

Department of Legislative Services  
 Maryland General Assembly  
 2017 Session

FISCAL AND POLICY NOTE  
 Enrolled - Revised

Senate Bill 273

(Senator Edwards, *et al.*)

Budget and Taxation and Education, Health,  
 and Environmental Affairs

Environment and Transportation

State Forest, State Park, and Wildlife Management Area Revenue Equity  
 Program

This bill establishes a State Forest, State Park, and Wildlife Management Area Revenue Equity Program to make annual payments, beginning in fiscal 2019, to counties that meet specified criteria (“affected counties”), including having specified amounts of acreage of State forests, State parks, and wildlife management areas that are exempt from property tax. The annual payment to each affected county is equal to the county’s property tax rate multiplied by the assessed value, as determined by the State Department of Assessments and Taxation (SDAT), of the State forests, State parks, and wildlife management areas in the county that are exempt from property tax. The payments replace specified existing revenue-sharing payments in the affected counties.

The bill takes effect July 1, 2017.

Fiscal Summary

**State Effect:** General fund expenditures increase by approximately \$2.5 million annually, beginning in FY 2019, due to payments to affected counties (Allegany, Garrett, and Somerset) under the program. Special fund expenditures for revenue-sharing payments decrease annually by \$0.8 million, beginning in FY 2019. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2019.**

(\$ in millions)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	2.5	2.5	2.5	2.5
SF Expenditure	0	(0.8)	(0.8)	(0.8)	(0.8)
Net Effect	\$0.0	(\$1.7)	(\$1.7)	(\$1.7)	(\$1.7)

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

**Local Effect:** Local government revenues increase by a net amount of \$1.7 million annually beginning in FY 2019. Local expenditures are not directly affected.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** The bill applies to counties that (1) have at least 65,000 acres of State forests, State parks, and wildlife management areas that are exempt from the property tax or (2) have at least 40,000 acres of State forests, State parks, and wildlife management areas that are exempt from the property tax and have a county real property tax rate of at least \$1.00 for each \$100 of assessment.

Any portions of State forest, State park, and wildlife management area land that the affected counties are able to generate revenue from, through property taxes, payments in lieu of taxes, or, in Garrett County, Deep Creek Lake State Park revenue sharing, are not included in the calculation of the annual payment for each affected county.

The annual payments under the program replace existing revenue-sharing payments to the affected counties that are based on a percentage of the revenues generated from State forests and parks in each county (discussed below), which are separate from revenue-sharing payments to Garrett County associated with Deep Creek Lake revenues (referenced above).

By December 1 each year, SDAT, in consultation with the Secretary of Natural Resources, must certify to the Governor and the Secretary of Budget and Management (1) the assessed value of all State forests, State parks, and wildlife management areas in each affected county that are exempt from property tax (excluding lands the affected counties are able to generate revenue from) and (2) the total amount to be paid by the State to each affected county. The payments must be made to each county in four installments of 25% of the annual payment, by October 1, January 1, April 1, and June 1.

The program may not be construed to prohibit the application or collection of a local tax on the extraction of natural resources.

**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**).

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**Exhibit 1**  
**Total Revenue-sharing Payments to Counties**  
**Fiscal 2010-2016**  
**(\$ 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>	<u>FY 2016</u>
Payments to Counties	\$0.3	\$0.2	\$0.2	\$0.2	\$2.4	\$0.2	\$2.9

Source: Department of Natural Resources

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*Applicability of Property Tax to State Land*

Government-owned property devoted to a governmental use or purpose is generally not subject to property tax. The interest or privilege of a person to whom government-owned property is leased or otherwise made available to use in connection with a for-profit business, however, is subject to property tax as though the lessee or user were the owner of the property, unless the federal or State government owns the property and makes negotiated payments in lieu of tax. Most counties and municipalities have specified authority to authorize an exemption for such interests in government-owned property and to provide for a negotiated payment in lieu of tax. The bill excludes from the calculation of the annual payment for each affected county any such State-owned property from which counties receive property tax or payments in lieu of tax or for which counties have authorized property tax exemptions.

## *State Forests, State Parks, and Wildlife Management Areas*

DNR's State Park System covers 138,270 acres, DNR's State Forest System covers 218,399 acres, and wildlife management areas cover 123,530 acres. Wildlife management areas are areas acquired by DNR to protect, propagate, or manage wildlife, or for hunting purposes.

### **State Expenditures:**

#### *Payments to Counties*

General fund expenditures increase by approximately \$2.5 million annually, beginning in fiscal 2019, due to payments made to Allegany, Garrett, and Somerset counties under the State Forest, State Park, and Wildlife Management Area Revenue Equity Program. Allegany and Garrett counties are the only counties in the State that have more than 65,000 acres of State forests, State parks, and wildlife management areas, and Somerset County is the only county that has more than 40,000 acres of State forests, State parks, and wildlife management areas and a fiscal 2017 county real property tax rate of at least \$1.00 for each \$100 of assessment. Special fund expenditures decrease annually, beginning in fiscal 2019, by \$0.8 million due to the elimination of existing revenue-sharing payments to those counties. These estimates assume:

- State forest and park revenues remain at the fiscal 2016 level;
- county real property tax rates remain at the fiscal 2017 level; and
- acreage of State forests, State parks, and wildlife management areas in any county does not change significantly in the near-term.

