

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 157

(Calvert County Delegation)

Environmental Matters

Education, Health, and Environmental Affairs

**Calvert County - Agricultural Land Preservation Program - General Obligation
Installment Purchase Agreements - Maximum Aggregate Purchase Price**

This bill increases the maximum aggregate purchase price, from \$10.3 million to \$17.8 million, for which Calvert County is authorized to enter into installment purchase agreements to acquire transfer development rights in tracts or parcels of agricultural and forestry land as part of the county's agricultural land preservation program.

The bill takes effect June 1, 2003.

Fiscal Summary

State Effect: None. Only Calvert County finances would be affected.

Local Effect: Calvert County expenditures would increase by an estimated \$2.4 million in FY 2004 for the purchase of U.S. Treasury STRIPs, interest payments, and legal fees. Future year expenditures reflect ongoing investment purchases, interest payments, and legal fees.

Small Business Effect: Potential meaningful impact in Calvert County. Most farms are small businesses. This bill would enable more farmers to sell transfer development rights to the county. According to Calvert County, about 2,400 additional acres could be protected under the bill.

Analysis

Current Law: Chapter 173 of 2000 authorized Calvert County to enter into installment purchase agreements for an aggregate purchase price of not more than \$10.3 million plus interest to acquire transfer development rights. An installment purchase agreement is defined as an agreement pursuant to which the county will acquire transfer development rights from landowners of agricultural or forestry land located in Calvert County, will pay the purchase price for that land either in installments or at the maturity of the agreement, and will pay interest on the unpaid balance. Calvert County is authorized to purchase and set aside in a segregated fund or account U.S. Treasury STRIPs or other obligations specified under current law and county guidelines to apply those funds to the payment of the balance of the purchase price. The county may apply to the payment of the purchase price and interest any funds received from the State, the federal government, or any other source under specified conditions.

Background: Calvert County operates under the commissioner form of local government. At the end of fiscal 2002, Calvert County had approximately \$71.8 million in outstanding debt, which represents approximately 1.2% of the county's assessable base. The statewide average is approximately 3.1%.

The purchase of development rights is one tool used by local governments to protect land from development.

Local Fiscal Effect: Calvert County expenditures could increase by an estimated \$2.4 million in fiscal 2004 due to installment purchase agreements. This estimate reflects the purchase of STRIPs for investments, interest payments, and legal costs. It assumes that funds available in the county's fiscal 2004 capital budget as well as recordation fees collected will be used to purchase STRIPs, as provided by current law. It also assumes that the county will enter into agreements of 15-year terms at an interest rate of 5.10% and that the county will enter into those agreements at the end of the fiscal year. Future year estimates reflect ongoing purchases of STRIPs through fiscal 2007, interest payments, and legal fees.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Invest. Purchase	2,232,500	1,974,200	1,731,800	1,519,200	0
Interest Payments	113,900	214,500	302,900	380,300	380,300
Legal Costs	30,000	10,000	10,000	10,000	10,000
Total Expend.	\$2,376,400	\$2,198,700	\$2,044,700	\$1,909,500	\$390,300

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Calvert County, Maryland Department of Agriculture,
Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2003
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Analysis by: Lesley Frymier

Direct Inquiries to:
(410) 946-5510
(301) 970-5510