

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1560 (Delegate Behler)
 Environment and Transportation and
 Appropriations

Forest Conservation - Incentives - Pilot Program and Fund

This bill makes several changes to State law focused on determining and incentivizing the ecological (or ecosystem) value of forest land in the State, including (1) a requirement that a formal approach for determining the ecological value of forest land be completed and published and (2) the establishment of a pilot program and related fund to provide incentives for long-term retention, expansion, and preservation of forest land and the adoption of ecosystem value-oriented forest management plans. The bill establishes a related mandated appropriation for fiscal 2028.

Fiscal Summary

State Effect: No effect in FY 2027. General fund expenditures increase by \$10.3 million in FY 2028 (reflecting the mandated appropriation and administrative costs), with ongoing administrative costs through September 2030. Special fund revenues increase by \$10.0 million in FY 2028 and by indeterminate amounts in future years. Special fund expenditures increase by at least \$2.0 million in FY 2028 and by indeterminate amounts in future years. **This bill establishes a mandated appropriation for FY 2028.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	\$0	\$10.0	-	-	-
GF Expenditure	\$0	\$10.3	\$0.3	\$0.3	\$0.1
SF Expenditure	\$0	\$2.0	-	-	-
Net Effect	\$0.0	(\$2.3)	(\$0.3)	(\$0.3)	(\$0.1)

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

Local Effect: The bill does not directly affect local government finances.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Retention and Sustainable Management of Forest Lands

The bill adds to the State’s existing policy under § 5-102 of the Natural Resources Article of encouraging the retention and sustainable management of forest lands by various means – adding the following specified means:

- establishing a science-based methodology to quantify the ecological value of forest ecosystem benefits as a foundation for compensating private forest landowners for forest expansion, retention, and preservation and assessing impacts resulting from forest loss;
- establishing and managing a Forest Ecosystem Value Incentives Fund to provide additional incentives for long-term expansion, retention, and preservation of forest land and the adoption of ecosystem value-oriented forest management plans through existing and new programs for private forest landowners; and
- enhancing existing programs and developing new programs to compensate forest landowners for preserving, enhancing, and restoring the high-value ecosystem benefits that forest land provides, including a pilot project to significantly increase the number of forest landowners in State-designated targeted ecological areas agreeing to adopt a new ecosystem value-oriented forest management plan.

Ecological Value of Forest Land

The bill defines “ecological value” (applicable throughout the bill and Title 5 (Forests and Parks) of the Natural Resources Article) to mean the quantitative value of benefits that ecosystems provide to the environment, including clean air and water, pollination, carbon sequestration, biodiversity, wildlife, habitat, stormwater and flood management, climate mitigation, and other benefits.

The Department of Natural Resources (DNR) must, by December 1, 2026:

- complete and publish a formal approach for determining the ecological value of forest land; and
- demonstrate how the approach will be applied to (1) creating landowner compensation incentives; (2) generating ecosystem value impact fees; and (3) creating other new programs for forest expansion and retention.

DNR must, in coordination with other relevant State agencies, immediately pursue laws and policies to generate forest ecosystem value impact fee revenues for activities resulting in the loss of the ecological value of forest land. The department must consider pursuing assessments for the total loss of forest ecosystem value against (1) new data centers and utility line construction that serves new data centers and (2) other projects that cause a significant loss of the ecological value of forest land.

Forest ecosystem value impact fee revenues assessed and collected must be remitted to the Forest Ecosystem Value Incentives Fund (discussed below).

Pilot Program

In General

By October 1, 2027, DNR must establish and implement a pilot program for ecosystem value-oriented forest management plans to provide additional incentives for enrolling and extending commitments to forest conservation and management through forest conservation and management agreements.

DNR must:

- develop the framework for the pilot program;
- designate targeted ecological areas that are priority areas for applying ecosystem value-oriented forest management plans;
- make regulatory or pursue legislative adjustments as necessary; and
- transfer program administration to the Maryland Forestry Foundation by October 1, 2030, if the pilot program results in an increase in enrollment in forest conservation and management agreements.

After the transfer of the of the pilot program to the Maryland Forestry Foundation, the foundation must report to the department every two years on (1) the achievements under the pilot program; (2) new mechanisms to increase the number of forest landowners who have adopted ecosystem value-oriented forest management plans; and (3) an estimate of increased and projected carbon sequestration and any other ecological value benefits.

A forest conservation and management agreement under an ecosystem value-oriented forest management plan must be for at least 20 years.

