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Lieutenant Governor



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Secretary

MARC L. NICOLE
Deputy Secretary

TITLE: HB 1560 Forest Conservation - Incentives - Pilot Program and Fund

DATE: March 11, 2026

COMMITTEE: Environment and Transportation

POSITION: Letter of Concern

SUMMARY OF BILL: HB 1560 establishes the Ecosystem Value Incentives Fund (the Fund), and creates a \$10 million mandated appropriation to the Fund in FY 2028 only.

This bill requires the Department of Natural Resources (DNR) to:

1. Establish a formal approach for determining forest ecological values;
2. Establish a way to use above values to create landowner compensation incentives and ecosystem value impact fees;
3. Pursue laws/policies to generate fee revenue to support the Fund;
4. Establish and implement a pilot program to provide incentives for forest conservation and management;
5. Designate priority areas for the above pilot;
6. By October 1, 2030, transfer program administration of the pilot to the Maryland Forest Foundation, if the pilot results in increased enrollment in forest conservation and management agreements;
7. Establish education outreach to forest landowners eligible for the pilot;
8. Evaluate enhancements to the pilot program, including State property tax benefits, climate resilience easements, and payments under State restoration and conservation programs;
9. Ensure that incentive payments produce ecological benefits and do not generate unintended negative consequences (which likely would require ongoing monitoring).

The bill prohibits local governments from adopting ordinances/regulations governing areas covered by an Ecosystem Value-Oriented Forest Management Plan that are inconsistent with DNR's forest management plan regulations.

EXPLANATION: HB 1560 creates a one-time \$10 million mandate in FY 2028. While no fund source is specified, it is assumed that this mandate would be satisfied by General Funds.

The bill would result in significant operational impacts for the Department of Natural Resources, some of which may not be supported by the mandated appropriation. While \$2 million of the \$10 million mandate provides funding for some of the program planning and research work required of DNR, the deadline for the work outlined in bullets 1 and 2 of the above Summary section is December 1, 2026 (in the middle of FY 2027). Bullet 3, per the legislation, would be required to occur “immediately” after the bill takes effect. As the mandated funding would not be appropriated until FY 2028, the operational and fiscal impacts from these efforts would occur before funding would be available to support them, resulting in additional expenditures beyond what is provided for in the bill. DNR estimates \$366,143 in FY 2027 expenditures to fulfill the requirements of this legislation.

The bill may also create unintended out-year fiscal impacts. While it requires that DNR pursue laws and policies to generate fee revenue for the program, the bill does not implement any fees itself, nor does it give DNR the authority to do so. As there is no guarantee of future legislation or regulations being adopted, that leaves the program without any guaranteed source of funding beyond the initial one-time \$10 million appropriation, potentially creating a risk of the General Fund being called upon in the future to support this program.

Given forecasted out-year deficits and significant uncertainty about the federal budget and policy changes, it would be challenging for the State to manage this increase in spending. This challenge is compounded by major, unforeseen changes in federal policy and other ongoing budgetary pressures. The Department of Budget and Management (DBM) now forecasts significant shortfalls beginning in Fiscal Year 2027 and escalating into Fiscal Year 2028.

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