

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 112

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

Education, Health, and Environmental Affairs

Environmental Matters

Maryland Agricultural Land Preservation Foundation - Appraisal Requirement

This departmental bill requires the Department of General Services (DGS), at the direction of the Maryland Agricultural Land Preservation Foundation (MALPF), to order two, instead of one, fair market value appraisals after a request for terminating a MALPF easement is approved. The land must be appraised as of the date of the approval of the request for termination. DGS must review the two appraisals, determine the land's value, and issue a written statement on the approved fair market value to MALPF. MALPF must use the DGS statement to notify the landowner of the land's approved fair market value.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: The bill's changes can be implemented with existing budgeted resources. While completion of an additional appraisal is required, landowners are responsible for this cost.

Local Effect: None.

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

Analysis

Current Law: The “fair market value” of land is the price as of the valuation date for the highest and best use of the property which a vendor, willing but not obligated to sell, would accept for the property and a purchaser, willing but not obligated to buy, would pay for the property if the property was not subject to any restriction imposed under MALPF provisions in the Agriculture Article.

Requests to terminate agricultural land preservation easements are only available to landowners with easements (1) approved by the Board of Public Works prior to September 30, 2004; (2) held by MALPF for over 25 years; and (3) on property that 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.

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.

Background: MALPF, which was established by the General Assembly in 1977 and is part of MDA, purchases agricultural preservation easements that restrict development on prime farmland and woodland in perpetuity. In addition to funding from the State transfer tax, MALPF is funded with agricultural land transfer taxes, local matching funds, and the U.S. Department of Agriculture’s Federal Farmland Protection Program. MALPF settled on its first purchased easement in October 1980. As of the end of fiscal 2011, MALPF had cumulatively purchased 2,043 farms covering 279,223 acres.

While MALPF has not received any requests to terminate easements to date, hundreds of properties have been in the program for over 25 years and there may be interest in the future. However, it is highly unlikely that MALPF easements would lose all agricultural value, a precondition for termination approval.

MALPF advises that requiring two appraisals will make easement termination provisions consistent with the two appraisal requirement associated with acquiring an easement and disposing of property. MALPF further advises that having two appraisals provides a more accurate estimate of the easement’s value.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore, Carroll, Harford, Montgomery, Queen Anne's, and St. Mary's counties; Maryland Department of Agriculture; Board of Public Works; Department of General Services; Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2012
ncs/lgc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Agricultural Land Preservation Foundation – Appraisal Requirement

BILL NUMBER: SB 112

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.