

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 424 (Senator Jennings)
 Budget and Taxation

State Transfer Tax - Land Preservation Special Fund - Revenue Allocation

This bill repeals provisions established under Chapter 604 of 2025 (the Budget Reconciliation and Financing Act of 2025) that redirect \$25.0 million in transfer tax revenue to the general fund, in each of fiscal 2026 through 2029, that otherwise is allocated to Program Open Space (POS) State land acquisition, the Rural Legacy Program, and the Maryland Agricultural Land Preservation Foundation (MALPF). The bill restores that revenue to POS State land acquisition, the Rural Legacy Program, and MALPF for fiscal 2027 through 2029. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: General fund revenues decrease by \$25.0 million annually in FY 2027 through 2029. Special fund revenues and expenditures increase correspondingly in those years. **This bill repeals mandated distributions in FY 2027 through 2029.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(\$25.0)	(\$25.0)	(\$25.0)	\$0	\$0
SF Revenue	\$25.0	\$25.0	\$25.0	\$0	\$0
SF Expenditure	\$25.0	\$25.0	\$25.0	\$0	\$0
Net Effect	(\$25.0)	(\$25.0)	(\$25.0)	\$0.0	\$0.0

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

Local Effect: Local governments benefit from increased land preservation funding.

Small Business Effect: Potential meaningful.

Analysis

Current Law:

State Transfer Tax

The State transfer tax, which is 0.5% of the amount paid for the transfer of real property, is allocated among POS State land acquisition, the Rural Legacy Program, MALPF, and other purposes/programs through provisions in § 13-209 of the Tax-Property Article (governing the distribution of State transfer tax revenue) – particularly § 13-209(d) – and § 5-903 of the Natural Resources Article (governing the allocation and use of funding distributed to POS under § 13-209 of the Tax-Property Article).

Chapter 604 (Budget Reconciliation and Financing Act of 2025)

Chapter 604 redirects \$25.0 million in transfer tax revenue to the general fund, for fiscal 2026 through 2029, and requires the redirection to be accomplished by reducing funding for POS State land acquisition, the Rural Legacy Program, and MALPF in proportion to the amount of revenue each program is estimated to receive in each fiscal year under specified provisions of § 13-209 of the Tax-Property Article and § 5-903 of the Natural Resources Article.

Chapter 604 also exempts the redirection of \$25.0 million in fiscal 2026 through 2029 from provisions that require an appropriation or transfer of transfer tax revenue to the general fund occurring after fiscal 2018 to be reimbursed over the successive three fiscal years (with the reimbursement funding allocated as provided in § 13-209(d) of the Tax-Property Article and § 5-903 of the Natural Resources Article).

The fiscal 2026 budget (Chapter 602 of 2025) reduced Rural Legacy Program funding by \$10.0 million and MALPF funding by \$15.0 million to allow for the redirection of \$25.0 million to the general fund in fiscal 2026. POS State land acquisition was not allocated funding in fiscal 2026, so there was no proportional reduction to be made in POS State land acquisition funding.

Program Open Space

The Department of Natural Resources (DNR) administers POS, which acquires and improves outdoor recreation and open space areas for public use. POS consists of a State and local component. Approximately 50% of the transfer tax funding distributed to POS is allocated to State land acquisition and capital development (and certain other programs), 30% is allocated to local government acquisition and development, and 20% is allocated to State forest and park operations.

Rural Legacy Program

The Rural Legacy Program, within DNR, provides funding for local governments and land trusts to purchase property and conservation easements within designated rural legacy areas. Rural legacy areas are designated as rich in a multitude of agricultural, forestry, natural, and cultural resources. Local governments and land trusts apply annually to the Rural Legacy Board, which makes recommendations for designating rural legacy areas and granting funds to preserve land in the rural legacy areas, that are then reviewed and approved by the Board of Public Works.

Maryland Agricultural Land Preservation Foundation

The General Assembly created MALPF to preserve productive agricultural land and woodland, limit the extent of urban development, and protect agricultural land and woodland as open space. MALPF, with the assistance and cooperation of landowners and local governments, purchases development rights easements as a means of protecting agricultural land and woodland production activities.

