

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE
Revised

House Bill 356 (Delegate Beitzel)
 Environment and Transportation Judicial Proceedings and Budget and Taxation

Department of General Services - Deep Creek Lake Buy Down Area Program - Extension

This bill requires the Department of General Services (DGS) to establish a Deep Creek Lake Buy Down Area Program to offer owners of properties adjoining Deep Creek Lake the right to purchase State land contiguous to their properties. The bill establishes provisions regarding the purchase of such land, the administration of the program, and the use of the proceeds of the sale of property under the program.

The bill’s provisions that establish the program terminate October 31, 2017. Provisions governing the use of specified proceeds from sales under the program terminate October 31, 2019.

Fiscal Summary

State Effect: Special fund revenues increase over the course of FY 2016, 2017, and 2018 by \$169,900 for every 10 acres of land sold; special fund expenditures may increase from FY 2016 through 2020 for the purchase of land as specified in the bill. General fund expenditures increase by \$147,700 in FY 2016 for two DGS contractual positions to administer the program and for one-time contractual services. Future years reflect personnel and operating expenses continuing through September 2018.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
SF Revenue	-	-	-	\$0	\$0
GF Expenditure	\$147,700	\$157,100	\$163,900	\$42,700	\$0
SF Expenditure	-	-	-	-	-
Net Effect	(\$147,700)	(\$157,100)	(\$163,900)	(\$42,700)	\$0

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

Local Effect: Garrett County property tax revenues increase by up to \$1,700 annually for every 10 acres of land sold, and county recordation and transfer tax revenues increase, on a one-time basis, by a total of \$2,900 for every 10 acres of land sold.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The program must offer the owners of properties adjoining Deep Creek Lake the right to purchase the land contiguous to their land at an amount equal to the State's cost of acquiring the land plus reasonable costs and expenses incurred by the State from the sale. The program must be administered in a manner substantially similar to a previous program authorized by the Board of Public Works on February 9, 2000, as Agenda Item 39-RP. Property transactions made under the program are exempt from existing procedural and other requirements applicable to certain transfers of State-owned property. The parcels sold under the program must be subject to the same covenants and restrictions, including the State's retention conservation easement, as the parcels sold under the program authorized in February 2000. A portion of the proceeds received from any sale of property under the program must be used to reimburse the State for reasonable costs and expenses incurred from the sale. The proceeds in excess of the amount used for reasonable costs and expenses must be credited to the Deep Creek Lake Recreation Maintenance and Management Fund and used by the Department of Natural Resources (DNR) only for the purchase of land that provides public access to Deep Creek Lake.

Current Law/Background:

Deep Creek Lake Purchase and 2000 Buy Down Program

The State purchased Deep Creek Lake (located in Garrett County), and land surrounding it, from Pennsylvania Electric Company in 2000. The Board of Public Works approved the purchase on February 9, 2000, under Agenda Item 39-RP. The purchase was divided into two installments of \$7.8 million and \$9.8 million, respectively. The first installment covered the purchase of roughly 4,400 acres that includes the lake and a buffer strip that ends at the 2,466-foot elevation line around the lake. DNR maintains the buffer strip for public walking and fishing access. The second installment covered the purchase of approximately 600 acres of surrounding land that was the subject of the "buy down" program established under Agenda Item 39-RP. The program, administered by DGS, offered adjacent private property owners the opportunity to purchase contiguous parcels of that land at the same cost the State paid for the land, which was \$0.39 per square foot. The program appears to have ended in 2008, with a limited number of closings of pending purchases occurring after the end of the program. Complete records on the program are

not readily available, but it appears that at least 2,000 parcels were offered to adjacent property owners, and a majority of the parcels were sold under the program.

Deep Creek Lake Recreation Maintenance and Management Fund

The Deep Creek Lake Recreation Maintenance and Management Fund is established within DNR for the maintenance and management of the land, recreational facilities, and services that are related to Deep Creek Lake in Garrett County. The fund holds fees collected for boat launching at Deep Creek Lake State Park and funds collected from lake and buffer use permits, contracts, grants, and gifts as a result of the Deep Creek Lake management program. Of the revenue collected from those sources, however, 25% is paid to the Board of County Commissioners of Garrett County.

