

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 451 (Delegate Cane, *et al.*)
 Environmental Matters

Minority Environmental and Land Trust

This bill establishes a Minority Environmental and Land Trust to provide funding and leadership to enhance minority participation in the environmental community. For fiscal 2009 through 2013, the Governor must include in the annual budget bill a \$250,000 appropriation to the trust, and nine specified agencies must each provide \$100,000 annually in funding or in-kind services. Money in the trust may be invested. The Department of Natural Resources must provide staff, supplies, and office space for the trust and must be reimbursed for those costs. The bill sets out the powers and duties of the trust, establishes a board of trustees, and establishes provisions relating to the money deposited in the trust.

Fiscal Summary

State Effect: General fund expenditure increase of \$935,000 annually from FY 2009 through 2013 to capitalize the trust. DNR expenditures and revenues (reimbursable funds) would increase by \$65,000 in FY 2009 to staff the trust; future year estimates reflect annualization and inflation. Trust revenues would include capitalization funds and other sources; trust expenditures cannot be reliably estimated. **This bill establishes a mandatory appropriation.**

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
ReimB. Rev.	\$65,000	\$104,200	\$114,000	\$124,300	\$135,200
Trust Rev.	-	-	-	-	-
GF Expenditure	935,000	935,000	935,000	935,000	935,000
ReimB. Exp.	65,000	104,200	114,000	124,300	135,200
Trust Exp.	-	-	-	-	-
Net Effect	(\$935,000)	(\$935,000)	(\$935,000)	(\$935,000)	(\$935,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local governments could benefit to the extent they receive grants from the trust. Any grant awards to schools or other local agencies cannot be predicted.

Small Business Effect: Minimal overall impact, although the trust could have a positive impact on minority/environmental businesses.

Analysis

Bill Summary: The agencies required to provide funding or in-kind services to the trust include DNR, the Maryland Department of the Environment, the Maryland Department of Agriculture, the Maryland Department of Transportation, the Department of Health and Mental Hygiene, the Maryland State Department of Education, the Maryland Department of Planning, the Department of Business and Economic Development, and the Department of Housing and Community Development.

The bill sets out the powers and duties of the trust. Among other things, the trust is authorized to establish a Virtual Environmental Science Center, develop projects for sponsorship, provide grants to various entities, and implement the recommendations of the Task Force on Minority Participation in the Environmental Community. The bill also authorizes the trust to receive appropriations as provided in the State budget, implement fundraising strategies to allow the trust to become self-sustaining, and solicit and accept gifts, grants, legacies, or endowments from various sources. Finally, the trust is to report annually to the Governor and the General Assembly.

The bill sets out the terms of the trustees. A trustee may not receive compensation but is entitled to reimbursement for expenses under the standard State travel regulations.

The bill sets out various technical provisions relating to the deposit of money in the trust. The trust is required to establish a system of financial accounting, controls, audits, and reports. The books, records, and accounts of the trust are subject to audit by the State.

Current Law/Background: Chapter 520 of 2006 established the Task Force on the Minority Participation in the Environmental Community to evaluate and make recommendations regarding methods of improving minority participation in the environmental community. In its November 2007 final report to the Governor and the General Assembly, the task force recommended that a Minority Environmental and Land Trust be established to serve as a vehicle to implement and finance the task force's programmatic recommendations. Key examples include establishing a virtual environmental center to facilitate minority education and participation; creating cultural,

historical, and environmental teaching activities; strengthening and promoting educational programs; establishing a dialogue between the minority communities and traditional environmental conservationists; establishing linkages with the community via liaisons at State agencies; and improving professional development opportunities. This bill is a direct result of the task force's recommendations.

State Fiscal Effect:

Capitalizing the Trust

The bill requires, for each of the fiscal years 2009 through 2013, that the Governor provide in the budget bill an appropriation to the trust in the amount of \$250,000 and that the nine specified agencies each provide funding or in-kind services to the trust in the amount of \$100,000. Accordingly, the combination of funding and in-kind services provided to the trust from these sources would be valued at a total of \$1.15 million per year from fiscal 2009 through 2013, or \$5.75 million over the five-year period.

