Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 26 (Senator Brinkley)
Education, Health, and Environmental Affairs

Smart Growth - Priority Funding Areas - Rural Counties

This bill authorizes the governing body of a county to designate an area as a Priority Funding Area (PFA) if the area is located in a "rural county," has a total population of less than 6,000 residents, and is solely dependent on groundwater sources for its community water system. The bill defines "rural county" as a county in which a majority of the total acreage is devoted to farming or similar agricultural purposes.

Fiscal Summary

State Effect: General fund expenditure increase of $44,100 in FY 2005 for the Maryland Department of Planning (MDP) to hire a planner to handle the significant number of PFA amendments expected as a result of the bill. Future year estimates are annualized and adjusted for inflation. No effect on revenues.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	$0	$0	$0	$0	$0
GF Expenditure	44,100	60,300	63,700	67,400	71,400
Net Effect	($44,100)	($60,300)	($63,700)	($67,400)	($71,400)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Areas designated as PFAs as a result of the bill would become eligible to apply for State funding for growth-related projects. However, the total amount of State funding provided for such projects would not change as a result of the bill.

Small Business Effect: Minimal.

Analysis

Current Law/Background: In 1997 the General Assembly enacted Governor Glendening's Smart Growth and Neighborhood Revitalization legislative package in an effort to reduce the impact of urban sprawl on the environment and encourage growth in existing communities. The initiative, which was designed to protect Maryland's green spaces and to preserve the State's rural areas, aims to manage growth by restricting State funding to designated PFAs. The Smart Growth legislation established certain areas as PFAs and allowed counties to designate additional areas if they meet minimum criteria. **Exhibit 1** lists the areas initially established as PFAs and areas eligible for county designation.

Exhibit 1
Smart Growth – Priority Funding Areas

Areas Initially Established by Law	**Areas Eligible for County Designation**
Municipalities	Areas with industrial zoning
Baltimore City	Areas with employment as the principal use which are served by, or planned for, a sewer system
Areas inside the Baltimore and Washington beltways	Existing communities within county-designated growth areas which are served by a water or sewer system and which have an average density of 2 or more units per acre
Neighborhoods designated for revitalization by the Department of Housing and Community Development	Rural villages
Enterprise and Empowerment Zones	Other areas within county-designated growth areas that, among other things, have a permitted density of 3.5 or more units per acre for new residential development
Certified Heritage Areas within county-designated growth areas	

Source: Maryland Department of Planning

When local jurisdictions amend their PFAs, MDP reviews the changes for consistency with State law. In addition, MDP is responsible for creating all PFA maps for distribution.

Smaller, more rural communities have a difficult time meeting the density requirements necessary for designation as a PFA. Many small towns are dependent on groundwater sources for their community water systems; most of those systems cannot support development at the density required by the Smart Growth law. For example, according to the Maryland Municipal League (MML), new allocations of groundwater to the Town of Middletown are restricted to no more than 300 gallons per day per acre. Because of this, the town cannot meet the development density requirements in order to qualify parcels of land annexed into the town as PFAs.

According to MML, of the 157 municipalities it represents, 125 have populations of less than 6,000; most are situated in predominantly rural counties; and most are situated in areas dependent on groundwater sources for their community water systems.

State Expenditures: General fund expenditures could increase by an estimated $44,088 in fiscal 2005, which accounts for the bill's October 1, 2004 effective date. This estimate reflects the cost of hiring one planner within MDP to perform the additional planning analysis necessary to review additional PFA amendments expected as a result of the bill. It includes salaries, fringe benefits, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- currently, changes to existing PFAs are infrequent and require only a minimal amount of staff time for analysis and map revisions;
- a significant number of PFA amendments is expected; and
- existing staff will handle the additional map revisions and Internet updates.

Salaries and Fringe Benefits	$43,990
Supplies	98
Total FY 2005 State Expenditures	**$44,088**

Legislative Services advises that the need for an additional employee is based largely on the premise that the bill will result in a significant number of PFA amendments. The number of PFA amendments that will actually be submitted to MDP as a result of this bill is unknown, in part because the bill's defining language is unclear. MDP advises that it is unsure as to how it would delineate an "area" with a population of less than 6,000 residents that meets the bill's other requirements. An "area" would not be limited to municipalities; accordingly, MDP would have to develop new criteria to delineate areas that would be eligible for PFA designation.

Legislative Services advises that, if the bill does not result in a significant number of PFA amendments, MDP could likely handle the bill's changes with existing resources.

Future year expenditures reflect: (1) the full salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Planning, Maryland Department of the Environment, Maryland Municipal League, Charles County, Frederick County, Montgomery County, Department of Legislative Services

Fiscal Note History: First Reader - January 26, 2004
ncs/ljm

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