

Maryland
Agricultural Land
Preservation Foundation

Annual Report
1992

MARYLAND
DEPARTMENT OF AGRICULTURE

WILLIAM DONALD SCHAEFER
Governor

Robert L. Walker
Secretary of Agriculture

Lewis R. Riley
Deputy Secretary

MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION

**ANNUAL REPORT
FOR
FISCAL YEAR 1992**

MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION

Daniel Shortall, Chairman
Paul W. Scheidt, Executive Director

**MARYLAND
DEPARTMENT OF AGRICULTURE**

The Wayne A. Cawley, Jr. Building
50 Harry S. Truman Parkway
Annapolis, Maryland 21401

William Donald Schaefer

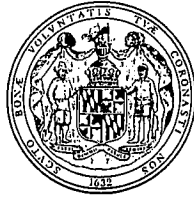
GOVERNOR

Robert L. Walker
SECRETARY OF AGRICULTURE

Lewis R. Riley
DEPUTY SECRETARY

MDA 121-92

WILLIAM DONALD SCHAEFER, *Governor*
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STATE OF MARYLAND
DEPARTMENT OF AGRICULTURE
MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
November 1, 1992

The Honorable William Donald Schaefer, Governor
The Honorable Thomas V. Miller, Jr., President of the Senate
The Honorable R. Clayton Mitchell, Jr., Speaker of the House

Gentlemen:

We are pleased to present the 1992 Annual Report of the Maryland Agricultural Land Preservation Foundation. The information in this report summarizes the activity that the Foundation has experienced during the past fiscal year. We are proud to announce that this year marks the fifteenth year of the program's operations and we continue to lead the nation in the total amount of farmland protected. The Maryland Agricultural Land Preservation Foundation has permanently preserved more acres than any other state in the nation. With the strong support of the legislature and the agricultural community, we hope to protect and preserve much more of Maryland's prime and productive farmland.

During the past year, an additional 18,864 acres were placed in agricultural districts representing a 8% increase over last year's total. At the close of FY '92, there was a grand total of 1,835 individual farms consisting of 247,233 acres enrolled in our program.

Although our progress has shown substantial increases each year, Maryland still is losing farmland at an alarming rate. Our mission is to preserve enough of Maryland's productive farmland to perpetually maintain a viable agricultural industry. Your continued support allows us to challenge the future as land use issues grow ever more critical.

Daniel Shortall, Acting Chairman
Board of Trustees

Robert L. Walker
Secretary of Agriculture

Paul W. Scheidt
Executive Director

WHAT IS THE PURPOSE OF THE MARYLAND AGRICULTURAL LAND PRESERVATION PROGRAM?

The Maryland Agricultural Land Preservation Program was created by the Maryland General Assembly to preserve productive agricultural land and woodland which provides for the continued production of food and fiber for all citizens of the State. The preservation of agricultural lands will help curb the expansion of urban development and protect agricultural land and woodland as open space land.

By preserving agricultural land, the Foundation also protects the quality of life that makes Maryland so special. The Maryland Agricultural Land Preservation Program is the most successful program of its kind in the nation and has perpetually preserved more farmland than any other State. Maryland's effort to preserve agricultural land also leads to the protection of wildlife and increases the environmental quality of the Chesapeake Bay and its many valuable tributaries.



HOW DOES THE PROGRAM OPERATE?

The program is administered by a 12-member Board of Trustees forming the Maryland Agricultural Land Preservation Foundation. The Board is comprised of the State Comptroller, Treasurer, and Secretary of Agriculture as ex-officio members and nine members from the State-at-Large appointed by the Governor. At least five of the at-large members are farmer representatives from different areas of the State.

The Maryland Agricultural Land Preservation program is voluntary on the part of landowners and is dependent upon the cooperation of local governments. This program requires local governments to appoint agricultural preservation advisory boards that assist in the creation of agricultural land preservation "districts". As a district, the subdivision and development of the land is restricted by agreement between the landowner and the Agricultural Land Preservation Foundation where agricultural land and woodland production activities are encouraged and protected.

If a landowner requests that his property be included in a district, he must be willing to maintain the land in agricultural use for a minimum of 5 years, and the property must meet the minimum criteria established by the Foundation. Size (minimum of 100 acres) and soil types are the major criteria for a property

to qualify for the program. At least 50% of the soils must be classified as I, II, or III and/or woodland group 1 or 2. These soils are classified as being prime or productive by using the USDA Soil Classification system and are capable of successfully producing viable agricultural commodities with reasonable yields and returns.

A landowner who includes his land within a district will receive the following benefits:

- Direct and indirect support of agriculture
- Recognition from the county and the state by a recorded document in the land records of the county, that the preferred use of the property is agriculture
- Insulation of normal agricultural activities from nuisance complaints
- Possible tax credits if county has developed a tax credit program
- Eligibility to make application to sell a development rights easement to the Foundation

Once the Agricultural Land Preservation District is established, the landowner is eligible to sell a development rights easement to the Foundation. However, there is no guarantee that an offer will be made by the Foundation. The application submitted by the landowner shall include the asking price of any easement offered. The maximum price that the Foundation may pay for an easement is the landowner's asking price or the ease-

ment value determined by a statutory formula shown in figure 1, whichever is lower.

Once a development rights easement has been sold, the property is perpetually protected from further development with certain rights available only to the landowner who originally sold the easement.

<p style="text-align: center;">appraised fair market value</p> <p style="text-align: center;">(determined by the better of two appraisals conducted by the state and by the appraisal submitted by landowner if included with the application)</p>	-	<p style="text-align: center;">agricultural value</p> <p style="text-align: center;">(determined by a formula based on land rents and soil productivity)</p>	=	<p style="text-align: center;">easement value</p>
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Note: The Foundation's offer to purchase a development rights easement on any property will be dependent upon available funds and the county's approval of the sale of development rights.

Figure 1. Easement Value Formula

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PROGRAM ACCOMPLISHMENTS IN LIEU OF FUNDING LIMITATIONS

Fiscal Year 1992 marked the fifteenth year of the Foundation's endeavor to preserve agricultural land.

During FY '92, the program's acreage base increased 8% as 152 new agricultural districts were approved and established providing protection to an additional 18,864 acres. By the end of FY '92, the Foundation had established a grand total of 1,835 agricultural land preservation districts totalling of 247,233 acres.

Due to the Budget reductions in FY '90, no easements were purchased in FY '91. However, those applications received for FY '91 Cycle One were carried over into FY '92 since the properties were already appraised and the title work had already begun. It was anticipated that these applicants would receive easement offers during this year. However, the Fund was reduced again in FY '92 when \$4.9 million was transferred to the General Fund. As a result, offers were postponed again.

The legislature approved a bond authorization of \$5 million to replace the reduction but the bonds will have to be sold before the Foundation can utilize those funds.