Dorchester County has more than 40,000 acres of State forests, State parks, and wildlife management areas and a fiscal 2017 county real property tax rate near \$1.00 for each \$100 of assessment (\$0.976 for each \$100 of assessment). If Dorchester County's real property tax rate is increased to at least \$1.00 for each \$100 of assessment, general fund expenditures increase by an additional \$0.6 million annually and special fund expenditures decrease by an additional \$27,000 annually, reflecting the replacement of the county's existing revenue-sharing payments with the payments under the State Forest, State Park, and Wildlife Management Area Revenue Equity Program.

SDAT is not currently able to identify all properties that are State forests, State parks, and wildlife management areas in its real property database because properties are not specifically coded as being State forests, State parks, and wildlife management areas. The department is, however, able to identify State properties in general that are exempt from property tax. The estimates of the payments made to the affected counties under the program were arrived at by DNR evaluating an SDAT list of State properties in the affected

counties that are exempt from property tax and subtracting from the list properties that DNR could identify as not being State forests, State parks, or wildlife management areas. DNR indicates that the acreage of the remaining list of State properties exempt from the property tax in the affected counties was roughly comparable to DNR acreage information for State forests, State parks, and wildlife management areas in the counties. SDAT assessed values of the properties remaining on the list were then totaled for each county; those totals are reflected in **Exhibit 2**, along with the applicable county property tax rates and the resulting estimated annual payments under the program for each county.

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**Exhibit 2**  
**Proposed Payments to Affected Counties**

<u>County</u>	<u>Acreage*</u>	<u>Estimated Total Assessed Value</u>	<u>County Property Tax Rate**</u>	<u>Estimated Proposed Annual Payment</u>
Allegany	67,161	\$84,000,000	\$0.977	\$820,680
Garrett	87,261	117,000,000	0.990	1,158,300
Somerset	48,053	49,000,000	1.000	490,000
<b>Total</b>	<b>202,475</b>	<b>\$250,000,000</b>		<b>\$2,468,980</b>

\*State forest, State park, and wildlife management area acreage.

\*\*Fiscal 2017 county property tax rates.

Source: State Department of Assessments and Taxation; Department of Natural Resources

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The estimate does not specifically account for the bill’s exclusion from the calculation of the annual payment for each affected county, of portions of State forest, State park, and wildlife management area land that the county is able to generate revenue from (*e.g.*, in Garrett County, Deep Creek Lake State Park revenue sharing). Those exclusions, however, should only affect a relatively small portion of the overall acreage of State forests, State parks, and wildlife management areas that are exempt from property tax in the affected counties.

**Exhibit 3** shows, by county, (1) the fiscal 2016 existing revenue-sharing payments; (2) the acreage of State forests, State parks, and wildlife management areas in each county; and (3) for the counties affected by the bill, the proposed State Forest, State Park, and Wildlife Management Area Revenue Equity Program payments beginning in fiscal 2019 and the resulting net increase in payments for affected counties.

**Exhibit 3**  
**Existing and Proposed Payments to Counties**

<u>County</u>	<i>All Counties</i>		<i>Counties Affected by the Bill</i>			
	<u>Existing Payments</u>	<u>Acreage*</u>	<u>Estimated Proposed Payments</u>	<u>Net Increase in Payments</u>		
Allegany	\$268,229	67,161	\$820,680	\$552,451		
Anne Arundel	282,383	4,643				
Baltimore City	0	0				
Baltimore	209,093	21,535				
Calvert	26,339	4,955				
Caroline	64,436	7,224				
Carroll	17,035	4,867				
Cecil	99,368	13,590				
Charles	31,849	20,562				
Dorchester	26,825	46,661				
Frederick	119,601	12,799				
Garrett	454,854	87,261			1,158,300	703,446
Harford	153,185	6,933				
Howard	77,341	9,793				
Kent	0	5,266				
Montgomery	85,807	12,688				
Prince George's	9,853	6,780				
Queen Anne's	46,630	2,512				
St. Mary's	121,554	9,031				
Somerset	75,430	48,053	490,000	414,570		
Talbot	0	238				
Washington	115,552	22,593				
Wicomico	28,540	23,363				
Worcester	621,843	41,824				
<b>Total</b>	<b>\$2,935,747</b>	<b>475,618</b>	<b>\$2,468,980</b>	<b>\$1,670,467</b>		

\*State forests, State parks, and wildlife management areas acreage.

Source: Department of Natural Resources; Department of Legislative Services

## *Implementation*

SDAT indicates that it needs to coordinate with DNR to identify State forest, State park, and wildlife management area land in SDAT's real property database, but the department can implement the bill with existing resources.

**Local Revenues:** Local government revenues for the affected counties increase by a net amount of \$1.7 million annually beginning in fiscal 2019. This estimate reflects the State Forest, State Park, and Wildlife Management Area Revenue Equity Program payments (\$2.5 million) less the existing revenue-sharing payments these counties receive in the absence of the bill (\$0.8 million).

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## **Additional Information**

**Prior Introductions:** SB 263 of 2016, a similar bill, passed with amendments in both the Senate and the House and had a conference committee appointed in the Senate, but no further action was taken. Its cross file, HB 1409, passed with amendments in the House and was referred to the Senate Budget and Taxation Committee, but no further action was taken. SB 134 of 2015, also a similar bill, passed with amendments in the Senate and was referred to the House Rules and Executive Nominations Committee, but no further action was taken. Its cross file, HB 1091, received a hearing in the House Environment and Transportation Committee, but no further action was taken.

**Cross File:** None.

**Information Source(s):** State Department of Assessments and Taxation; Department of Natural Resources; Department of Budget and Management; Carroll, Montgomery, Queen Anne's, and St. Mary's counties; Maryland Association of Counties; Department of Legislative Services

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