

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 388 (The President, *et al.*)
(Administration)

Budget and Taxation

Referred to Appropriations

“Smart Growth” and Neighborhood Conservation - Rural Legacy Program

This enrolled Administration bill establishes a Rural Legacy Program to enhance natural resource, agricultural, forestry, and environmental protection by providing funding to local governments and conservation organizations to purchase property and conservation easements within designated rural legacy areas. The bill also alters the distribution of State transfer tax revenues by allocating a portion to the Rural Legacy Program.

This bill takes effect July 1, 1997.

Fiscal Summary

State Effect: This bill alters the distribution of State transfer tax revenues but does not affect the overall level of transfer tax revenues received. The State portion of Program Open Space decreases by \$6.7 million, Heritage Conservation funding decreases by \$129,200, and Agricultural Land Preservation funding increases by \$1.6 million. Funding for the Rural Legacy Program is \$7.9 million in FY 1998.

Local Effect: \$2.7 million decrease in local Program Open Space revenues beginning in FY 1998. This revenue decrease could be partially or fully offset through local grants provided by the Rural Legacy Program. Expenditures would be affected as discussed below.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note.

Fiscal Analysis

Bill Summary: This legislation provides for the following:

- Establishes a Rural Legacy Program and a Rural Legacy Board within the Department of Natural Resources. The board consists of the Secretaries of Agriculture and Natural Resources and the Director of the Office of Planning. The Department of Natural Resources is required to provide staff support.
- Establishes an 11-member advisory committee to review applications for rural legacy areas and to make recommendations for rural legacy area designations. The Department of Natural Resources is required to provide staff support for the advisory committee.
- Authorizes a local government, a group of local governments, or a qualified conservation organization to file an application to designate land as a rural legacy area. The application must include a description of the proposed rural legacy area, a rural legacy area plan, identification of existing protected lands, information on the anticipated level of initial landowner participation in the program, and the amount of funds requested. The Rural Legacy Board may designate a rural legacy area and provide grant funding to the local governments or conservation organizations sponsoring the rural legacy area. The Rural Legacy Board must report to the Governor and General Assembly before November 1 of each year on the financial status of the program, the number of applications received, the number and location of rural legacy areas, and the program's progress in contributing to land preservation efforts.

State Effect: State transfer tax revenues are projected to total \$69.7 million in fiscal 1998. Under current law, 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 remaining revenues by allocating 90% to Program Open Space, Agricultural Land Preservation, and the Heritage Conservation Fund and 10% to the Rural Legacy Program, Program Open Space, and the Agricultural Land Preservation program. Of the 10% allocation, 60% of the funds goes to the Rural Legacy Program and 40% goes to the Agricultural Land Preservation Fund in fiscal 1998. Beginning in fiscal 1999, 50% goes to the Rural Legacy Program, 10% to Program Open Space, and 40% goes to the Agricultural Land Preservation Fund.

The fiscal 1998 budget accounts for a reallocation of State transfer tax revenues contingent upon the enactment of this legislation.

In addition, the bill provides that \$4 million in State Program Open Space funding could be transferred to the Rural Legacy Program in fiscal 1998, \$5 million in fiscal 1999, \$6 million in fiscal 2000, \$7 million in fiscal 2001, and \$8 million in fiscal 2002 and each year thereafter. Further, the Governor is required to include at least \$5 million in the annual capital budget for the Rural Legacy Program. The fiscal 1998 State budget accounts for the reallocation of State transfer tax revenues contingent upon the enactment of this legislation. **Exhibit 1** shows the revenue impact of the bill in fiscal 1998.

Exhibit 1
Revenue Impact on Special Funds (FY 1998)

Program/Fund	Current Law	SB 388	Difference
Administration Expenses (3%)	\$2,090,700	\$2,090,700	\$0
Deficiency Adjustment	3,000,000	3,000,000	0
Rural Legacy	0	7,875,958	7,875,958
Debt Service	1,000,000	1,000,000	0
Agricultural Land Preservation	9,221,899	10,869,181	1,647,282
Heritage Conservation Fund	1,271,986	1,142,787	(129,199)
Heritage Areas Authority	1,000,000	1,000,000	0
Program Open Space -Local	26,052,708	23,355,687	(2,697,021)
Program Open Space - State	25,052,707	18,355,687	(6,697,020)
DNR - Operating Costs	1,000,000	1,000,000	0
Total Transfer Tax Revenues	\$69,690,000	\$69,690,000	\$0

The Rural Legacy Program would receive approximately \$7.9 million in State transfer tax revenues in fiscal 1998. In addition the State's capital budget includes \$3 million in general obligation bonds, for a total program cost of \$10.9 million in fiscal 1998. **Exhibit 2** shows the program costs and revenues for the Rural Legacy Program in future years.

Exhibit 2
Revenues for the Rural Legacy Program

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Transfer Tax	\$3,875,958	\$3,490,500	\$3,561,500	\$3,661,500	\$3,771,000
POS Contribution	4,000,000	5,000,000	6,000,000	7,000,000	8,000,000
Bonds	3,000,000	5,000,000*	5,000,000*	5,000,000*	5,000,000*
Total	\$10,875,958	\$13,490,500	\$14,561,500	\$15,661,500	\$16,771,000

Source: Department of Budget and Management

*the minimum amount that the Governor must include in the annual capital budget for the Rural Legacy Program

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 the total local open space funding. This revenue decrease could be partially or fully offset by additional local grants provided by the Rural Legacy Program.

Information Source(s): Department of Fiscal Services, Department of Natural Resources, Department of Budget and Management

Fiscal Note History: First Reader - February 24, 1997
 ncs Revised - Senate Third Reader - March 31, 1997
 Revised - Enrolled Bill - May 8, 1997

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