In an effort to assure that the easement values of those properties were still current, the Foundation worked out an agreement with the Department of General Services to conduct staff appraisals on the properties. This agreement would maximize the use of

available funds strictly for easement purchases but offers would not be made until the bonds are sold, which may occur sometime in the fall of 1992. Due to the projected timing of the bond sales, the Foundation was unable to purchase additional easements during FY '92. Instead, the applications will be considered (and hopefully funded) during FY '93 and will be reflected in the 1993 Annual Report.

Maryland still has preserved more acres than any other state in the nation. The number of Agricultural Districts continue to rise as more and more growth issues threaten agricultural areas.

Protection of the land and its surrounding environment is a key element in participating in the Maryland Agricultural Land Preservation Foundation's program. The Foundation requires a soil conservation and water quality plan for each property that is submitted for easement sale. In addition, this past year, the Foundation established new policy which would require a Woodland Management Plan on properties with 50% or more of the land dedicated to woodland.

Soil Conservation and Water Quality plans are in effect on 70% of the existing agricultural district properties. The requirement for having a Soil Conservation and Water Quality Plan began in 1985 which outlines certain necessary Best Management Practices to be installed and/or maintained. The purpose of the plan is to protect the land from erosion, increase potential yield

production and reduce and/or eliminate the flow of sediment entering into neighboring streams, rivers and ultimately the Chesapeake Bay.

The Maryland Department of Agriculture and the Maryland Agricultural Land Preservation Foundation are committed to preserving farmland and have significantly streamlined the preservation program over the past three years. During FY '92 the Foundation evaluated several aspects of the program and modified its regulations. See Page 19.

In addition to streamlining the program, the Foundation has worked very closely with local governments in helping to establish county preservation programs that coincide and/or supplement the State Program. This provides another option to landowners to consider when developing an estate plan or land use plan for their farm. The State developed a program that certifies County Agricultural Land Preservation Programs and is administered jointly by the Maryland Agricultural Land Preservation Foundation and the Maryland Office of Planning.

If the local program meets certain criteria, it is permitted to retain a greater portion of the Agriculture Transfer Tax Revenues collected in that county. (See Page 22). To date, seven counties are certified by the Maryland Agricultural Land Preservation

Foundation and the Maryland Office of Planning.

This cooperative effort is expected to continue and become an important tool for preserving agricultural lands. The Maryland Agricultural Land Preservation Foundation aims to maintain a good working relationship with the Maryland legislature. With their support and the efforts of the counties and the agricultural community, we will continue to protect and preserve more of Maryland's prime and productive farmland.



USE OF THE AGRICULTURAL FORMULA

The Foundation recently adopted a new methodology for determining the agricultural value of a farm which replaces the previous method. It was designed to measure, more accurately, the value of agricultural land as it relates to production capabilities of the soil instead of comparable sales. The Formula was created by joint efforts of the Maryland Department of Agriculture, the Maryland Agricultural Land Preservation Foundation, the University of Maryland, Department of Agricultural Resources and Economic Development and the Maryland Agricultural Statistics Service.

The first group of applicants whose land was evaluated using the new agricultural formula are those that applied to sell their easements in Cycle One of FY '91 and are currently waiting for an easement offer by the Foundation.

The methodology used to establish the agricultural value of farmland is based on the concept that the capitalized value of cash rents paid for land (for the purpose of farming) is a reliable indicator of the agricultural value of that land. This assumes that the natural productivity of the land directly relates to what a farmer would be willing to pay for rent compared to what he expects to get out of the land through production. Naturally, the better quality land will generally reflect a higher agricultural value and in turn may attract higher rents. If this relationship between productivity and rents can be established for Maryland farms, then the measurement of productivity of an

individual farm can be used to estimate the rental value as well as the agricultural value of that farm.

Background Information:

The Maryland Agricultural Statistics Service conducted a survey to determine the relationship between cash rents paid by farmers and the natural productivity of the land.

A sample of farmers who rented land in 1988 and 1989 were interviewed. The results helped to establish a soil productivity index based on the soil's natural characteristics and the relationship of these characteristics to crop production. This index (Table 1) was used to rate the productivity of land in each County. When compared to the rental values taken from the survey, there was a strong relationship between the land productivity (measured by the soil productivity index) and the actual rental values. As soil productivity increased, rental values increased as well.

Table 1: Soil Productivity Index & Soil Class

<u>Soil Class</u>	<u>Soil Productivity Index*</u>
Class I	1.00
Class II	0.72
Class III	0.50
Class IV	0.50
Class V	0.18
Class VI	0.18
Class VII & VIII	N/A

* Compiled by the Maryland Agricultural Statistics Services, USDA and the Agricultural and Resource Economics Department, University of Maryland.

The figures in Table 1 numerically express the soil productivity index for each class of soil. They are based on the capability of each soil class producing crops under average management. Class I soils, for example, have a very high productivity rating. Class II soils have a medium productivity rating which is 28% less than Class I, etc.

Using the information obtained from the survey, another relationship was determined and relates to the location of the property compared to the Baltimore and Washington metropolitan areas. The further the property was from the metropolitan areas, the higher the rental values were. This relationship only held true for land within a 100 mile radius of the two metropolitan areas. Beyond 100 miles, the relationship between rent and the farm's location was not significant.

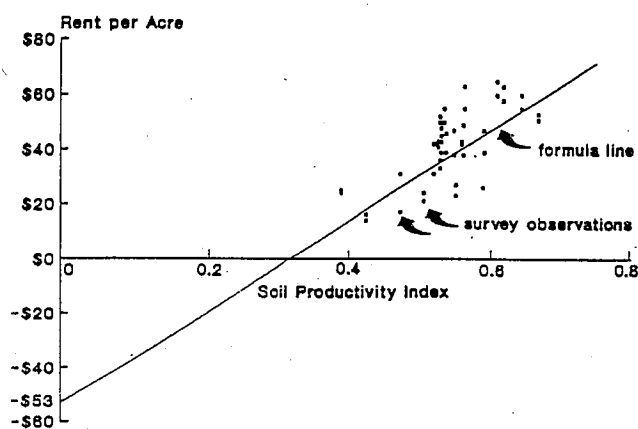
A mathematical formula based on least squares regression analysis was developed. This formula effectively estimates how a farm's soil types and location would affect its rent. Being able to effectively estimate how these factors would affect the farm's rent (and per the formula's premise, how they would affect a farm's agricultural value), this equation forms a major step in the Foundation's program for estimating agricultural value, and in determining an easement value.

The Formula:

- a) $-53 + (160 \times \text{Productivity Index}) - (.11 \times \text{average distance to Baltimore \& Wash.}) = \text{Calculated RENT}$
- b) $\text{Calculated RENT} / .06 = \text{Agricultural Value}$

Figure 1 as shown below is useful for understanding the practical interpretation of this formula. The graph shows the plots of soil productivity and associated rents from the survey. From a visual inspection, rents tend to be greater for higher soil productivity indices. Mathematical methods were used to generalize this relationship into a statistically "best fit" formula line which is represented on the graph.

