

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 567 (Delegate Edwards)

Appropriations

Education, Health, and Environmental Affairs

**Maryland Agricultural Land Preservation Foundation - Allegany and Garrett
Counties - Natural Gas Rights**

This bill provides that regulations and procedures adopted by the Maryland Agricultural Land Preservation Foundation (MALPF) for the establishment and monitoring of agricultural districts may not require, in Allegany or Garrett counties, a natural gas rights owner or lessee to subordinate its interest to MALPF's interest if MALPF determines that the exercise of those rights will not interfere with an agricultural operation conducted on the land. MALPF must submit a report to the Governor and the General Assembly on the impact of the bill by October 1, 2005.

Fiscal Summary

State Effect: The bill's requirements could be handled with existing budgeted resources.

Local Effect: The bill would not directly affect Allegany or Garrett counties' operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Regulations and criteria developed by MALPF relating to land which may be included in an agricultural district must provide that: (1) land shall meet productivity, acreage, and locational criteria determined by MALPF to be necessary for the continuation of farming; (2) MALPF must attempt to preserve the minimum number of acres in a given district that may reasonably be expected to promote the continued

availability of agricultural suppliers and markets for agricultural goods; (3) land within the boundaries of a ten-year water and sewer service district may be included in an agricultural district only if that land is outstanding in productivity and is of significant use; and (4) land may be included in an agricultural district only if the county regulations governing the land permit specified activities.

Background: The Maryland General Assembly created MALPF in 1977. Agricultural preservation districts are formed when qualifying landowners sign voluntary agreements to keep their land in agricultural or woodland use for a minimum of five years. According to MALPF, before land is included in an agricultural district, mineral rights are generally subordinated. Landowners who agree to place their farms within an agricultural preservation district may sell a development rights easement on that property to MALPF. Subject to some limitations, once an easement has been sold, the property is protected from further development.

Pursuant to Chapter 576 of 1999, MALPF is currently conducting a five-year study to examine the effects of sand and gravel extraction on the long-term productivity of agricultural land. MALPF advises that the results of the study may be used to evaluate the effects of mining land for coal, oil, gas, and the extraction of other minerals as well.

Small Business Effect: According to a 1998 survey by the U.S. Census Department, all firms in the oil and gas extraction industry had fewer than 20 employees. To the extent that any natural gas rights owners or lessees in Allegany or Garrett counties are small businesses, the bill could have a meaningful impact on them by allowing them to continue mining on land in the county that becomes part of an agricultural district under MALPF under certain conditions.

By allowing the continuation of mining on such land, the bill could also have a meaningful impact on farmers in those counties. According to the *1997 Census of Agriculture*, there are 239 farms in Allegany County and 649 farms in Garrett County. MALPF advises that in some cases, mining on farmland could result in a decrease in farm productivity that could render affected land unfeasible for agricultural use. In other cases, by leveling land, mining could lead to an increase in the amount of land available to be farmed in the future. Because the effects of mining on the long-term productivity of farmland are still being studied, an estimate of economic impact to farmers cannot be made at this time.

Additional Information

Prior Introductions: Similar legislation was introduced as House Bill 376 of 2001. The bill passed both the House and the Senate with amendments but the Governor vetoed the enrolled bill.

Cross File: None.

Information Source(s): Maryland Department of Agriculture, Allegany and Garrett counties, U.S. Department of Agriculture (National Agricultural Statistics Service), Department of Legislative Services

Fiscal Note History: First Reader - February 11, 2002
ncs/jr

Analysis by: Lesley Frymier

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