

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 413 (Delegate Glassman, *et al.*)
Appropriations

Agriculture - Land Preservation Grants Act of 2001

This bill establishes an Agricultural Land Preservation Supplementary Grants Fund (the fund) in the Maryland Department of Agriculture as a continuing, nonlapsing fund to provide grants to counties for specified agricultural land preservation activities. The Maryland Agricultural Land Preservation Foundation (MALPF) will administer the fund and establish application procedures.

The bill takes effect July 1, 2001 and sunsets June 30, 2005.

Fiscal Summary

State Effect: Potential meaningful increase in general fund expenditures from FY 2002 through FY 2004 to provide grants of up to \$300,000 to eligible counties. If every county becomes eligible to receive the maximum grant amounts, expenditures could increase by \$6.9 million over three years; however, the costs are anticipated to be less than this maximum amount. Special fund revenues and expenditures would increase correspondingly. MALPF could handle the bill's requirements with existing budgeted resources.

Local Effect: Potential meaningful increase in county revenues and expenditures from FY 2002 through FY 2004.

Small Business Effect: Minimal.

Analysis

Bill Summary: The fund consists of moneys appropriated in the State budget and earnings from the investment of moneys in the fund. A county that does not have a certified local agricultural land preservation program on July 1, 2001 shall receive a grant from the fund of no more than \$50,000 to develop land use and preservation policies that support the preservation of agricultural land and are necessary for certification.

A county that is certified by June 30, 2002 shall receive a grant from the fund of \$100,000. A county that is certified or that participates in the State matching program shall receive a grant from the fund in an amount equal to the lesser of \$200,000 or twice the increase in the county's matching fund commitment in fiscal 2003 over fiscal 2001 from sources other than the State agricultural transfer tax collections. Grants may only be used for the purchase of an agricultural land preservation easement to be held by MALPF or a certified county.

A county may not receive grants from the fund totaling more than \$300,000. Any grants awarded to a county from the fund that are not spent by July 1, 2004 shall be transferred to MALPF to be used to purchase easements. Any moneys in the fund that are not awarded by July 1, 2004 shall be transferred to MALPF to be used to purchase easements.

Current Law: Upon request, MALPF may approve a local program of agricultural land preservation provided that: (1) the county agrees to contribute at least 40% of the value of any easement acquired by MALPF as a result of a matching allotted purchase; and (2) the county shows evidence that any county program will not result in the preservation of land that does not meet the minimum standards set by MALPF. A county may also apply to the Department of Planning and MALPF to be certified as having an effective local agricultural land preservation program.

Background: During the 2000 session, legislation (SB 255/HB 186) was introduced in an effort to provide additional funds to counties for agricultural land preservation activities. The bills would have provided a one-time grant in fiscal 2002 to eligible counties. SB 255 was withdrawn and HB 186 was referred to interim study. Chapter 634 of 2000 established the Task Force to Study the Maryland Agricultural Land Preservation Foundation to, among other things, review and make recommendations on legislation considered by the General Assembly in the 2000 session, including SB 255/HB 186. This bill is a result of the task force's recommendations.

The total funds available to MALPF for the purchase of easements are equally divided to provide general allotted funds and State matching funds. The total amount of the general allotted funds is divided equally among the 23 counties during "Round 1" offers, which is the round under which easement purchase requests within each county compete for available funds. The other half of the available funds are used for up to a 60% match in those counties which participate in the State matching funds program. Once general allotted funds are depleted, the State provides up to a 60% match for county easement purchases up to \$1 million in any county in any fiscal year. Once these funds are exhausted, the remaining easement requests compete statewide in "Round 2." Round 2 funding consists of unused general allotted funds and unused State matching funds. In fiscal 2000, 17 counties participated in the State matching funds program.

In 1990 the General Assembly created a process for the certification of agricultural land preservation programs. To become certified, a county must apply to MALPF and the Department of Planning. For certification to be granted, a county must demonstrate that its program is likely to succeed in achieving county goals for preserving agricultural land. Certification enables counties to retain a greater portion of the agricultural land transfer tax to increase the local purchase of easements. As of fiscal 2000, 15 counties had certified county agricultural land preservation programs. Thirteen of those counties also participated in the State matching funds program in fiscal 2000.