Figure 1: Relationship Between Rent and Productivity Index on Maryland Farms



The -53 in the formula represents the point where the formula line crosses the rent axis on the graph. It has no practical meaning except to fit the formula line to the data. The 160 in the formula represents the slope of the line. It means that for every increase of 0.10 in the soil productivity index of a parcel of land, rental values increased by \$16. The distance factor in the formula (not shown on the graph) has a similar interpretation to the productivity index factor.

The .11 means that for every mile increase in the average distance from the parcel of land to the Baltimore and Washington

metropolitan areas (within 100 miles), there was an increase of \$0.11 in rental rates. The formula is to be used only for parcels that have productivity indices and distances that are in the range of the survey observations. If the calculated rent is determined to be less than \$25.00 per acre, then a minimum value of \$25.00 will be used and capitalized to determine the agricultural value of the farm.

Use of the Formula

The agricultural formula was presented to the 1990 Maryland General Assembly by the Joint Sub-Committee on Program Open Space and Agricultural Land Preservation. This committee was appointed by the Senate Budget and Taxation Committee and the House Committee on Appropriations to focus primarily on improving the success of the state and local efforts to preserve Maryland's prime agricultural land. As follow up to their evaluation and as part of their effort and support for the program, the Joint Sub-Committee sponsored SB 812, which included the implementation of the agricultural formula. It was approved and became effective on July 1, 1990.

Properties submitted for the July 1, 1990 easement offer cycle (FY '91 Cycle One applicants) were to be the first group using the new agricultural formula to determine an easement value. However, due to limited funds, the Foundation was unable to purchase any of the easements carried over from FY '91 during FY '92. Therefore, effects of using the formula on these properties are not yet available.

This report will show the comparisons of value on properties that accepted an easement offer by the Foundation from the previous cycle (CYCLE TWO of FY '90) and have already settled on the sale of an easement. An evaluation on these properties will show what certain values "would have been" if the agricultural formula was used in FY '90.

A total of 63 easement offers were made by the Foundation for Cycle Two of FY '90. Of those 63 offers, 53 were accepted by landowners representing an 84% acceptance rate. The total cost of easement offers for Cycle Two of FY '90 was \$12,639,837 as shown in the 1991 Annual Report of the Maryland Agricultural Land Preservation Foundation. On the opposite page, Table 2 shows the actual averages of specific information relating to each county and the 53 accepted offers. This will be used in comparing the results of using the agricultural formula.

From the information contained in Table 2, the average agricultural value on a state-wide basis was \$1,266 per acre. This resulted in an average easement value of \$1,885 per acre. It is important to note that some landowners were willing to accept a lesser amount for the sale of their easement as indicated in the asking price which was submitted with the application. It is also important to note that when making easement offers, the Foundation (subject to available funds) will offer the lesser amount of either the asking price or the appraised easement value. By doing this, it emphasizes competitive bidding and allows the Foundation to purchase some easements at a discounted value.

Table 2:
**MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
 FY '90 EASEMENT ACQUISITION PROGRAM
 CYCLE TWO**

COUNTY	NUMBER OF EASEMENTS	TOTAL OF ACRES	AVERAGE FARM SIZE	AVERAGE ASKING PRICE PER ACRE	AVERAGE FAIR MARKET VALUE/ACRE	AVERAGE AGRICULTURAL USE/ACRE	AVERAGE EASEMENT VALUE/ACRE	ACQUISITION COST		DISCOUNT
								PER ACRE	TOTAL	
ALLEGANY	0	0	0	0	0	0	0	0	0	0
ANNE ARUNDEL	1	157.84	157	\$3,000	\$7,246	\$2,113	\$5,133	\$3,000	\$473,520	0
BALTIMORE	8	695.328	87	\$7,456	\$7,065	\$2,077	\$4,988	\$6,103	\$4,243,790	\$273,647
CALVERT	1	108.593	109	4,798	9,000	\$1,000	\$8,000	\$4,798	\$521,029	\$347,671
CAROLINE	11	1,006.135	91	\$987	\$1,944	\$1,075	\$881	\$836	\$842,341	\$ 60,690
CARROLL	10	1,290.4632	129	\$2,117	\$2,897	\$1,158	\$1,708	\$1,708	\$2,049,461	0
CECIL	1	366.3704	366	\$1,200	\$3,002	\$1,501	\$1,501	\$1,200	\$439,644	\$110,356
CHARLES	0	0	0	0	0	0	0	0	0	0
DORCHESTER	3	617.25	207	\$ 865	\$ 865	\$801	\$970	\$857	\$531,489	\$ 75,710
FREDERICK	1	254.284	254	\$3,300	\$3,391	\$1,372	\$2,019	\$2,019	\$513,391	0
GARRETT	0	0	0	0	0	\$ 0	0	\$ 0	0	0
HARFORD	3	373.3929	124	\$1,782	\$3,300	\$1,567	\$1,733	\$1,633	\$606,143	\$ 40,548
HOWARD	0	0	0	0	0	0	0	0	0	0
KENT	1	225.916	226	\$1,750	\$2,700	\$1,500	\$1,200	\$1,200	\$271,100	0
MONTGOMERY	0	0	0	0	0	0	0	0	0	0
PRINCE GEORGE'S	0	0	0	0	0	0	0	0	0	0
QUEEN ANNE'S	7	1,155.289	165	\$1,279	\$2,790	\$1,668	\$1,122	\$1,081	\$1,235,629	\$ 30,131
ST. MARY'S	2	368.238	184	\$1,448	\$1,950	\$850	\$1,100	\$1,100	\$399,100	0
SOMERSET	1	171.50	172	\$1,587	\$1,254	\$787	\$466	\$466	\$ 80,000	0
TALBOT	0	0	0	0	0	0	0	0	0	0
WASHINGTON	1	107.00	107	\$1,100	\$1,800	\$800	\$1,000	\$1,000	\$107,000	0
WICOMICO	2	206.17	103	\$2,345	\$2,345	\$743	\$1,603	\$1,603	\$327,200	0
WORCESTER	0	0	0	0	0	0	0	0	0	0
TOTAL	53	7,103.7695	134	\$2,215	\$3,198	\$1,266	\$1,885	\$1,779	\$12,639,837	\$ 938,663

*Information presented in this table represents easements offered and accepted only in Cycle Two of FY '90. No new easements were acquired in FY '91 or FY '92

In Cycle Two, FY '90, the Foundation had a discount value of \$938,663 which enabled the state to purchase additional easements. Using the average acquisition cost of \$1,779 per acre shown in Table 2, the Foundation was able to acquire an additional 528 acres due to discounted offers. It is this type of competitive bidding that makes the Maryland Agricultural Land Preservation Foundation so successful.

As expected, when applying the agricultural formula, the state-wide average agricultural value (per acre) decreased on almost all of the sample properties. The difference showed a more realistic value of the land if it were used for agricultural purposes only. In other words, it reflected what a farmer could expect to get out of the land if it were farmed using average management techniques. Overall, there was a 34.7% decrease in the average agricultural value from that which was determined by appraisers. As a result, there would have been an increase in total easement values by \$3,269,286.38 or 24.4% if the formula was used on these properties. Furthermore, because easement offers are based on the lower of two variables (asking price or "appraised" easement value), Foundation offers would have increased by \$681,437.80 or 5.4%.