In order to capitalize the trust as described above, general fund expenditures would increase by an estimated \$935,000 annually from fiscal 2009 through 2013. The information and assumptions used in calculating this estimate are stated below:

- the \$250,000 the Governor is required to include in the annual budget bill for fiscal 2009 through 2013 would likely be general funds;
- DNR would provide \$100,000 annually in in-kind services each year by reallocating existing staff and associated operating costs;
- MDE would provide \$10,000 annually in in-kind services each year by reallocating existing staff, but would need an additional \$90,000 annually in general funds;
- MDA would provide \$5,000 annually in in-kind services each year by reallocating existing staff, but would need an additional \$95,000 annually in general funds;
- MDOT would reallocate \$100,000 annually in Transportation Trust Fund monies from other projects; and
- none of the other affected agencies could devote any existing funding or staff to this effort and would thus need an additional \$100,000 annually each in general funds.

Legislative Services notes that the Governor has already submitted the budget bill for fiscal 2009 and thus, to meet the bill's intent, funding would need to be included either in a supplemental budget, via a budget amendment, or through a deficiency appropriation.

Other Revenue Sources for the Trust

The overall budget of the trust during the first five years could exceed the total funds provided by the Governor and the nine affected agencies, depending on how successful the trust is in leveraging additional funds. The bill authorizes the trust to implement fundraising strategies and to solicit and accept gifts, grants, legacies, and endowments. The bill also authorizes the trust to enter into contracts, which could presumably result in additional funding opportunities. Finally, investment earnings would accrue to the trust. Because the final report of the task force does not include an overall projection of potential revenues, the amount of funding that would be available to the trust in any given year cannot be predicted.

DNR Staffing and Associated Reimbursements

The bill requires DNR to provide staff, supplies, and office space for the trust, but requires that DNR be reimbursed for such expenses from the trust. As discussed above, DNR is also required to provide \$100,000 of funding or in-kind services from fiscal 2009 through 2013. DNR advises that in order to meet these requirements, it would detail a full-time program manager to coordinate and implement the trust's activities and a half-time administrative assistant to provide administrative support. These *existing* positions and associated operating costs, valued at \$100,072 in fiscal 2009, would serve as DNR's in-kind services contribution. *Additional* reimbursable DNR expenditures would total an estimated \$64,881 in fiscal 2009, which accounts for the bill's October 1, 2008 effective date. This estimate reflects the cost of hiring one programmer analyst to provide information technology support and to set up the Virtual Environmental Science Center. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	\$48,123
Equipment and Operating Expenses	<u>16,758</u>
New Reimbursable FY 2009 DNR Expenditures	\$64,881

Future year new reimbursable expenditures reflect • a full salary with 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

Exhibit 1 shows DNR's total expenditures (including reallocated expenditures and new reimbursable expenditures) and estimated reimbursements from fiscal 2009 through 2013. It is assumed that DNR would be reimbursed each year for all expenses over and

above the required \$100,000 in-kind services contribution and that DNR would be reimbursed during the fiscal year in which costs are incurred.

Exhibit 1
DNR's Estimated Expenditures and Reimbursements
Fiscal 2009 through 2013

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Reallocated Exp.	\$100,072	\$135,690	\$142,166	\$148,970	\$156,121
New Reimbursable Exp.	64,881	68,514	71,844	75,349	79,040
Total Exp.	164,953	204,204	214,010	224,319	235,161
Required Cont.	100,000	100,000	100,000	100,000	100,000
Reimbursement	\$64,953	104,204	114,010	124,319	135,161

Other Impacts

State agencies could benefit from any grants provided by the trust; however, grant recipients and associated awards cannot be predicted at this time.

The bill states that the books, records, and accounts of the trust are subject to audit by the State. Assuming the intent of the bill is for the Office of Legislative Audits within the Department of Legislative Services to audit the trust in accordance with Section 2-1220 of the State Government Article, OLA would audit the trust during its regular fiscal compliance audit of DNR using existing budgeted resources.

The University System of Maryland, Morgan State University, and the Maryland Independent College and University Association all report that the bill is anticipated to have a minimal impact on the various educational institutions that could be affected by the bill.

It is assumed that expense reimbursements for trustees would be minimal and absorbable within existing budgeted resources of the affected State entities.

Additional Information

Prior Introductions: None.

Cross File: SB 100 (Senator Gladden) – Education, Health, and Environmental Affairs.

Information Source(s): Department of Natural Resources, Maryland Department of the Environment, Maryland Department of Agriculture, Maryland Department of Planning, Maryland Department of Transportation, Department of Business and Economic Development, Maryland State Department of Education, Department of Housing and Community Development, Department of Health and Mental Hygiene, University System of Maryland, Morgan State University, Maryland Independent College and University Association, Maryland Higher Education Commission, Department of Legislative Services

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Analysis by: Lesley G. Cook

Direct Inquiries to:
(410) 946-5510
(301) 970-5510