State Fiscal Effect: General fund expenditures would increase by an indeterminate amount from fiscal 2002 to fiscal 2004 for the appropriation of funds to provide grants to counties pursuant to the bill. If every county becomes eligible for the maximum amount of grants (\$300,000), general fund expenditures would increase by an estimated \$6.9 million. Special fund revenues and expenditures would increase correspondingly. However, costs are anticipated to be less than this maximum amount.

Assuming no change in the status quo with respect to the number of counties that are certified and the number of counties that participate in the State matching program, general fund expenditures could increase by an estimated \$5.7 million from fiscal 2002 to fiscal 2004 as follows:

- MALPF must provide a grant from the new special fund of no more than \$50,000 to a county that is not certified on July 1, 2001. Based on fiscal 2000 data, eight counties currently are not certified. Assuming none of these counties become certified by July 1, 2001, and that each of these counties applies for and receives the maximum grant amount, the cost of this provision would total \$400,000;
- MALPF must provide a grant from the fund of \$100,000 to a county that is certified by June 30, 2002. Based on fiscal 2000 data, 15 counties are currently

certified. Assuming no additional counties become certified by June 30, 2002, the cost of this provision would total \$1.5 million; and

- A county that is certified or that participates in the State matching program shall receive a grant from the fund in an amount equal to the lesser of \$200,000 or twice the increase in the county's matching fund commitment in State fiscal 2003 over State fiscal 2001 from sources other than the State agricultural transfer tax collection. Based on fiscal 2000 data, there are currently 19 counties that are either certified or participate in the State matching program. Assuming no additional counties become certified or participate in the State matching program, and assuming that each eligible county increases its matching funds by at least \$100,000 from sources other than the agricultural transfer tax, the cost of this provision would total \$3.8 million.

Legislative Services advises, however, that because the number of counties that will become eligible and apply for the various grants provided by the bill is unknown, a precise estimate of the amount of grants that would be provided cannot be made at this time.

Legislative Services also advises that the timing of the award of grants is unclear. It is assumed that non-certified counties could apply for the grant of up to \$50,000 anytime from fiscal 2002 to fiscal 2004. It is also assumed that a certified county could apply for the \$100,000 grant anytime from fiscal 2002 to fiscal 2004 if it is certified by June 30, 2002. Further, it is assumed that a county could apply for the matching grant of up to \$200,000 in either fiscal 2003 or fiscal 2004, assuming that its fiscal 2003 commitment of funds has been made. Because the bill provides for the reversion of funds to MALPF after July 1, 2004, it is assumed that no grants would be awarded after fiscal 2004.

Special fund revenues could also increase as a result of any investment income to the fund established by the bill. Because the bill also requires that any grants made pursuant to the bill that are unspent by July 1, 2004 must be transferred to MALPF to be used to purchase easements, special fund revenues could increase by an indeterminate amount in fiscal 2005. The bill does not specify when these funds, if transferred, must be spent. However, special fund expenditures for the purchase of easements would increase by a corresponding amount. According to MALPF, however, the reversion of funds is expected to be minimal.

Local Fiscal Effect: To the extent that a county receives a grant pursuant to this bill, county funds for specified agricultural land preservation activities would increase. Depending on whether the county is certified, becomes certified, and/or participates in the State matching program, the amount of grants available would vary. For a county

that is not certified on July 1, 2001, the bill would provide for a grant of no more than \$50,000 for purposes relating to the development of an agricultural land preservation program. For a county that is certified by June 30, 2002, the bill provides for a grant of \$100,000 to be used for easement purchases. Presumably, a county that is not certified by July 1, 2001 could receive both the grant of up to \$50,000 for the development of a program as well as the \$100,000 grant if it were to become certified by June 30, 2002. For a county that is certified or participates in the State matching program, the bill provides for a matching grant of up to \$200,000 for easement purchases; however, a county would have to commit county funds as specified by the bill in order to be eligible for the matching grant. In any event, the bill limits the amount any county may receive under the bill to a maximum of \$300,000. The bill also provides that grants unspent by July 1, 2005 must be transferred to MALPF.

Additional Information

Prior Introductions: Similar legislation was introduced during the 2000 session as SB 255/HB 186. SB 255 was withdrawn. HB 186 was referred to interim study.

Cross File: SB 337 (Senator Middleton) – Budget and Taxation.

Information Source(s): Maryland Department of Agriculture, Prince George's County, Department of Legislative Services

Fiscal Note History: First Reader – February 12, 2001
ncs/jr

Analysis by: Lesley Frymier

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510