

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 1409

(Delegates Otto and Beitzel)

Environment and Transportation

Budget and Taxation

Payment in Lieu of Taxes - State Forest and State Park Land

This bill requires the State to make specified payments to counties, in fiscal 2018 and 2019, as payments in lieu of taxes for State forest and State park land located in each county. The State Department of Assessments and Taxation (SDAT) must complete a specified updated study on the impact of real property tax exemptions on county revenue by July 1, 2017.

The bill takes effect July 1, 2016, and terminates June 30, 2019.

Fiscal Summary

State Effect: General fund expenditures increase by approximately \$2.4 million in both FY 2018 and 2019 to make the payments required under the bill. Potential increase in general fund expenditures in FY 2017 for SDAT to complete the updated study. Revenues are not affected. **This bill establishes a mandated appropriation in FY 2018 and 2019.**

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	-	2,400,000	2,400,000	0	0
Net Effect	(-)	(\$2,400,000)	(\$2,400,000)	\$0	\$0

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

Local Effect: Local government revenues increase by approximately \$2.4 million in both FY 2018 and 2019. Expenditures are not directly affected.

Small Business Effect: None.

Analysis

Bill Summary:

Payments in Lieu of Taxes

The payment the State must make to each county in fiscal 2018 and 2019, as a payment in lieu of taxes for State forest and State park land located in the county, is an amount equivalent to existing payments received by the county (discussed below under Current Law/Background) of a portion of revenue derived from the State forests and parks in the county, including net revenue from concession operations. The Governor must include in the budget bill the total amount to be paid to each county.

Updated Study

By July 1, 2017, SDAT must complete an update of a study of the impact of real property tax exemptions on county revenue that was completed by the Department of Legislative Services in January 2014. The updated study must include:

- the total value of tax-exempt property statewide and in each county, including as a percentage of the county's assessable base, and also categorized by type of exemption;
- the total revenue foregone due to tax-exempt property statewide and in each county and the property tax rate equivalent of the foregone revenue, also categorized by type of exemption;
- the five tax-exempt properties with the highest assessed value in each county; and
- the number of payment in lieu of taxes agreements with tax-exempt entities and the amount of revenue raised through such agreements statewide and in each county.

Current Law/Background:

Revenue Sharing – Forest and Park Revenues

Counties in which State forests and parks comprise less than 10% of the total land area of the county receive 15% of the revenue derived from the State forests and parks in the county, including net revenue from concession operations. Counties in which State forests and parks comprise 10% or more of the total land area of the county receive 25% of the revenue derived from the State forests and parks, including net revenue from concession operations. The remaining revenue derived from State forests and parks is used primarily to fund the Department of Natural Resources' (DNR) Forest Service and Maryland Park Service.

In fiscal 2010 through 2013 and fiscal 2015, this revenue sharing was reduced significantly through budget reconciliation legislation (Chapter 487 of 2009, Chapter 397 of 2011, and Chapter 489 of 2015), which limited the revenue sharing to revenue derived from timber sales (see **Exhibit 1**).

Exhibit 1
Total Revenue-sharing Payments to Counties
Fiscal 2010-2015
(\$ in Millions)

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
Payments to Counties	\$0.3	\$0.2	\$0.2	\$0.2	\$2.4	\$0.2

Source: Department of Natural Resources

DLS Study

The information compiled by DLS on property tax exemptions and payments in lieu of taxes is available in this January 2014 presentation: [*Property Tax Exemptions and Payments in Lieu of Taxes in Maryland*](#).

State Expenditures: General fund expenditures increase by approximately \$2.4 million in both fiscal 2018 and 2019 to make the payments to counties required under the bill. This estimate assumes that revenue-sharing payments are made to the counties in fiscal 2018 and 2019 in amounts similar to those made in fiscal 2014, the most recent fiscal year for which actual revenue-sharing payment amount information is available (full payments were not made in fiscal 2015 pursuant to budget reconciliation legislation). **Exhibit 2** shows the breakdown of the fiscal 2014 payment amounts among the counties.

General fund expenditures may also increase in fiscal 2017 for SDAT to complete the updated study, as required by the bill. DLS compiled the information in the January 2014 study with existing resources, using information from SDAT that was available at that time. SDAT, however, advises that it may incur programming costs in order to compile the information needed to update the study.

Exhibit 2
Fiscal 2014 Revenue-sharing Payments to Counties

<u>County</u>	<u>FY 2014</u> <u>Payments</u>
Allegheny	\$230,454
Anne Arundel	277,463
Baltimore City	0
Baltimore	176,922
Calvert	4,788
Caroline	59,193
Carroll	17,351
Cecil	82,891
Charles	19,663
Dorchester	8,281
Frederick	123,399
Garrett	334,490
Harford	126,937
Howard	78,712
Kent	0
Montgomery	94,796
Prince George's	13,418
Queen Anne's	13,021
St. Mary's	116,970
Somerset	50,621
Talbot	0
Washington	116,546
Wicomico	5,028
Worcester	467,691
Total	\$2,418,637

Source: Department of Natural Resources

Local Revenues: Local government revenues increase by approximately \$2.4 million in both fiscal 2018 and 2019 due to receipt by counties of the payments required under the bill.

Additional Information

Prior Introductions: None.

Cross File: SB 263 (Senator Edwards, *et al.*) - Budget and Taxation and Education, Health, and Environmental Affairs.

Information Source(s): Department of Natural Resources; State Department of Assessments and Taxation; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2016
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