Ecosystem Value-oriented Forest Management Plans

Eligibility criteria for enrollment in an ecosystem value-oriented forest management plan must include the following:

- the property should largely be located in DNR-designated targeted ecological areas to ensure funding is focused on the most ecologically valuable forest lands;
- the landowner must agree to enroll in a legally binding forest conservation and management agreement; and
- the program must be limited to forest land to which (1) a forest conservation and management agreement does not apply or is significantly expanded in scope or (2) a standard forest stewardship plan applies and for which the owner agrees to adopt an ecosystem value-oriented forest management plan.

DNR must establish criteria for an ecosystem value-oriented forest management plan by using a standard forest stewardship plan as a baseline, including specified criteria. Ecosystem value-oriented forest management plans must (1) follow department guidance policies and (2) require that landowners adhere to department forest practice regulations in effect at the time of the plan's approval.

The bill prohibits a county or municipality from enacting or adopting ordinances or regulations governing areas covered by an ecosystem value-oriented forest management plan that are inconsistent with, or less stringent than, DNR forest management regulations for forest land managed under an approved ecosystem value-oriented forest management plan.

DNR, in coordination with the Maryland Forestry Foundation and the forest conservancy district boards, must establish educational outreach to forest landowners eligible for ecosystem value-oriented forest management plans to ensure landowners are aware of the availability of the plans.

Payments Under a Plan

Payments under an ecosystem value-oriented forest management plan are solely intended to compensate the landowner for adopting or extending a forest conservation and management agreement. DNR must determine the payment mechanism for ecosystem value-oriented forest management plans by October 1, 2027, considering factors including:

- whether payments are to be on a periodical or a lump sum basis;
- the threshold amounts necessary to incentivize landowner adoption of an ecosystem value-oriented forest management plan; and
- how to balance payments against Forest Ecosystem Value Incentives Fund assets.

Opportunities to generate ecosystem value credits, including through conservation management actions or restoration, and to participate in ecosystem value markets, may not be limited by the implementation of an ecosystem value-oriented forest management plan.

DNR must evaluate other incentives for ecosystem value-oriented forest management plans, including easements that are based, at least in part, on the ecosystem value of the land.

Forest Ecosystem Value Incentives Fund

The bill establishes a Forest Ecosystem Value Incentives Fund, administered by DNR, to provide additional financial incentives for long-term retention, expansion, and preservation of forest land and for the adoption of ecological value-oriented forest management plans through existing and new programs for private forest landowners. DNR must ensure that all uses of the fund as payments for ecosystem value produce long-term ecological benefits and do not generate unintended negative consequences to overall forest health.

The fund consists of:

- money appropriated in the State budget to the fund;
- ecosystem value impact fees generated through above-mentioned DNR efforts, in coordination with other State agencies;
- any legal settlements directed to the fund;
- voluntary contributions to the fund;
- grants to the fund;
- interest earnings; and
- any other money from any other source accepted for the benefit of the fund.

For fiscal 2028, the Governor must include in the annual budget bill an appropriation of \$10.0 million to the fund. Of the fiscal 2028 appropriation, \$2.0 million must be used to:

- develop a plan for investment management that will generate annual revenue through both traditional market investments and emerging conservation financing opportunities;
- develop a blueprint for ecosystem value-oriented forestry management plans; and
- develop and review additional opportunities to compensate forest landowners for forest ecological value benefits.

The remainder of the money in the fund must be used to finance implementation of ecosystem value-oriented forestry management plans and additional opportunities to compensate forest landowners for forest ecological value benefits.

Money expended from the fund is supplemental to and not intended to take the place of funding that otherwise would be appropriated for forest conservation and management agreements and other forest conservation financing programs.

December 2027 Report

By December 31, 2027, the Maryland Forestry Foundation, in cooperation with DNR, must report to the General Assembly on methods of increasing the number of forest landowners entering into a forest conservation and management agreement under § 8-211 of the Tax-Property Article or in an ecosystem value-oriented forest management plan to assist in achieving Maryland's land conservation goals under the Maryland the Beautiful Act of 2023 and Maryland's climate change mitigation goals under the Climate Solutions Now Act of 2022 (CSNA).

December 2050 Report

By December 1, 2050, DNR, in consultation with the Maryland Forestry Foundation, must report to the General Assembly on the effectiveness of the Forest Ecosystem Value Incentives Fund, including a recommendation on whether an extension of the fund is warranted.

Repeal of Fund in 2051

Under provisions that take effect October 1, 2051, the Forest Ecosystem Value Incentives Fund is repealed and related changes are made to account for the repeal of the fund, including that forest ecosystem value impact fee revenues assessed and collected be remitted to DNR (instead of to the fund) to provide additional financial incentives for long-term expansion, retention, and preservation of forest land and the adoption of ecosystem value-oriented forest management plans through existing and new programs for private forest landowners.