On the opposite page Table 3 shows the comparisons between the agricultural values and easement values determined by both appraisals and the formula. The average difference between the two methods is expressed in a percent and is shown for each county that had accepted easement offers.

Counties with the largest number of accepted easement offers included: Caroline County with 11 properties; Carroll County with 10 properties; Baltimore County with 8 properties and Queen Anne's County with 7 properties. A total of 28 of these properties (39 statewide) showed a decrease in the appraised agricultural value.

Counties with the largest decrease in average agricultural value included Anne Arundel, Baltimore, Frederick, and Kent counties. However, of these counties, only Baltimore County had a significant number of properties (8) in the sample data. Anne Arundel, Frederick and Kent Counties only had 1 easement sample which really cannot provide a solid comparison of values. The average agricultural value in Baltimore County decreased 63.8% from the average value determined by appraisers who mainly arrive at their values using comparable sales. In Baltimore County each of the eight properties showed a decrease in agricultural value ranging from a low of 47.9% to a high of 73.8%, the largest decrease of all properties contained in the sample. From a statewide perspective, not all properties showed a decrease in agricultural value. Fourteen properties showed an increase in Agricultural value with the majority of them being located in Caroline County. The largest increase in agricultural value occurred in Dorchester County (73.8%).

TABLE 3: MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
 COMPARISON OF VALUES USING THE AGRICULTURAL FORMULA vs. APPRAISAL METHOD
 STATEWIDE SUMMARY OF FY'90 CYCLE TWO BASEMENT SALES

County	# Easement	TOTAL AGRICULTURAL VALUE			TOTAL EASEMENT VALUE			FOUNDATION OFFER			
		Appraisal	Formula	% Change	Appraisal	Formula	% Change	Actual	Would be w/Formula	Difference	% Change
Anne Arundel	1	333,450.00	125,202.16	-62.5	810,200.00	1,018,447.84	25.7	473,520.00	473,520.00	0.00	0.0
Baltimore	8	1,507,700.00	545,083.01	-63.8	4,001,650.00	4,964,265.99	24.1	4,243,790.00	4,292,427.19	48,637.19	1.1
Calvert	1	108,600.00	99,168.00	-8.7	868,700.00	878,132.00	1.1	521,029.21	521,029.21	0.00	0.0
Caroline	11	1,067,192.00	1,211,095.63	13.5	902,588.00	758,324.37	-16.0	843,877.90	731,067.83	-112,810.07	-13.4
Carroll	10	1,479,300.00	1,023,545.22	-31.0	2,050,037.96	2,507,654.78	22.3	2,050,037.96	2,390,758.64	340,072.68	16.6
Cecil	1	550,000.00	231,844.69	-57.8	550,000.00	868,155.31	57.8	439,644.48	439,644.48	0.00	0.0
Dorchester	3	506,600.00	670,393.82	32.3	607,200.00	443,406.18	-27.0	533,794.00	384,683.71	-149,110.29	-28.0
Frederick	1	348,872.00	107,617.53	-69.0	513,391.00	754,645.47	47.0	513,391.00	754,645.47	241,254.47	47.0
Harford	3	583,913.00	240,810.35	-58.8	646,691.00	989,793.65	53.0	614,781.00	668,412.73	53,631.73	8.7
Kent	1	338,900.00	116,423.33	-65.6	271,100.00	493,567.67	82.1	271,100.00	395,353.00	124,253.00	45.8
Queen Anne's	7	1,906,520.00	1,020,557.31	-46.5	1,265,760.00	2,151,722.59	70.0	1,237,051.00	1,497,837.90	260,786.90	21.1
Somerset	1	135,000.00	198,253.25	46.9	80,000.00	16,746.75	-79.1	80,000.00	16,746.75	-63,253.35	-79.1
St. Mary's	2	311,500.00	311,456.00	0.0	399,100.00	399,144.00	0.0	399,100.00	375,046.01	-24,053.99	-6.0
Washington	1	85,600.00	44,583.69	-47.9	107,000.00	148,016.31	38.3	107,000.00	117,700.00	10,700.00	10.0
Wicomico	2	153,200.00	202,518.57	32.2	327,200.00	277,881.43	-15.1	327,200.00	277,881.43	-49,318.57	-15.1
TOTALS	53	9,416,347.00	6,148,552.56	-34.7	13,400,617.96	16,669,904.34	24.4	12,655,316.55	13,336,754.35	681,437.80	5.4

Counties that showed an overall increase in the average agricultural value include: Caroline (13.5%), Dorchester (32.3%), Somerset (46.9%) and Wicomico (32.2%). This may be due to the fact that the properties contained a larger percentage of the most productive soils in the State (Class I and/or II soils). For farm use, these soils are very valuable and have the capability of producing high yields. In contrast though, the properties that caused the average agricultural values to increase are located in areas with little development pressure so the fair market value may not have been very high.

From the sample data, the following counties that reflected an increase in average agricultural value also reflected a decrease in the average easement value: Caroline (16.0%), Dorchester (27.0%), Somerset (79.1%) and Wicomico (15.1%). Of these counties that show a decrease in the average easement value, only Caroline County had more than 3 properties in the sample data. This again may not show a strong sample for comparison values. However, it should be noted that such decreases occurred.

Overview:

Higher agricultural values were not anticipated to the extent of the number of occurrences recorded. An evaluation of why the values were higher may result in a future modification to the formula's calculations. Although the formula awards a higher value to the "better" land, other characteristics may

need to be considered as a discount. For example, esthetics, potential use of the property for hunting and other aspects may provide additional value to certain properties and may not generally be reflected in either the fair market value or agricultural value of the property. These and other considerations will be evaluated by the Department of Agriculture and the Maryland Agricultural Land Preservation Foundation.

It is clear, by the number of easement applications received, during FY '91 and FY '92 that the landowner's were aware of the new methodology in determining easement values and had high hopes of receiving an "attractive" offer. However, this was not the only reason for an increase in participation. There was quite a bit of attention given to the Maryland Agricultural Land Preservation Foundation during the legislative session. The Joint Subcommittee on Program Open Space and Agricultural Land Preservation added to the awareness of the program and the State's effort to preserve prime and productive farmland. This awareness provided an option to the landowner to preserve his/her land and possibly receive more compensation for restricting its use.

In FY '91, the Foundation received a total of 401 applications to sell an easement covering 48,269 acres. This represents a significant increase of 136% over the number of applications received the year before.

Unfortunately, due to limited funding for the program, only the first cycle of 188

properties covering 23,814 acres were considered by the Foundation for easement sales in FY '92. These 188 have been appraised and the easement values were determined using the Agricultural Formula. However, due to a funding shortfall, the Foundation was unable to make easement offers in FY '92. Although \$4.9 million was transferred to the General Fund to help ease the State's deficit, the General Assembly approved a Capital Bond appropriation in the amount of \$5.0 million to be used for future easement purchases. The Foundation voted to carry the 188 applications into the next fiscal year when the bonds are expected to be sold.

