

Department of Legislative Services

Maryland General Assembly

2020 Session

FISCAL AND POLICY NOTE

Third Reader

House Bill 17

(Delegate Arentz)

Environment and Transportation

Education, Health, and Environmental Affairs

Maryland Agricultural Land Preservation Foundation - Valuation of Easement

This bill allows the Maryland Agricultural Land Preservation Foundation (MALPF) to use an appraised fair market value (for the determination of the value of an easement) for up to two years after the date on which MALPF was first requested in writing to purchase the easement. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: The bill does not materially affect State finances, as discussed below.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Subject to certain exceptions, the maximum value of any easement to be purchased by MALPF is the lower of (1) the asking price and (2) the difference between the fair market value of the land and the agricultural value of the land. The value of the easement is determined at the time MALPF is requested in writing to purchase the easement. The fair market value is determined by the Department of General Services (DGS) based on one or more appraisals by the State appraisers, and appraisals, if any, of the landowner.

Background: MALPF indicates that in each easement application cycle, all applications for MALPF easements are reviewed by MALPF staff, then provided to DGS to procure

two appraisals for each applicant, to determine the fair market value of the property. In any easement application cycle, there may not be sufficient funding to extend offers to all applicants, and those who do not receive offers may reapply the next cycle. Under current law, new appraisals are required in each new application cycle for all applications; the bill would allow for a fair market value determination to be valid for the next cycle.

State Expenditures: The bill is expected to reduce expenditures for appraisals under MALPF’s capital appropriation due to fewer appraisals being needed for easement purchases, which allows for that funding to be applied instead to easement purchases, having no net effect on MALPF expenditures.

MALPF pays approximately \$800 per appraisal (\$1,600 per property, for 2 appraisals). For contextual purposes, in the current fiscal 2020 application cycle, MALPF received 186 applications that were accepted and submitted to DGS for appraisal. Approximately 50 of these were “repeat” applications. Based on the data from the fiscal 2020 application cycle, and assuming an appraisal cost of \$1,600 per property, if the bill’s provisions had been in effect, \$80,000 could have been applied to easement purchases instead of appraisal costs.

MALPF’s operations and easement purchases are funded with special funds from the Maryland Agricultural Land Preservation Fund, which is supported by revenues from the State transfer tax.

Additional Information

Prior Introductions: HB 1008 of 2019 passed the House and received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken.

Designated Cross File: SB 244 (Senators Gallion and Bailey) - Education, Health, and Environmental Affairs.

Information Source(s): Maryland Department of Agriculture; Department of General Services; Property Tax Assessment Appeals Board; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - January 23, 2020
mr/lgc Third Reader - February 21, 2020

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