Current Law:

Forest Conservation and Management Program

Under the Forest Conservation and Management Program, under § 8-211 of the Tax-Property Article, the owner of at least five contiguous acres of land may make an agreement with DNR to place the land in the program. The purpose of the program is to (1) encourage the preservation or development of land for productive woodland purposes; (2) increase the income of persons in the State from the sale of timber; (3) prevent flooding of land and the loss of the State's soil; (4) provide wooded areas for the use and enjoyment of all individuals in the State; and (5) promote the welfare and assets of the State. An agreement must be for at least 15 years and the value of woodland for property tax assessment purposes in effect at the beginning of an agreement may not be increased for the period covered by the agreement.

Chapters 541 and 542 of 2023 required DNR to establish a workgroup to evaluate and recommend incentives for private landowners to conserve forest, including adjusting the minimal acreage of contiguous forest land required to qualify for the forest conservation and management program under § 8-211 of the Tax-Property Article.

Retention and Sustainable Management of Forest Lands

Section 5-102 of the Natural Resources Article establishes that it is the policy of the State to encourage the retention and sustainable management of forest lands by, among other things:

- increasing, as measured every four years, the acreage of forest land in the State (this provision takes effect July 1, 2026, pursuant to Chapters 541 and 542 of 2023, as amended by Chapter 457 of 2024);
- increasing, as measured every four years, the acreage of land in the State covered by tree canopy, for land located inside an urban area and outside an urban area (this provision takes effect July 1, 2026, pursuant to Chapters 541 and 542 of 2023, as amended by Chapter 457 of 2024);
- affording due consideration to the protection and retention of forests in the State through existing land conservation programs where they have the highest value in terms of promoting the State’s compliance with its clean water goals;
- enhancing the retention of privately owned forest lands through research-based educational outreach efforts to landowners by the State’s forest conservancy district boards; and
- developing financial incentives to encourage landowners to retain and manage their forests sustainably and in a manner that is consistent with a forest stewardship plan.

“Forest stewardship plan” is defined under Title 5 of the Natural Resources Article to mean a document written by a licensed professional forester regarding a parcel of land comprising not less than five contiguous forested acres that lists activities that enhance or improve forest resources, including soil, water, timber, recreation, and aesthetics over a 15-year period.

“Forest land” means a contiguous patch of trees that is at least one acre in size exhibiting at least one transect of at least 120 feet in width (this definition takes effect July 1, 2026, pursuant to Chapters 541 and 542 of 2023, as amended by Chapter 457 of 2024).

“Forest land” includes forested areas that have been cut but not converted to other land uses.

Forest Conservancy District Boards and Maryland Forestry Foundation

Statute requires DNR to establish district forestry boards to among other things, promote private forestry by assisting landowners in forest management, planting trees, conservation and development of tree crops, and protection of forests from fires, insects, and diseases. DNR indicates that forest conservancy district boards, commonly referred to as forestry boards, function in all of the counties and Baltimore City, and make up the Maryland Association of Forest Conservancy District Boards. DNR indicates that the boards primarily serve as advisory, educational, and facilitating bodies.

DNR indicates that the Maryland Forestry Foundation is a nonprofit organization that is a member of and responsible to the Maryland Association of Forest Conservancy District Boards. Its mission is to act as the fiduciary agent and fund-raising manager for specific projects of the association or the boards.

Forest Conservation Act

The Forest Service within DNR administers the Forest Conservation Act (FCA), but it is primarily implemented on the local level. FCA establishes minimum forest conservation requirements for land development, and local governments with planning and zoning authority are required to develop local forest conservation programs that meet or are more stringent than the requirements of FCA. However, Allegany and Garrett counties, and municipalities within those counties, are exempt from the requirements of FCA. FCA applies to any public or private subdivision plan or application for a grading or sediment control permit by any person, including a unit of State or local government, on areas 40,000 square feet (0.9 acres) or greater, subject to certain exceptions.

A proposed construction activity goes through a process of evaluation of existing vegetation on a site and development of a forest conservation plan for the site defining how forest area will be retained and/or afforestation or reforestation will be undertaken. If afforestation or reforestation requirements cannot be reasonably accomplished on site or off site (which can include use of off-site forest mitigation banks), payment may be made into the applicable forest conservation fund (fee-in-lieu payments) to be spent by the State or the local government on reforestation and afforestation, maintenance of existing forest, and achieving urban canopy goals.

Chapters 541 and 542 of 2023, as amended by Chapter 457 of 2024, make various changes to FCA – which take effect July 1, 2026 – including modifying afforestation, reforestation, and preservation requirements under the act, and allowing local jurisdictions, with DNR’s approval, to establish alternative afforestation, reforestation, and preservation requirements.

