

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 468 (Delegate Kach, *et al.*)
Environmental Matters

Maryland Environmental Trust - Conservation Easements - Land Draining into Reservoirs

This bill requires the Maryland Environmental Trust (MET) to consider an offer to donate a conservation easement on land that drains into a State reservoir without regard to the size of the property.

Fiscal Summary

State Effect: Department of Natural Resources (DNR) general fund expenditures increase by \$130,600 in FY 2013 to hire two natural resources planners to process anticipated additional easement offers. Future year expenditures reflect annualization and inflation. State general fund and Annuity Bond Fund revenues decrease to the extent the bill results in additional easements and the easement owners receive State tax benefits.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
GF/SF Rev.	(-)	(-)	(-)	(-)	(-)
GF Expenditure	\$130,600	\$133,500	\$142,500	\$149,200	\$156,100
Net Effect	(\$130,600)	(\$133,500)	(\$142,500)	(\$149,200)	(\$156,100)

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

Local Effect: Local revenues are impacted to the extent the bill results in additional easements and the easement owners receive a local property tax credit.

Small Business Effect: Potential meaningful.

Analysis

Current Law: MET was established to conserve, improve, stimulate, and perpetuate the aesthetic, natural, health and welfare, scenic, and cultural qualities of the environment, including, but not limited to land, water, air, wildlife, scenic qualities, open spaces, buildings, and other appurtenances pertaining in any way to the State.

Chapter 146 of 2011 requires that consideration be given to conserving land that drains into a reservoir in the State when local governments prioritize applications for Maryland Agricultural Land Preservation Foundation (MALPF) easements and the Secretary of Natural Resources allocates State Program Open Space funds.

Chapter 676 of 2001 established a preservation and conservation easement income tax credit applicable to easements conveyed to MALPF or MET. The credit amount is the difference between a property's fair market value before and after conveying the easement, and it is reduced by the amount of any payment received for the easement. The credit allowed for any taxable year may not exceed the lesser of the State income tax liability or \$5,000.

Property that is subject to a perpetual conservation easement through MET receives a 100% State and local property tax credit on the donated land for 15 years. As the credit expires, property taxes must be paid based on assessed value.

Background: MET, a unit of DNR, seeks to protect the natural resource, environmental, cultural, rural, agricultural, woodland, wetland, and scenic characteristics of the State, primarily through donated conservation easements. MET easement offers are evaluated on a case-by-case basis, and MET's Board of Trustees makes final decisions about easement acquisitions. Currently, 1,038 individual easements covering over 128,000 acres are protected and managed by MET. MET approves approximately 20 to 40 easements annually, with an average size of 128 acres.

MET accepts easements on land with significant historic resources, habitat, open space, and/or public recreation and education opportunities. MET prioritizes the conservation attributes of a property, including whether the easement would (1) protect natural habitat of fish, wildlife, or plants; (2) preserve open space for the scenic enjoyment of the general public; and (3) preserve historically important land areas or certified historic structures.

In accordance with established policy guidelines, MET gives preference to easements on large parcels of land. Generally, MET will only consider donations of easements that are greater than 25 acres. MET may consider donations of less than 25 acres if (1) the property is contiguous to existing conserved properties; (2) the easement would protect

extraordinary resources; (3) there is substantial support for the proposed easement; or (4) the easement is part of a major State conservation initiative.

There are significant potential financial benefits available to landowners who agree to protect their land with an MET conservation easement, including a federal income tax deduction, a State income tax credit, and State and local property tax credits.

MET advises that there are an estimated 285 reservoirs in the State, including eight large reservoirs that span over one square mile each. Thousands of acres of land drain into these reservoirs. MET does not give preference to properties that drain into a reservoir.

State Revenues: State general fund and Annuity Bond Fund revenues decrease in fiscal 2013 and future years to the extent the bill results in additional easements and the easement owners receive State tax benefits. The potential impact on revenues cannot be reliably estimated, as it would depend on, among other things, the number of easements approved by MET as well as the value of the easement land.

State Expenditures: MET advises that the bill will likely prompt hundreds of requests for consideration of conservation easement donations on small parcels of land. These requests may be due to interest in the property tax benefits associated with easement donations. MET staff complete detailed assessments for each easement proposal, which involve mapping the proposed site; conducting site visits to the proposed location; writing baseline documentation reports; negotiating potential easement terms; and completing various evaluation and assessment documents for the MET board.

General fund expenditures increase by \$130,637 in fiscal 2013, which accounts for the bill's October 1, 2012 effective date. This estimate reflects the cost of hiring two natural resources planners to complete assessments for the additional easement proposals prompted by the bill. It includes salaries, fringe benefits, one-time start-up costs, a vehicle, and ongoing operating expenses.

Positions	2
Salaries and Fringe Benefits	\$96,495
Vehicle	22,806
Operating Expenses	11,336
Total FY 2013 State Expenditures	\$130,637

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. To the extent the actual number of additional easement offers differs significantly from the anticipated level, the number of staff required will also vary. However, this estimate assumes that two additional staff will be needed at least through fiscal 2017 to implement the bill.

Under the bill, all proposals for easements located on land that drains into a reservoir must be considered by MET board members directly. Therefore, the bill also increases the workload of MET's volunteer board members, as MET staff will no longer have the authority to decline some easement offers.

Small Business Effect: Small businesses benefit to the extent the bill prompts approval of their conservation easement offer and they receive federal, State, and/or local tax benefits.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Baltimore City, Worcester County, State Department of Assessments and Taxation, Department of Natural Resources, Department of Legislative Services

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