Since the appraisals on these properties were almost 2 years old, a justification of value needed to be obtained that would show that the easement values were current. An agreement was made with the Department of General Services to conduct staff appraisals on certain properties that fell within the reaches of available funds. As a result, 35 properties will be reappraised and the others

will be asked to reapply in the next cycle, which has been extended from July 1, 1992 to January 1, 1993. The staff appraisals are expected to be completed in the fall when the Foundation expects to make easement offers after the bonds are sold.

The last Easement Acquisition Program conducted by the Maryland Agricultural Land Preservation Foundation was Cycle Two of FY '90.

Despite the limited funding for the program and the fact that additional easements were not purchased during FY '92, the Maryland Agricultural Land Preservation program still has preserved more farmland than any other state in the nation. It continues to attract landowners to establish an agricultural land preservation district.

The Foundation genuinely believes that with continued participation, they will be able to maintain the long-range goal of the program in permanently protecting productive agricultural land.



HANDLING OF EASEMENT APPLICATIONS

During FY '91 the Foundation received 188 applications to sell an easement in Cycle One, and 213 applications in Cycle Two. Unfortunately, due to a fund reduction of \$17 million, the Foundation was unable to purchase easements at that time. During the 1991 General Assembly, the legislature approved a bond authorization of \$7 million to be used for easement purchases and to help make up the loss caused by the transfer of funds. Most of the authorization was used for settlement on offers already made by the Foundation at the time the funds were transferred.

Realizing that there were very limited funds in relation to the number of applications received during FY '91, the Foundation determined that they would not be able to purchase any easements from Cycle Two. Therefore, they voted to return all 213 applications submitted for Cycle Two and asked the landowners to reapply in the next easement offer cycle (July 1, 1992 deadline).

The 188 applications received for Cycle One were carried over into FY '92 in hopes that the Foundation could buy easements when additional funds became available. They were carried over because much of the title work had begun on these properties and appraisals had already been completed.

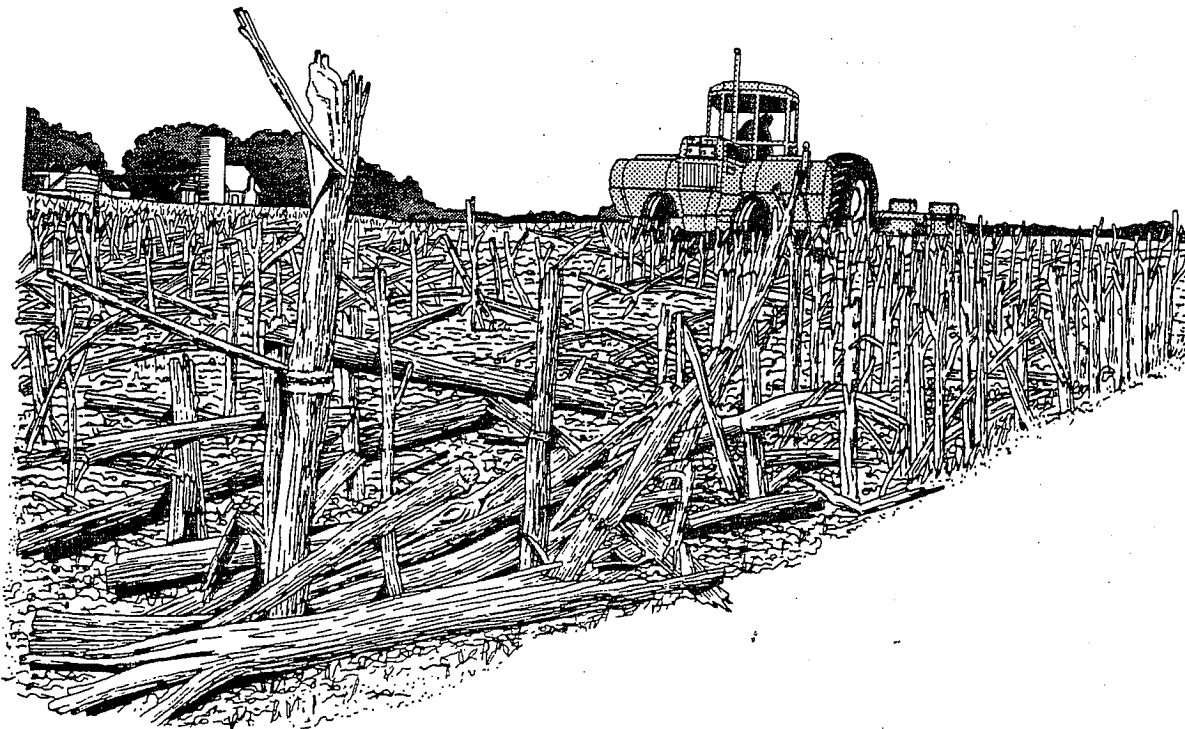
Unfortunately, the Foundation was hit again during FY '92 with another fund reduction of \$4.9 million and the state could not purchase any easements in FY '92 either.

Although the legislature approved another bond authorization in the amount of \$5 million to replace that loss, the bonds must be sold before the Foundation can utilize those funds and begin to make easement offers. At the time of this printing, the bonds have not been sold due to current market conditions and items related to balancing the State's general budget.

The Foundation, assuming the bonds will be sold, voted to divide the total funds available into two equal parts. One half of the funds will be applied to the group carried over from Cycle One of FY '91 and the other half will be applied to applicants applying in the next easement offer cycle (July 1, 1992).

In light of having 188 applications and limited funds, the Foundation determined which properties, based on their ranking, were "within reach" of available funds. There are approximately 35 properties that fall within this category. Those that were not within reach were notified and asked to reapply in the next easement offer cycle. In order to allow them plenty of time to reapply, the Foundation's Board of Trustees voted to extend the application deadline for the next offer cycle from July 1, 1992 to January 1, 1993. As of July 1, 1992, the Foundation had received 80 applications from other landowners across the state.

Meanwhile, the 35 properties that are ranked within available funds are being re-appraised to ensure that the previous easement value determined is still an acceptable value under today's economic conditions. Reappraising these properties will not involve any additional cost to the Foundation. The Department of General Services has agreed to conduct staff appraisals on these properties and would be charged to their regular administrative expenses. Therefore, the Foundation will maximize the use of state funds on easement purchases once the bonds are sold and funds become available.



STREAMLINING THE PROGRAM

Status of the Task Force

In July of 1991 the Task Force of the Maryland Agricultural Land Preservation Foundation presented an interim report of recommendations to the Board of Public Works. The report outlined recommendations to change the program with regard to District establishment and qualifying criteria for easement sales. Some of the recommendations made by the Task Force would require legislation while others could be made through the regulatory process. See page 21 for legislation introduced during the 1992 legislative session.