Maryland the Beautiful Act of 2023

The Maryland the Beautiful Act of 2023 (Chapter 546) established the General Assembly's intent that:

- by 2030, 30% of the lands in the State be conserved; and
- by 2040, 40% of the lands in the State be conserved.

The conservation goals must be accomplished through multiple efforts, including (1) increasing public incentives for private landowners to voluntarily conserve and protect areas of demonstrated conservation value and areas that have a high capacity to sequester carbon and greenhouse gas (GHG) emissions; (2) focusing conservation work at a large landscape scale that is biologically and ecologically meaningful; and (3) stabilizing ecosystems and ecosystem services, restoring degraded ecosystems, and maintaining ecological functions.

Chapter 546 requires the Smart Growth Subcabinet (now the Sustainable Growth Subcabinet) to (1) develop, publish, and periodically update a plan to meet the State's conservation goals and (2) [report](#) annually on the State's progress.

Climate Solutions Now Act of 2022

CSNA made broad changes to the State's approach to reducing statewide GHG emissions and addressing climate change. Among other things, CSNA accelerated previous statewide GHG emissions reductions targets originally established under the Greenhouse Gas Emissions Reduction Act by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045.

State Fiscal Effect:

General Fund Expenditures

General fund expenditures increase by \$10.3 million in fiscal 2028 and by lesser amounts in future years (\$266,479 in fiscal 2029, for example). This estimate reflects (1) the \$10.0 million appropriation in fiscal 2028 mandated by the bill and (2) DNR hiring four contractual foresters to implement the ecosystem value-oriented forest management plan process statewide. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The estimate is based on the following assumptions:

- DNR implements the bill's requirements with existing staff in fiscal 2027, including (1) completing and publishing a formal approach for determining the ecological

value of forest land (and demonstrating how it will be applied) by December 1, 2026; (2) in coordination with other relevant State agencies, pursuing laws and policies to generate forest ecosystem value impact fee revenues for activities resulting in the loss of ecological value of forest land; and (3) preparing for implementation of the pilot program;

- the \$10.0 million mandated appropriation is funded with general funds, since another funding source is not identified in the bill;
- the four foresters are hired July 1, 2027, three months before the pilot program must be established and implemented (by October 1, 2027) – to allow at least a short time for the foresters to prepare for the implementation – and are hired as contractual staff, since the bill indicates that DNR’s direct administration of the program is intended to be temporary, with program administration transferred to the Maryland Forestry Foundation by October 1, 2030; and
- the costs of the four foresters are supported by general funds since the bill does not appear to allow for administrative costs of the pilot program to be supported by the Forest Ecosystem Value Incentives Fund (“finance implementation of ecosystem value-oriented forestry management plans” appears to refer to landowners’ implementation and not DNR’s administrative costs).

Contractual Positions	4.0
Salaries and Fringe Benefits	\$244,394
Mandated Appropriation	10,000,000
Operating Expenses	<u>39,451</u>
Total FY 2028 State Expenditures	\$10,283,845

Future year expenditures reflect (1) full salaries with annual increases and employee turnover; (2) termination of the contractual positions on September 30, 2030, since program administration is transferred to the Maryland Forestry Foundation by October 1, 2030; and (3) annual increases in ongoing operating expenses.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

Special Fund Revenues and Expenditures

Special fund revenues increase by \$10.0 million in fiscal 2028 and by indeterminate amounts in future years, reflecting (1) the Forest Ecosystem Value Incentives Fund’s receipt of the mandated appropriation in fiscal 2028 and (2) potential receipt of other revenues in future years, including any ecosystem value impact fees (though imposing impact fees presumably may require additional legislation).

Special fund expenditures are assumed to increase by at least \$2.0 million in fiscal 2028 for the plan and opportunity development and review identified in the bill (assuming those activities can all be undertaken in fiscal 2028). Remaining spending in fiscal 2028 and future years is subject to DNR's discretion and decisions made in the course of implementing the pilot program and administering the Forest Ecosystem Value Incentives Fund and cannot be reliably determined.

Small Business Effect: Small businesses are expected to be meaningfully affected by the bill. DNR indicates that the bill likely increases the demand for professional forestry services and businesses and independent contractors that specialize in timber stand improvement, invasive species management, reforestation, habitat enhancement, and other forest management activities.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Cecil, and Frederick counties; Maryland Association of Counties; Comptroller's Office; Maryland Department of Agriculture; Department of Budget and Management; Maryland Department of the Environment; Department of Natural Resources; Maryland Energy Administration; Public Service Commission; Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2026
js/lgc

Analysis by: Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510