State Fiscal Effect:

General and Special Fund Impacts

General fund revenues decrease by \$25.0 million annually in fiscal 2027 through 2029, and special fund revenues and expenditures correspondingly increase by \$25.0 million in those years, as shown in **Exhibit 1**.

Exhibit 1
Fiscal Impact of the Bill
(in \$ Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
General Fund Revenues	(\$25.0)	(\$25.0)	(\$25.0)
Special Fund Revenues	25.0	25.0	25.0
Special Fund Expenditures	25.0	25.0	25.0

Source: Department of Legislative Services

This estimate assumes that the bill's repeal of Chapter 604's exemption of the redirection of \$25.0 million in fiscal 2026 through 2029 from the reimbursement requirement (see Current Law) does not require the \$25.0 million redirected in fiscal 2026 to be reimbursed.

It is unclear whether the bill's repeal, in fiscal 2027 (July 1, 2026), of all of the redirection language added to statute by Chapter 604 (the language both establishing the redirections in fiscal 2026 through 2029 and exempting them from the reimbursement requirement) would be considered intended by the General Assembly to (1) result in the reimbursement of the fiscal 2026 redirection in addition to eliminating the fiscal 2027 through 2029 redirections or (2) instead simply eliminate the fiscal 2027 through 2029 redirections.

The latter seems to be a more likely interpretation of the bill since:

- under the reimbursement requirement, reimbursement is accomplished by the Governor including one-third of the reimbursement amount in the annual budget bills for each of the three successive fiscal years following the fiscal year in which the transfer is made; in the case of the fiscal 2026 redirection, the Governor would not be able to comply with that requirement for the first successive fiscal year following the fiscal 2026 transfer, because the bill takes effect July 1, 2026, and by then, the fiscal 2027 budget bill will have already been enacted; and
- the reimbursement requirement requires that the reimbursed funding be allocated as provided under § 13-209(d) of the Tax-Property Article and § 5-903 of the Natural Resources Article, causing reimbursed fiscal 2026 funding to not be returned entirely to the Rural Legacy Program and MALPF (see Current Law regarding POS not being affected by the fiscal 2026 redirection), but instead divided among those programs, POS State land acquisition, and others that are allocated funding under § 13-209(d) and § 5-903 – which would be an arguably illogical result.

Allocation of Restored Funding

The estimated allocation of the restored funding, among POS State land acquisition, the Rural Legacy Program, and MALPF in fiscal 2027 through 2029 is shown in **Exhibit 2**. The allocation is based on:

- the allocation of transfer tax funding under the fiscal 2027 budget as introduced;
- current estimates of transfer tax revenues through fiscal 2029; and
- certain assumptions about the allocation of transfer tax funding in fiscal 2028 and 2029 that are consistent with the allocation of transfer tax funding in the fiscal 2027 budget as introduced.

The restored funding can be administered by existing DNR and MALPF staff.

Exhibit 2
Estimated Allocation of Restored Funding
(in \$ Millions)

	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
POS State Land Acquisition	\$7.4	\$8.5	\$8.9
Rural Legacy Program	5.9	5.3	5.1
MALPF	11.7	11.1	11.0
Total	\$25.0	\$25.0	\$25.0

POS: Program Open Space
MALPF: Maryland Agricultural Land Preservation Foundation

Source: Department of Legislative Services

Local Fiscal Effect: Local governments benefit from additional State funding available for land preservation under the Rural Legacy Program and MALPF. Local governments, along with land trusts, receive funding under the Rural Legacy Program for land preservation, and county agricultural land preservation programs work with MALPF to purchase agricultural land preservation easements in their jurisdictions. For a portion of easement purchases under MALPF that are not wholly State-funded, MALPF indicates that the bill increases its ability to match local funding for those easement purchases.

Small Business Effect: The bill may meaningfully benefit small businesses that provide services associated with fee simple land acquisition and easement acquisition (*e.g.*, title work, surveys, appraisals, and environmental assessments) by significantly increasing the amount of land preservation funding available under POS State land acquisition, the Rural Legacy Program, and MALPF in fiscal 2027 through 2029.

Additional Information

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

Designated Cross File: HB 609 (Delegate Griffith, *et al.*) - Ways and Means.

Information Source(s): Maryland Department of Agriculture; Department of Budget and Management; Department of Natural Resources; Maryland Municipal League; Department of Legislative Services

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