In review of their recommendations, the Task Force suggested that the approval authority for District establishment and Easement purchases be separated. The idea was to establish a system whereby the Secretary of Agriculture would approve the establishment of a district and the Maryland Agricultural Land Preservation Foundation would continue to be responsible for easement offers (subject to the Board of Public Works approval). The reason for this recommendation was to clarify that the approval of a district does not guarantee an easement sale and that separate criteria may apply. In order to implement this recommendation, legislation would be required to amend the law governing the program. Such legislation (HB 189) was drafted and presented to the General Assembly but was defeated in committee.

Several other recommendations were made relating to the selection of properties for easement sale. The Task Force recommended that the state limit easement purchases to "Active Working Farms". They defined active working farm as any agriculturally assessed property actively engaged in agricultural use for a minimum of 3 consecutive years. This change in the program would assure that easements are purchased on land currently producing agricultural products and not on land dedicated as open space or existing as large lot estates.

The Task Force also recommended that the law be changed so that in order for a landowner to become eligible to sell an easement, he/she must have owned the property for at least 18 months prior to submitting the application. Certain exceptions would apply and would eliminate the three year criteria if the land was acquired from an immediate family member. The purpose of this recommendation prevents the state from acting as a "banker" to finance farm purchases and helps to limit the number of speculative farm purchases. Legislation was submitted as HB 237 to modify the program.

The bill also contained a recommendation to establish an absolute minimum size of 20 acres for the state to purchase an easement. This minimum size would prevent the State from purchasing easements on land that, by itself, may have marginal agricultural operations but contain a high unit value for development due to its size.

The Joint Sub-Committee on Program Open Space and Agricultural Land Preservation requested a hearing to better understand the recommendations of the Task Force and the reaction of the agricultural community. The Joint Sub-Committee supported the general intent and direction of the Task Force but felt there should be some exceptions to what was being proposed. In addition, the Joint Sub-Committee felt that the farming community should be more involved in helping to formulate these recommendations.

In general, the Joint Sub-Committee had concerns with having only the Secretary of Agriculture approve agricultural districts (HB 189), and not allowing properties less than 20 acres into the easement program (HB 237).

In keeping with the intent of the Task Force to separate the two aspects of the Maryland Agricultural Land Preservation program and addressing the concerns of the Joint Sub-Committee, an amendment was made to HB 189. The amendment would include joint approval authority of the Secretary of Agriculture, the Chairman of the Foundation and the Chairman of the Agriculture Commission in establishing agricultural land preservation districts. This change would eliminate the idea of a one person approval process. However, this bill was defeated in committee.

An amendment was also made to HB 237 which would allow the State to purchase

easements on properties less than 20 acres if it is adjacent to land already under easement restrictions and is owned by the same landowner. The easement value would then be determined as being part of the larger farming operation. However, despite the amendments, HB 237 was defeated in committee.

In an effort to avoid purchasing easements on land with little or no development potential, and to preclude false expectations by landowners, the Task Force recommended that the Department of General Services conduct a pre-screening of applications submitted for easement sale. This pre-screening would limit state expenditures on such properties and they would be weeded out prior to ordering appraisals and title work. This recommendation can be implemented without changes to the current law and/or regulations and will be part of the FY '93 easement sale process.

In addition, after appraisals are obtained on properties submitted for easement sale, the Department of General Services will conduct composite appraisals on certain properties with questionable values in lieu of securing third fee appraisals. By definition, a composite appraisal uses factual data from original appraisals to determine an independent value estimate. This will reduce state spending and provide the state with a means to reconcile widely divergent appraised values.

The Task Force is also exploring alternative approaches to existing program procedures for evaluating, pricing, and ranking of properties for easement purchase offers. These procedures are being designed to ensure that State funds are used to purchase easements on productive agricultural land and to promote long-term agricultural production.

The alternative approaches will be tested on applicants in the next easement offer cycle and results will be compared to the existing method. At that time, the need to make further program changes will be determined.

In addition, the Task Force and the Foundation are considering the establishment of a cap or ceiling for easement offers. This will raise the issue of Urban vs. Rural easement purchases and the resulting distribution of available funds. The effect the cap would have on the existing pricing method and on the alternative methods being developed will also be examined during the next easement offer cycle.



REGULATIONS

Guidelines for Extraordinary Agricultural Capability

The Foundation recently adopted guidelines to define extraordinary agricultural capabilities. New regulations have been drafted and are being followed when reviewing proposed agricultural preservation districts less than 100 acres and have been submitted as having extraordinary agricultural capabilities. In order to qualify as having extraordinary agricultural capabilities, a property must:

1. Have a soil conservation and water quality plan prepared for the property and be approved by the local soil conservation district. It must be fully implemented according to the schedule contained in the plan.
2. Have at least 60% of the land area consisting of USDA soil capability classes I, II, and III OR, USDA Woodland Groups 1 and 2 (applied to wooded parcels only).
3. Have a minimum of 72% of the land area (less any acreage within the 100 year floodplain and state or federal wetlands) consisting of a combination of USDA soil capability classes I, II, III on cropland and pasture and USDA Woodland Groups 1 and 2 on wooded areas only;
4. Be located in an area designated by the county which is dedicated to agricultural preservation, and

5. Receive a favorable recommendation by the majority of the Foundation's Board of Trustees after an on-site inspection is conducted by one or more members of the Foundation.

Forest Management Plan

The Foundation's Board of Trustees are becoming more concerned about properties entering the program wherein the majority of the property is in woodland. Although managed woodland can be a viable agricultural operation, the Foundation believes that if a soil conservation and water quality plan is required on easement properties, a forest management plan should also be required. However, this criteria would only apply if 50% or more of the acreage contained in the district is devoted to woodland.

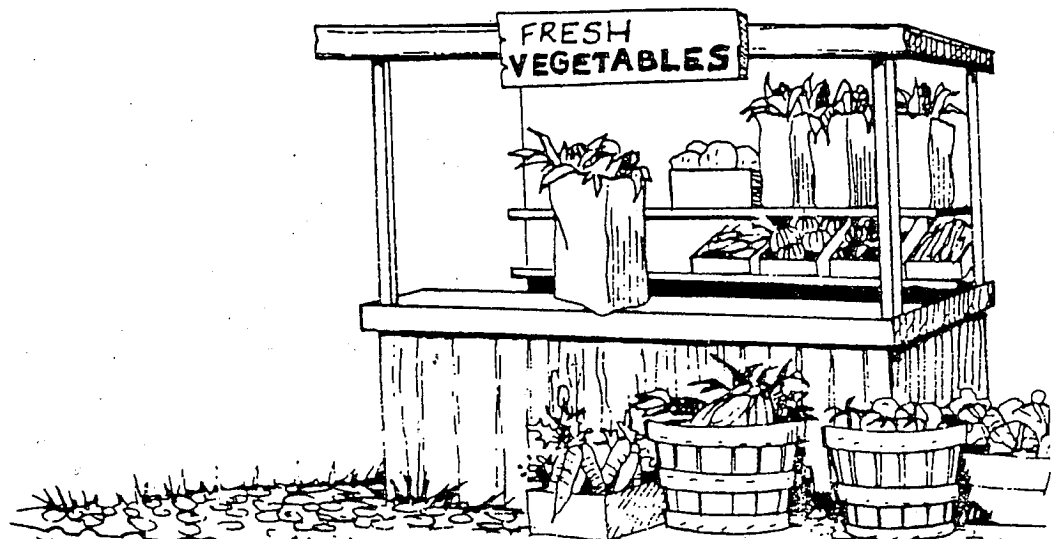
New regulations requiring a forest management plan have been adopted and a certification of the existence of a forest management plan as well as a soil conservation and water quality plan will be required when applying to sell an agricultural land preservation easement to the state.

