

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 631 (Delegate Anderson, *et al.*) (By Request - Baltimore City Administration)

Environment and Transportation

Program Open Space - Baltimore City Grants - Increase and Inflation Adjustment

This bill increases the minimum amount of the State’s share of Program Open Space (POS) funding allocated for direct grants to Baltimore City for projects which meet park purposes, from \$1.5 million to \$6.0 million. The minimum amount must also be increased by July 1 of each year based on the amount allocated in the prior fiscal year and the percentage growth in the Consumer Price Index (CPI). The amount of direct grant funding remains unchanged if there is a decline or no growth in the CPI. The inflation adjustment first applies in fiscal 2017.

The bill takes effect June 1, 2015.

Fiscal Summary

State Effect: General obligation (GO) bond and/or general fund expenditures may increase by up to \$4.5 million annually beginning in FY 2016 (with inflation adjustments beginning in FY 2017), to the extent the increase in Baltimore City direct grant funding diverts funding from critical State projects and activities that cannot be deferred.

Local Effect: Baltimore City revenues and expenditures for park projects increase by \$4.5 million annually beginning in FY 2016, with inflation adjustments beginning in FY 2017.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background:

Program Open Space – In General

POS provides dedicated funds for State and local parks and conservation areas. The program expedites the acquisition of conservation and scenic areas to avoid permanent forfeiture of such land due to unaffordable land prices and development. Both the State and local governments may use POS funding for land acquisition and the development of park and recreation facilities. State and local funding is based on a statutory formula. The program was established in 1969, and today more than 6,100 individual county and municipal parks and conservation projects have been assisted by it. The Department of Natural Resources (DNR) administers the program and allocates funding to both State and local projects.

POS Funding

In the past, POS was funded primarily with State transfer tax revenue in most years. However, in recent years, transfer tax revenue funding for POS has been redirected or transferred, primarily to the general fund, and partially replaced with bond proceeds. Additionally, to relieve pressure on the general fund, Chapter 2 of the 2007 special session required that a portion of POS funding (20% of certain available funding, or \$21 million, whichever is greater), which previously was distributed to the local governments, be used for the operation of State forests and parks. POS also receives some federal funding.

Transfers of transfer tax revenue to the general fund authorized under the Budget Reconciliation and Financing Act (BRFA) of 2013 (Chapter 425) affect the availability of POS funding annually through fiscal 2018. The total amount transferred in fiscal 2016, affecting multiple programs, but primarily POS, is \$77.7 million. The proposed BRFA of 2015 (Senate Bill 57/House Bill 72) increases the amount of revenue transferred in fiscal 2016 by \$37.7 million.

Baltimore City POS Funding

The Baltimore City direct grant funding affected by the bill is a portion (which must be at least \$1.5 million annually) of the State's share of POS funds, which must be utilized to make grants to Baltimore City for projects which meet park purposes. Baltimore City also receives local POS funding apportioned among the counties and Baltimore City, and in recent years, additional special POS grants have been made to the city. In fiscal 2015, the city receives, from the State's share of POS funds, \$1.5 million in direct grant funding,

\$6.0 million for the Gwynns Falls/Leakin Park Urban Children in Nature Campus Project, and \$300,000 for the Royal Theater and Community Heritage Corporation for the acquisition, clearance, and site preparation of land and the design of athletic and open spaces. In addition, the city's apportionment of local POS funding is \$1.5 million. The Governor's proposed fiscal 2016 budget includes \$1.5 million in Baltimore City direct grant funding and an additional \$1.5 million through the local POS apportionment.

DNR indicates that the \$1.5 million in direct grant funding is typically used for maintenance and general operations of the Baltimore City Park System and other projects as requested by the city. Projects funded with the direct grant funding are reviewed and approved by DNR, and subsequently the Board of Public Works, in the same manner as projects funded with local POS funding.

Baltimore City's process for determining which projects are proposed for POS funding is described in the introduction to its [Consolidated Annual Program Grant Application](#). Suggestions of project sites come from city agencies, private citizens, and community organizations and sites are evaluated based on a list of various factors.

State Fiscal Effect: GO bond and/or general fund expenditures may increase by up to \$4.5 million annually beginning in fiscal 2016 (with inflation adjustments beginning in fiscal 2017), to the extent the increase in Baltimore City direct grant funding diverts funding from other critical State projects and activities that cannot be deferred. In fiscal 2016, for example, accounting for the transfers of transfer tax revenue to the general fund under the 2013 BRFA and the proposed 2015 BRFA, the only remaining transfer tax revenue expected to be available to fulfill the \$4.5 million increase in Baltimore City direct grant funding is planned to be used for critical park and other natural resources facility maintenance projects and other activities that are not expected to be able to be deferred. For the purposes of this fiscal and policy note, it is assumed that some combination of GO bond and/or general funds is needed to cover the costs of those projects and activities.

From fiscal 2019 forward, the likelihood of GO bond and/or general fund expenditures increasing to cover critical State projects and activities becomes less likely as the transfers of transfer tax revenue to the general fund under the 2013 BRFA end in fiscal 2018 and the amount of available POS funding significantly increases.

Local Fiscal Effect: Baltimore City revenues and expenditures for park projects increase by \$4.5 million annually beginning in fiscal 2016, adjusted for inflation beginning in fiscal 2017, reflecting the difference between the proposed \$6.0 million minimum amount of direct grant funding and the existing \$1.5 million minimum amount. This assumes sufficient State POS funding is available to fulfill the \$6.0 million minimum amount each

year. Based on current projections of CPI, the increase in the minimum amount of direct grant funding for Baltimore City increases to \$4.9 million by fiscal 2020.

Small Business Effect: Small businesses involved in the design and construction of park development projects may meaningfully benefit from the additional funding allocated for Baltimore City direct grant funding.

Additional Information

Prior Introductions: None.

Cross File: SB 357 (Senator McFadden)(By Request - Baltimore City Administration) - Budget and Taxation and Education, Health, and Environmental Affairs.

Information Source(s): Department of Natural Resources, Department of Budget and Management, Baltimore City, Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2015
min/lgc

Analysis by: Scott D. Kennedy

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