

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 90

(Chair, Education, Health, and Environmental Affairs
Committee)(By Request - Departmental - Agriculture)

Education, Health, and Environmental Affairs

Environmental Matters

Maryland Agricultural Land Preservation Foundation - Valuation of Terminated Easements

This departmental bill requires that the appraisal method used to determine the agricultural value of a Maryland Agricultural Land Preservation Foundation (MALPF) easement being terminated be identical to the appraisal method used when the easement was originally purchased by MALPF.

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances. While the bill requires the use of two different appraisal methods, both methods are expected to result in MALPF being repaid the same amount for a terminated easement.

Local Effect: None.

Small Business Effect: The Maryland Department of Agriculture has determined that this bill has minimal or no economic impact on small businesses (attached). Legislative Services concurs with this assessment.

Analysis

Current Law/Background: Requests to terminate agricultural land preservation easements are only available to landowners whose easement purchases were approved by the Board of Public Works prior to September 30, 2004, whose easements have been held by MALPF for 25 years, and whose properties can no longer support profitable farming

of any kind for any farmer. All agricultural land preservation easements purchased after September 2004 are perpetual and may not be terminated.

MALPF has used two different appraisal methods to establish the value of agricultural property. Prior to approximately 1990, an easement's value was the difference between the fair market value of the property with easement restrictions in place and without easement restrictions in place. After 1990, easement values were determined by subtracting the value of the property for agricultural production (based on a formula developed by the University of Maryland) from the appraised fair market value. The formula measures the farm productivity of the land by taking into consideration weighted factors that may include location, soil types, development pressure, interest rates, and potential agricultural use. When the new method for determining agricultural value was put in statute, similar language was not integrated into the statute outlining how the repayment value of a terminated easement is calculated.

If a request for termination of an agricultural land preservation easement is approved, the landowner may repurchase the easement by paying MALPF an amount determined by an appraisal. The landowner requesting termination is financially responsible for the appraisal cost. Under current law, this appraisal must be completed using MALPF's original appraisal method – the difference between the fair market value of the property with easement restrictions in place and without easement restrictions in place – to establish the agricultural value of the property.

To date, MALPF has not received any requests to terminate easements nor does it anticipate any easements being terminated. It is highly unlikely that MALPF easements would lose all agricultural value, a precondition for termination approval.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 14, 2009
ncs/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Agricultural Land Preservation Foundation – Valuation of Terminated Easements

BILL NUMBER: SB 90

PREPARED BY: Maryland Department of Agriculture

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.