Tenant House

Regulations and the Deed of Easement both state that a landowner may construct housing for tenants fully engaged in the operation of the farm, but this construction may not exceed one tenant house per 100 acres. However, discussion ensued after the Foundation reviewed a request for a tenant house from a landowner with less than 100 acres. The Department's legal counsel reviewed the regulations and advised that the language could also be interpreted to allow one tenant house to landowners who have 1-100 acres; 2 tenant houses for 101-200 acres, etc. In either case, the land on which a tenant

house is constructed may not be subdivided or conveyed to an individual, nor may the tenant house be conveyed separately from the original parcel.

New regulations were drafted and adopted to clarify the allowable density of tenant houses and to permit one tenant house on properties with 1-100 acres, two tenant houses on properties with 101-200 acres, etc.



1992 LEGISLATION

- *House Bill 237*

The Task Force for the Maryland Agricultural Land Preservation Foundation undertook the responsibility to address concerns raised by the Board of Public Works. This bill would create specific criteria that must be met before a property becomes eligible to be submitted for an easement sale. The recommendations of the Task Force, which were included in HB 237 are as follows:

- 1) Landowner's must own the land for at least 18 months prior to becoming eligible to sell an easement to the State.

NOTE: An exception to this was included whereby the 18 month requirement would not apply if the new owner: a) acquired the land from an immediate family member, or b) During the same 18 month period had been an integral part of the farming operation.

- 2) The landowner's agricultural district must be at least 20 acres in size and be an active working farm.

The underlying issue of HB 237 involved the program's cost effectiveness and whether the Foundation is purchasing easements on "true" farmland, as well as substantiating the values being paid. This bill was killed in committee and did not pass.

- *House Bill 707*

This Bill repeals the requirement that the Maryland Agricultural Land Preservation Foundation will reimburse landowners for independent appraisals associated with the sale of an agricultural land preservation easement to the State of Maryland. HB 707 passed and is now law.

- *House Bill 189*

This bill was designed to erase the perception that entering into an agricultural land preservation district automatically guarantees that the landowner will be able to sell an agricultural land preservation easement to the State.

Under the Foundation's current program, the Agricultural Land Preservation Foundation's Board of Trustees approves both District Formation and Easement sales. HB 189 would have transferred the authority for the creation and termination of agricultural land preservation districts from the Foundation to the Secretary of Agriculture. It was later amended to reflect a joint approval authority to the Secretary of Agriculture, Chairman of the Maryland Agricultural Land Preservation Foundation and the Chairman of the Maryland Agricultural Commission. The Foundation's Board of Trustees would continue to approve easement sales (subject to the Board of Public Works approval). This Bill was defeated.

CERTIFICATION OF COUNTY AGRICULTURAL LAND PRESERVATION PROGRAMS

As reported in the 1991 Annual Report of the Maryland Agricultural Land Preservation Foundation, HB 1280, the Agricultural Land Preservation Act of 1990, was enacted and became effective July 1, 1990. This bill created a system to certify local agricultural land preservation programs and defined responsibilities for the Maryland Agricultural Land Preservation Foundation and the Maryland Office of Planning to jointly administer the program. The purpose of the Bill was to provide a means to recognize, strengthen and enhance agricultural land preservation efforts in the state. If a county is certified as having an effective agricultural land preservation program, it may retain 75% of the Agriculture Transfer Tax collected in that county. Non-certified counties will continue to retain 33.3% of the Agriculture Transfer Tax Revenue collected.

Currently, there are seven counties that have been certified by the state as having an effective agricultural land preservation program. The certified counties are: Anne Arundel, Baltimore, Carroll, Frederick, Harford, Howard and Montgomery. A few other counties have expressed an interest in developing a local program and include Charles, Calvert and St. Mary's Counties. The Foundation and the Office of Planning are currently working with these counties to assist them in the development of their program and to qualify them for certification.

Six of the seven certified counties (all but Frederick) qualified as having a "pre-existing program". A pre-existing program is defined as one that has been operating effectively prior to July 1, 1990. However, these programs must meet certain criteria in order to be re-certified at the end of their two year certification period. Certified counties began retaining 75% of the Agricultural Transfer Tax Revenues collected in their county at the time of certification, and received from the State a refund of approximately 42% of their FY '91 revenues (8.4% for Montgomery County) for the period prior to official certification to the beginning of the Fiscal year.

Counties must use the additional funds received as a result of certification for agricultural land preservation purposes. Certified county programs provide alternatives to landowners who wish to protect their land from future development and may include certain tax benefits or incentive payments to make the idea of preservation more attractive. In addition, these programs may involve the purchase of easements solely by the county, in a cooperative agreement with the county and the state, or as an individual but supplemental program to the state. Of course the regular process of the state program (without county participation) is also available to farmers with qualifying properties.

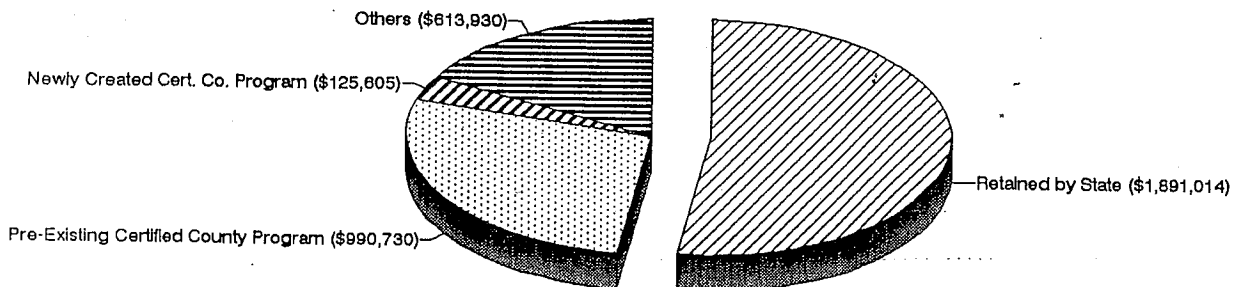
These alternatives can enhance a county's ability to tailor preservation efforts to county-specific conditions. Each of the easement purchase options may emphasize or exclude properties under certain conditions by virtue of program procedures, criteria, and fund availability. By designing their own easement purchase program to complement the State program, counties can do a great deal to ensure that many county-specific priorities for preservation can be addressed through one or more programs. Variations of this strategy are being followed by several certified counties.

