

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 164 (Senator Haines)
Budget and Taxation

State Transfer Tax - Distribution of Revenues

This bill alters the distribution of the State transfer tax revenues by increasing the amount going to the Agricultural Land Preservation Fund and decreasing the amount going to Program Open Space. The bill takes effect July 1, 1997.

Fiscal Summary

State Effect: This bill alters the distribution of the State transfer tax revenues but does not affect the overall level of transfer tax revenues received. The State portion of Program Open Space funding decreases by \$2.7 million and Agricultural Land Preservation funding increases by \$5.4 million.

Local Effect: \$2.7 million decrease in local revenues beginning in FY 1998. Expenditures would be affected as discussed below.

Small Business Effect: Meaningful impact on small businesses as discussed below.

Fiscal Analysis

State Effect: State transfer tax revenues are projected to total \$69.7 million in fiscal 1998. Of this amount, 3% (\$2,090,700) is earmarked to defray administrative costs, \$3 million for potential deficiencies, and \$1 million to cover debt service expenses. The remaining revenue is allocated to three special funds: Program Open Space (83.5%), Agricultural Land Preservation Fund (14.5%), and Heritage Conservation Fund (2%). This bill alters the distribution of these revenues by increasing the allocation for the Agricultural Land Preservation Fund to 23% and decreasing the allocation for Program Open Space to 75%. The amount of revenues going to the Heritage Conservation Fund remains the same. The revenue impact on these funds is set forth in Exhibit 1.

Exhibit 1

	Current Allocation	Current Revenues	Proposed Allocation	Proposed Revenues	Difference
Program Open Space Heritage Authority	83.5%	\$52,105,416 \$1,000,000	75%	\$46,699,475 \$1,000,000	(\$5,405,941)
Agricultural Land Preservation Fund	14.5%	\$9,221,898	23%	\$14,627,839	\$5,405,941
Heritage Conservation Fund	2%	\$1,271,986	2%	\$1,271,986	\$0
Total	100%	\$63,599,300	100%	\$63,599,300	\$0

Local Effect: Local governments receive 50% of the transfer tax revenues earmarked for Program Open Space. In fiscal 1998, transfer tax revenues are projected to generate \$26,053,000 in funding to local programs. Pursuant to this legislation, local revenues would decrease by \$2.7 million in fiscal 1998, which represents approximately 10% of total local open space funding. A county-by-county impact is set forth in Exhibit 2. Accordingly, unless local funds are used to replace the reduction in State Program Open Space funding, local government expenditures for land acquisition and site development for parks could decrease.

Small Business Effect: Increasing the amount of funds for agricultural land preservation would have a positive impact on the State's farmers, most of whom are assumed to be small businesses. In fiscal 1995, the average size farm in Maryland totaled 154 acres and generated a net income of \$16,797.

This bill seeks to prevent the continual loss of farmland by providing additional funds for the Maryland Agricultural Land Preservation Program. This program promotes the creation of agricultural land preservation districts and purchases development rights easements as a means of protecting agricultural land and woodland production activities. Farmers

participating in the program may receive tax credits (if the county where the property is located has a tax credit program) and may make applications to sell a development rights easement to the State. In fiscal 1995, the State purchased 51 easements totaling 7,410 acres of land at a cost of \$9.8 million or \$1,523 per acre. [These figures reflect FY 1994 cycle 2 and FY 1995 cycle 1 easement acquisitions.] Using these figures, an additional \$5.4 million in funding could enable the State to purchase easements

on approximately 3,500 acres of farmland. Given the average farm size of 154 acres, that is the equivalent to 23 farms.

Information Source(s): Department of Fiscal Services, Department of Natural Resources, Department of Assessments and Taxation

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