State Fiscal Effect:

Sale of Land and Use of Proceeds

Special fund revenues increase in fiscal 2016, 2017, and 2018 due to the sale of land under the program established by the bill. The extent of the increase depends on the amount of land sold under the program. As mentioned above, it appears that a significant portion of the roughly 600 acres available under the previous buy down program was sold. Assuming the land is sold under the proposed program at the price of \$0.39 per square foot (not including the additional amount representing reasonable costs and expenses incurred by the State from the sale), and using a conversion factor from square feet to acres (43,560:1), for every 10 acres of land sold, special fund revenues increase by \$169,884. While the bill refers to reimbursing the State for reasonable costs and expenses incurred from the sale of property under the program, DGS advises that the reasonable costs and expenses (title, survey, and certain administrative expenses) are in fact paid directly by the purchasers as part of the settlement and do not affect State finances. As required by the bill, the proceeds from each sale in excess of the amount used for reasonable costs and expenses are credited to the Deep Creek Lake Recreation Maintenance and Management Fund and used only for the purchase of land that provides public access to Deep Creek Lake. Thus, special fund expenditures likely increase in fiscal 2016 through October 2019 (fiscal 2020), when this provision terminates.

Special fund property tax and transfer tax revenues are not materially affected.

DGS Implementation Costs

General fund expenditures increase by \$147,728 in fiscal 2016, which accounts for the bill’s October 1, 2015 effective date. This estimate reflects the cost of hiring a contractual assistant Attorney General and a contractual senior acquisition specialist/project manager within DGS to process the transfers under the program. DGS indicates that its existing personnel cannot handle the additional work and travel time to Western Maryland. The contractual positions run through September 2018, allowing for time to wrap up the program following its end in October 2017. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. It is expected that these implementation costs are generally not able to be passed on to purchasers as part of the “reasonable costs and expenses” associated with each sale and instead need to be covered by general funds. The estimate assumes that:

- a relatively high volume of property transfers occurs under the program;
- the assistant Attorney General is needed to review title work and surveys, prepare deeds of conveyance, review settlement documentation, and resolve legal and real estate questions;
- the senior acquisition specialist/project manager is needed to interact with property owners, coordinate the various stages of transferring the properties, and ensure recordation and documentation of the transfers; and
- contractual services are needed to conduct research to determine the extent of the parcels to be made available under the program.

Contractual Positions	2
Salaries and Fringe Benefits	\$120,580
Contractual Services	15,000
Operating Expenses	<u>12,148</u>
Total FY 2016 DGS Expenditures	\$147,728

Future year expenditures reflect full salaries with annual increases and employee turnover, annual increases in ongoing operating expenses, and the termination of the contractual positions at the end of September 2018.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

Local Revenues: Garrett County property tax revenues increase by up to \$1,682 annually for every 10 acres of land sold under the program, based on the county’s current tax rate of \$0.99 per \$100 of assessed value. This increase may be offset, at least partially, to the

extent the State is able to use the proceeds of the sales under the program to purchase land that provides public access to Deep Creek Lake. County transfer tax revenues increase by \$1,699, and recordation tax revenues increase by \$1,189, each on a one-time basis, over the course of fiscal 2016, 2017, and 2018 for every 10 acres of land sold under the program. The county recordation and transfer tax rates are \$3.50 per \$500 of the transaction value and 1.0% of the transaction value, respectively.

Small Business Effect: Local surveying and title companies may be meaningfully impacted by increased business associated with the program.

Additional Information

Prior Introductions: None.

Cross File: SB 254 (Senator Edwards) - Judicial Proceedings and Budget and Taxation.

Information Source(s): Department of Natural Resources, Department of General Services, State Department of Assessments and Taxation, Comptroller's Office, Department of Budget and Management, Board of Public Works, Garrett County, Department of Legislative Services

Fiscal Note History: First Reader - February 15, 2015
mar/lgc Revised - House Third Reader - March 30, 2015
Revised - Enrolled Bill - April 29, 2015

Analysis by: Scott D. Kennedy

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