

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1175 (Chairman, Commerce and Government Matters Committee)
(Departmental - Transportation)

Commerce and Government Matters

Referred to Budget and Taxation

**Highways - Sale of Land Not Needed for Public Purposes -
Promotion of Economic Development**

This amended departmental bill provides that the State Highway Administration (SHA) may sell surplus land if the sale will promote economic development. However, the former owner of land to be sold has first priority to reacquire that land, with the county or municipal corporation holding second priority before it can be sold for economic development purposes. SHA must give notice to the Maryland Office of Planning and receive the approval of the Board of Public Works (BPW) for any such sales. SHA must consider the appraised value of the land and the economic benefits to the State from proposed development in determining the sale amount; this may include payment in cash or exchange of privately or publicly owned lands.

Fiscal Summary

State Effect: Indeterminate effect on revenues; expenditures would not be affected.

Local Effect: Indeterminate effect on local finances as discussed below.

Small Business Effect: The Maryland Department of Transportation has determined that this bill has meaningful impact on small businesses (attached). Fiscal Services concurs with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

Fiscal Analysis

Background: The Maryland Department of Transportation (MDOT) established a Real Estate Advisory Group (REAG) in 1995 to review and recommend approaches for improving the management of the agency's real estate assets. This legislation is the result of one of the recommendations made by that group in 1996.

State Effect: Under the bill, SHA would be able to consider economic development opportunities in making decisions on the conveyance of surplus land. Currently, SHA goes through a process to sell property no longer being utilized for public purposes, which includes offering the property to the original property owner(s) or to other State or local agencies. Should none of these options be exercised, the State must then auction the property. The bill would eliminate the need to auction properties in some cases.

The effect of the bill on State revenues would depend upon the types of arrangements made. Should the properties be offered at below-market value to companies due to economic development considerations, Transportation Trust Fund revenues could decrease. However, to the extent that economic development did occur on these properties that would not have otherwise, State tax revenues could increase.

It should be noted that only a small amount of surplus property would be big enough for development, as the vast majority of such acreage is comprised of thin slivers of land. It is assumed that the surplus property disposed of is not in current use or bought for the purposes of future transportation projects, but is rather comprised of land remaining from completed transportation projects, land from canceled transportation projects, and possibly any facilities no longer in use.

The Maryland Department of Transportation advises that there are a total of 158 properties (679.1 acres) that could possibly be disposed of as surplus property, and that all of these parcels could contain constraints that would make them difficult to sell. MDOT's initial analysis shows that 41 of these properties (195.2 acres) have existing constraints such as being located in scenic buffer areas, or within an ongoing or future project area. The remaining 117 parcels (482.9 acres) could potentially be sold, but would need further analysis to determine their viability.

Local Effect: To the extent that this bill spurs economic development that would not have occurred otherwise, local tax revenues could increase. In addition, it is possible that local governments could have economic development projects that could be situated on such land. However, given that the current process involves offering the property to local governments, under the bill a private venture might be able to buy the property that the local government

would have had priority for.

Small Business Effect: The impact of this legislation would depend upon the amount and type of surplus property that might be sold/transferred under the bill's provisions. A small amount of surplus property would be big enough for development, as the vast majority of such acreage is comprised of thin slivers of land. However, in a few instances some properties could benefit economic development activities particularly since below-market sales could be made, impacting small businesses directly or indirectly.

Information Source(s): Maryland Department of Transportation, Department of Fiscal Services

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