

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 257

(Senator Kasemeyer, *et al.*)

Budget and Taxation

Appropriations

**Program Open Space - Authorized Transfer to the Maryland Heritage Areas
Authority Financing Fund - Increase**

This bill increases, from \$3 million to \$6 million, the maximum amount of transfer tax funding distributed to Program Open Space (POS) which may be transferred to the Maryland Heritage Areas Authority Financing Fund. If the amount transferred exceeds \$3 million, the amount exceeding \$3 million must be provided from the State's share of funds.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: Special fund expenditures totaling \$3 million shift, beginning in FY 2018, from the State component of POS to the Maryland Heritage Areas Authority (MHAA). This assumes the full increased authorization is used each fiscal year. The overall level of State special fund expenditures does not change.

Local Effect: Local government revenues and expenditures increase annually due to the receipt of additional grant and/or loan funds from MHAA and the expenditure of those funds along with required grant matching funds.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Up to \$3 million of transfer tax funding distributed to POS each year may be transferred by an appropriation in the State budget, or by a budget amendment, to the

Maryland Heritage Areas Authority Financing Fund. Under provisions governing the fund, up to 10% of the POS funds transferred to MHAA may be used to pay MHAA's operating expenses and up to 50% of POS funds transferred may be expended for debt service on bonds issued by MHAA.

Background: POS, administered by DNR, acquires and improves outdoor recreation and open space areas for public use. The program also preserves unique natural areas that are home to rare and endangered species. The State's goal is to conserve these lands before unaffordable land prices or development makes the task impossible.

MHAA is an independent unit within the Maryland Department of Planning. MHAA, along with the Maryland Historical Trust, implements the Maryland Heritage Areas Program. There are currently 13 designated heritage areas across the State, which, pursuant to statute, are intended to reflect the cultural themes of the State's development and provide educational, inspirational, economic, and recreational benefits for present and future generations. The heritage areas are proposed by local jurisdictions and approved by MHAA according to specific criteria. MHAA provides targeted financial and technical assistance within the heritage areas.

The State transfer tax is the primary source of funding for POS and other land preservation programs, with POS receiving a 75.15% share of the funding distributed among land preservation and recreation programs (not counting an additional 1% that is distributed to POS specifically for land acquisition). The amount transferred to MHAA is first subtracted from the 75.15% share of funding (the Governor's proposed fiscal 2018 budget includes an appropriation for the full \$3 million authorized to be transferred to MHAA). The remaining funding is then distributed between State and local components of POS and DNR's Maryland Park Service and Forest Service for forest and park operations.

The State component of POS receives 50% of the remaining funding (which is further distributed among various purposes, including both land acquisition and capital development), the Maryland Park Service and Forest Service receive the greater of 20% or \$21 million, and the local component of POS receives the remainder (which is distributed by formula among the counties and Baltimore City).

State Fiscal Effect: Assuming that the full increased authorization to transfer funding to MHAA is used each fiscal year, State special fund expenditures of \$3 million are shifted from the State component of POS to MHAA beginning in fiscal 2018. The level of State special fund expenditures, overall, does not change. This assessment assumes that the funds are shifted from the State component of POS to MHAA; however, it appears the bill's reference to "the State's share of funds" could be interpreted to also include funding allocated to the Maryland Park Service and Forest Service.

Local Fiscal Effect: Local government revenues and expenditures increase annually due to the receipt of additional grant and/or loan funds and the expenditure of those funds along with required grant matching funds. Local governments are eligible recipients of grant and loans awarded by MHAA using funding from the Maryland Heritage Areas Authority Financing Fund. To date, MHAA appears to have primarily provided financial assistance in the form of grants, rather than loans.

Small Business Effect: To the extent that shifting funding from the State component of POS to MHAA results in a greater portion of that State funding reaching small businesses and leveraging additional non-State funding spent on goods or services provided by small businesses (*e.g.*, shifting funding from land acquisition under POS to grants or loans for projects in heritage areas that may utilize architects, contractors, graphic/exhibit designers, exhibit and signage fabricators, marketing firms, etc.), the bill may have a meaningful impact on small businesses.

Additional Information

Prior Introductions: None.

Cross File: HB 267 (Delegate B. Wilson, *et al.*) - Appropriations.

Information Source(s): Department of Natural Resources; Maryland Department of Planning; Department of Legislative Services

Fiscal Note History: First Reader - February 3, 2017
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