria allows multiple needs to be addressed without sacrificing financing efficiency.

The Trust Fund has been held up as a national case study of a public revenue program that uses performance to guide investments. The Fund’s explicit goal is to ensure the greatest environmental return on investment. To that end, the Fund is advised by a Scientific Advisory Panel, which annually targets specific geographic areas, projects and practices that provide the most cost-effective water quality benefits to the Chesapeake and Coastal Bays via reductions in non-point source pollution. Based on Panel recommendations as well as geographic mapping via the US Geological Survey SPARROW model, the Fund annually targets investments to the most cost-efficient and effective projects in areas providing the greatest nutrient and sediment loadings to the mainstem of the Bay. To track whether projects are achieving anticipated goals, the Trust Fund works with the Maryland Biological Stream Survey (MBSS) to document baseline conditions and monitor and compare the effectiveness of various BMPs. Results are shared publicly via the Fund’s Trust Fund Monitoring website as well as the Maryland Stream Health website managed by MBSS.

As a natural extension of the locally powered work that DNR does, the department sees an opportunity to use the Trust Fund to catalyze larger-scale landscape level restoration efforts similar to what has been accomplished in the Pocomoke River watershed. The department is developing specific ways to facilitate conversations and pilot new projects by groups of key stakeholders, including local, national and regional partners; interested parties from the public and private sectors; other nongovernmental organizations; and rural community leaders.

In 2012, the department and The Nature Conservancy joined the Pocomoke floodplain restoration effort being coordinated by the US Fish and Wildlife Service and Natural Resources Conservation Service. The restoration of the Pocomoke floodplain is one of the largest ecological restoration efforts in Maryland’s history. Collaboration between the department, The Nature Conservancy and federal partners includes ongoing outreach, relationship-building with landowners, engineering design, construction and monitoring for effectiveness. The scale of the project is massive – encompassing roughly 4,000 acres along nine miles of the river. The outcomes will be cleaner water and better habitat for wildlife. To date, the partnership has restored 1,192 acres of public lands, 839 acres of private lands and 552 acres of private lands are targeted for future restoration.

2. DLS recommends that DNR comment on how the business and marketing manager will help to increase revenues in parks given the lack of turnover that occurs at popular parks during the summer and the lack of charge collection systems at certain parks.

Agency Response: There are numerous strategies for increasing park revenues that the new Maryland Park Service Business and Marketing Manager will pursue. As already suggested, the strategies include: leveraging more public private partnerships to help offset the need to rely on State funds; improving the quality and profitability of park concession contracts and operations to enhance fiscal sustainability; and marketing parks, events and services to spread visitation and reservations across the system and generate new revenue streams.

The Business and Marketing Manager is already engaged in efforts to (1) develop lease and partnership agreements with private partners to help maintain park properties; (2) implement marketing strategies aimed at increasing park reservations; (3) improve the marketing and branding focus of key park events; and (4) establish partnerships with the tourism industry and park friends organizations.

3. DLS recommends that DNR comment on the options for addressing the shortfall in the Environmental Trust Fund.

Agency Response: The financial data provided were estimates at the time of the request. DNR does not anticipate a negative balance at the end of FY 2019, as we anticipate that FY 2018 actual expenditures will be less than appropriated.

Operating Budget Recommended Actions

1. Adopt committee narrative on Maryland Park Service funding.

Maryland Park Service Funding Report: The committees are concerned that the Maryland Park Service (MPS) is receiving a substantial increase in revenue without a clear description of how the funding is being used in the fiscal 2019 allowance. The funding increase comes from transfer tax funding and Forest or Park Reserve Fund revenue per Chapter 23 of 2017 (Budget Reconciliation and Financing Act), which required the Governor to include in the State budget an appropriation to MPS equal to 100% of own-sourced revenues collected in the Forest or Park Reserve Fund from the second preceding fiscal year, less any administrative costs and prior-year closing fund balance. Therefore, the budget committees request that the Department of Natural Resources (DNR) submit a report with the fiscal 2020 State budget submission showing the allocation of both transfer tax and Forest or Park Reserve Fund funding for the fiscal 2018 actual, fiscal 2019 working appropriation, and fiscal 2020 allowance. The report is requested to include the MPS’s own-sourced revenue and administrative costs from fiscal 2018, which informs the fiscal 2020 appropriation, and a description of how the appropriations from each of the three years helps to meet the recommendations of the 2016 Five-year Strategic Plan, in terms of both personnel and park resources, and the development of a Comprehensive Long Range Strategic Plan as contemplated for achievement of the National Gold Medal Award from the National Recreation and Park Association.

Information Request	Author	Due Date
MPS funding report	DNR	Fiscal 2020 State budget Submission

Agency Response: Concur

2. DLS recommends that the fiscal 2018 \$2,500,000 special fund deficiency appropriation for the Fair Hill Natural Resources Management Area improvements be deleted since it has not

been determined whether a four- or five-star equestrian event will be held and so the funding is not needed in fiscal 2018.

Agency Response: The department disagrees with this recommendation. The *Department* and its partners are awaiting clarification from Federation Equestre Internationale (FEI) on exactly what the new 5 star standards mean so that DNR may continue to plan accordingly. There is no a 4 star event currently, as indicated in the question. Regardless, there are still ongoing needs to continue the level of service of the existing 3 star event, while also planning for a 5 star event.

The \$2.5 million was requested in order for DNR to have the proper fiscal mechanism in place to accept donated funds from public and private parties seeking to assist in the improvement of equestrian-specific facilities at the Fair Hill special event zone. These parties include the National Steeplechase Foundation (NSF), the Fair Hill Foundation, and Cecil County, MD. DNR has already received a donation of \$250, 000 for site work from the NSF, which is included in this \$2.5 million request.

This special fund deficiency has been and would be for the utilization of funds for site planning and preliminary design work, to both enhance the existing facility and prepare in the event the Fair Hill special event zone is accepted as a 5 star event venue.