

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 273

(Senator Edwards, *et al.*)

Budget and Taxation and Education, Health,
and Environmental Affairs

**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 specified annual payments, beginning in fiscal 2019, to certain counties, based on the number of acres of land in a county that consists of State forests, State parks, and wildlife management areas. The payments replace existing revenue-sharing payments in the affected counties and are phased in so that they apply initially to counties with greater amounts of such land and expand to more counties in fiscal 2020 and 2021.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: General fund expenditures increase by \$4.0 million in FY 2019 due to payments under the program. Special fund expenditures for revenue-sharing payments decrease by \$723,100 in FY 2019. Future years reflect a phase in of the program through FY 2021 and, in FY 2022, an adjustment in payments based on the Consumer Price Index (CPI). 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	4.0	7.8	10.8	11.6
SF Expenditure	0	(0.7)	(1.4)	(1.8)	(1.8)
Net Effect	\$0.0	(\$3.3)	(\$6.3)	(\$8.9)	(\$9.8)

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 \$3.3 million in FY 2019, \$6.3 million in FY 2020, and \$8.9 million in FY 2021 and future years, subject to adjustments based on the CPI.

Small Business Effect: None.

Analysis

Bill Summary: Under the State Forest, State Park, and Wildlife Management Area Revenue Equity Program, in fiscal 2019, the State pays each county that has at least seven units of open space \$250,000 for each unit of open space in the county. In fiscal 2020, the State pays each county that has at least five units of open space \$250,000 for each unit of open space in the county. In fiscal 2021 and future years, the State pays each county that has at least three units of open space \$250,000 for each unit of open space in the county. A “unit of open space” is 10,000 acres of land within a county that consists of State forests, State parks, or wildlife management areas.

The payments are based on the number of units of open space in a county in the preceding fiscal year, rounding up to the nearest whole unit of open space (*e.g.*, 60,001 acres is rounded up to seven units of open space). Any portions of those lands that 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 determination of a county’s number of units of open space.

The Governor must include in the annual budget bill the total amount to be paid to each county as certified by the Secretary of Natural Resources, and the payments are made to the counties in quarterly installments. Beginning in fiscal 2022, and every three years thereafter, the \$250,000 per unit of open space payment is adjusted based on the CPI.

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**).

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

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 “units of open space” 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: General fund expenditures increase by \$4.0 million in fiscal 2019, \$7.8 million in fiscal 2020, and \$10.8 million in fiscal 2021 and future years due to payments under the State Forest, State Park, and Wildlife Management Area Revenue Equity Program, subject to adjustments based on the CPI every three years beginning in fiscal 2022. Special fund expenditures decrease by \$723,083 in fiscal 2019, by \$1.4 million in fiscal 2020, and by \$1.8 million in fiscal 2021 and future years due to the elimination of existing revenue-sharing payments. **Exhibit 2** shows, by county, the fiscal 2016 existing revenue-sharing payments, the number of units of open space and associated acreage in each county, and the proposed State Forest, State Park, and Wildlife Management Area Revenue Equity Program payments for fiscal 2019 through 2021 based on current acreage. This estimate, which is based on information provided by DNR, assumes that:

- State forest and park revenues remain at the fiscal 2016 level through fiscal 2022; and
- payments to counties under the State Forest, State Park, and Wildlife Management Area Revenue Equity Program increase by approximately 8% in fiscal 2022 due to the required increase based on the CPI.

In addition, to the extent the amount of land that consists of State forests, State parks, or wildlife management areas increases in future years, general fund expenditures increase to account for any additional units of open space.

DNR indicated in 2015 that it acquires, on average, 5,000 acres of land per year through Program Open Space, much of which is added to DNR's State parks, State forests, and wildlife management areas.

Exhibit 2
Existing and Proposed Payments to Counties

County	Existing Payments	Acreage*	UOS	Proposed Payments (\$ in Millions)		
				FY 2019	FY 2020	FY 2021
Allegany	\$268,229	67,161	7	\$1.75	\$1.75	\$1.75
Anne Arundel	282,383	4,643	1			
Baltimore City	0	0	0			
Baltimore	209,093	21,535	3			0.75
Calvert	26,339	4,955	1			
Caroline	64,436	7,224	1			
Carroll	17,035	4,867	1			
Cecil	99,368	13,590	2			
Charles	31,849	20,562	3			0.75
Dorchester	26,825	46,661	5		1.25	1.25
Frederick	119,601	12,799	2			
Garrett	454,854	82,547	9	2.25	2.25	2.25
Harford	153,185	6,933	1			
Howard	77,341	9,793	1			
Kent	0	5,266	1			
Montgomery	85,807	12,688	2			
Prince George's	9,853	6,780	1			
Queen Anne's	46,630	2,512	1			
St. Mary's	121,554	9,031	1			
Somerset	75,430	48,053	5		1.25	1.25
Talbot	0	238	1			
Washington	115,552	22,593	3			0.75
Wicomico	28,540	23,363	3			0.75
Worcester	621,843	41,824	5		1.25	1.25
Total	\$2,935,747	475,618	60	\$4.00	\$7.75	\$10.75

*The Deep Creek Lake Natural Resources Management Area (4,714 acres) is excluded from the Garrett County acreage shown in the exhibit to account for the bill's requirement that "the portion of Deep Creek Lake State Park that is attributable to payments required under § 5-215 of the Natural Resources Article" be excluded from the determination of the number of units of open space. The Department of Legislative Services notes, however, that it is unclear what land, specifically, is subject to that exclusion.

UOS: Units of Open Space

Source: Department of Natural Resources; Department of Legislative Services

Local Revenues: Local government revenues increase by a net amount of \$3.3 million in fiscal 2019, \$6.3 million in fiscal 2020, and \$8.9 million in fiscal 2021 and future years, subject to adjustments based on the CPI every three years beginning in fiscal 2022. This estimate reflects the State Forest, State Park, and Wildlife Management Area Revenue Equity Program payments less the existing revenue-sharing payments these counties receive in the absence of the bill.

To the extent the amount of land that consists of State forests, State parks, or wildlife management areas increases in future years, local government revenues increase to account for any additional units of open space.

Additional Information

Prior Introductions: SB 263 of 2016, a similar bill, passed with amendments in the 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): 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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mm/lgc

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