Certification is valid for a period of two years, at the end of which a county must request recertification if they wish to continue to retain 75% of the Agriculture Transfer Tax. It is anticipated that the certified counties listed earlier will request recertification in the spring of 1993.

During the two year certification period, counties are required to submit annual reports summarizing program accomplishments, expenditures, and progress in achieving objectives and milestones as outlined in their program development strategy. Important considerations for recertification are evaluations of program effectiveness and of the progress made in the county towards meeting the objectives and milestones identified in the county's program development strategy.

Information showing actual Agricultural Transfer Tax Revenues retained by counties as a result of certification is shown on the pie chart below. Total Agricultural Transfer Tax Revenues retained by certified counties during FY '91 equaled \$1,116,335 or 30.8% of the total net transfer tax collected in the State during that period. The State's share amounted to \$1,891,014, or a 52.2% share of the total. The remaining \$613,930 was retained by non-certified counties.

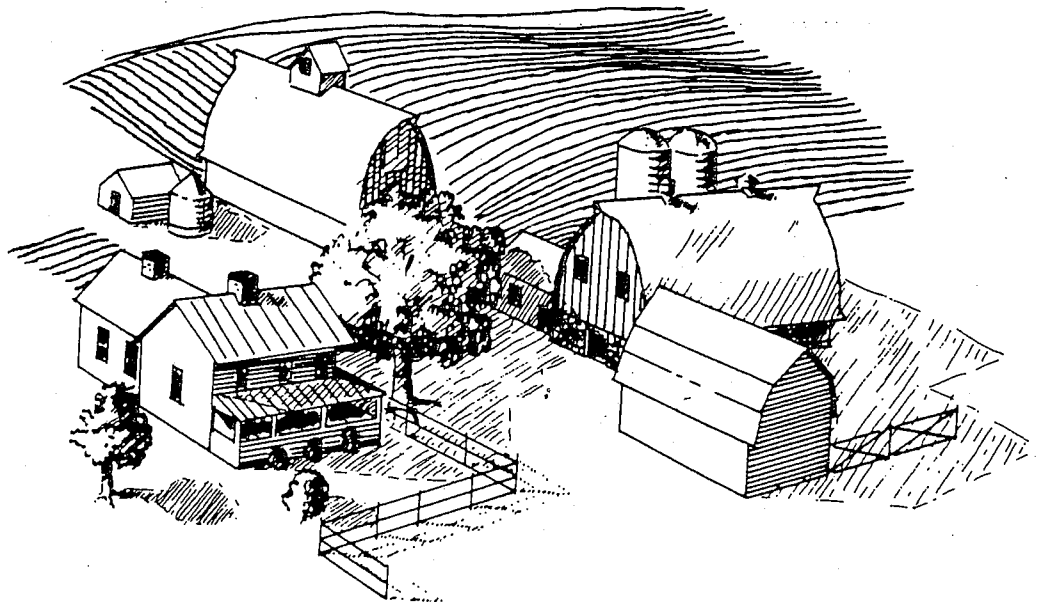
AGRICULTURAL TRANSFER TAX REVENUES
\$3,621,280 COLLECTED IN 1991



Counties may use 10% of the agricultural transfer taxes they retain, or \$30,000, whichever is greater, for administrative costs associated with operating a local program. The balance must be used by the counties for the purchase of development rights.

Where provided by certified counties, maps of past and recent program accomplishments will be used in reviewing programs. Land preserved during the certification period will be examined by the Foundation and the Office against a backdrop of land use, land use change, county planning and zoning designations, and previously preserved land, to provide a picture of trends and a framework for evaluating the success of current efforts. This information can be used as input for future directions of both county and the State programs, as it may identify areas and conditions not adequately addressed through current efforts.

Increased efforts to assist counties interested in certification is planned for the coming year. The Foundation and the Office will place special emphasis on working with certified counties during their second year of certification, to facilitate efficient review and re-certification of their programs through their second annual reports. The results of the first annual reports, received in April and May, will be available in the Foundation's next annual report.



FACING THE CHALLENGES OF THE FUTURE

The Maryland Agricultural Land Preservation Foundation continues to be the most successful program of its kind in the nation and has perpetually preserved more farmland than any other State.

The program has always had the strong support of the Maryland Farm Bureau, the agricultural community, and county and State leaders. With vision, they helped to create this program to preserve Maryland farmland. Today that support is essential to future preservation efforts in order to maintain a viable agricultural base in Maryland.

The Maryland Agricultural Land Preservation Foundation offers a voluntary program to landowners across the state with the support of local governments. Despite the fact that the program has suffered some setbacks due to the budget crisis of the state, the program continues to grow. This past year, the program's acreage base increased by 8% as 18,864 acres were added in districts by the Foundation.

Historically the most effective and positive means of advertising is by word of mouth. Unfortunately, word of mouth can also create negative or inaccurate advertising as well. Due to the Foundation's inability to purchase easements in FY '91 and '92, some landowners have shied away from applying to sell an easement to the state. Those who tried have either been carried over for two years and are still waiting for an easement offer or have been rejected due to insufficient funds. Still others believe that the economy is showing signs of recovery which will mean

more funding for the program in the future. Under this theory, landowners have nothing to lose by submitting an application so that when funding does improve, they may be within the first group to be considered.

There continues to be significant interest in preserving Maryland farmland and landowners wish to participate in the program. This is evident in the number of agricultural districts being formed. Preservation areas, consisting of several agricultural districts, are continually growing. To date, the largest preservation area exists in Cecil County with more than 4,756 contiguous acres. Other preservation areas greater than 1,500 contiguous areas include two areas in Carroll County with 4,444 acres in the Uniontown area and 1,559 acres in the New Windsor area. With preservation areas of this size, there can be a real sense of an agricultural community.

Despite the Foundation's efforts and the landowners' willingness to participate in the program, the annual conversion of farmland to other land uses continues to exceed the amount which is saved. Our hope is that in the face of ever increasing demand for the use of land, the supply of which is static, there is still an agricultural future in the State of Maryland.

In today's economy, along with outstanding easement applications, the Foundation continues to review and pursue alternative funding. The 1991 Annual Report of the Maryland Agricultural Land Preservation Foundation mentioned possible

funding through the Farms for the Future Act of 1990. Under the act, the Federal Government will provide loans of up to \$10 million to any state that has a preservation program in place prior to August 1, 1991. These loans would be provided with a special discount payment plan with reduced interest payments.

Congress clearly intended the legislation to support Purchase of Development Rights programs, and several states passed legislation before the August 1, 1991 statutory deadline to qualify for federal assistance. However, funding was never appropriated and there was a delay in the drafting of the regulations.

On September 24, 1991, Farmers Home Administration published its long awaited proposed rule for the Farms for the Future Act in the Federal Register. However, due to the overwhelming negative comments received, Vermont Senator Patrick Leahy introduced major revisions as part of the technical corrections to the Food, Agriculture, Conservation and Trade Act of 1990. These amendments passed in the Senate and the House on November 26, 1991.

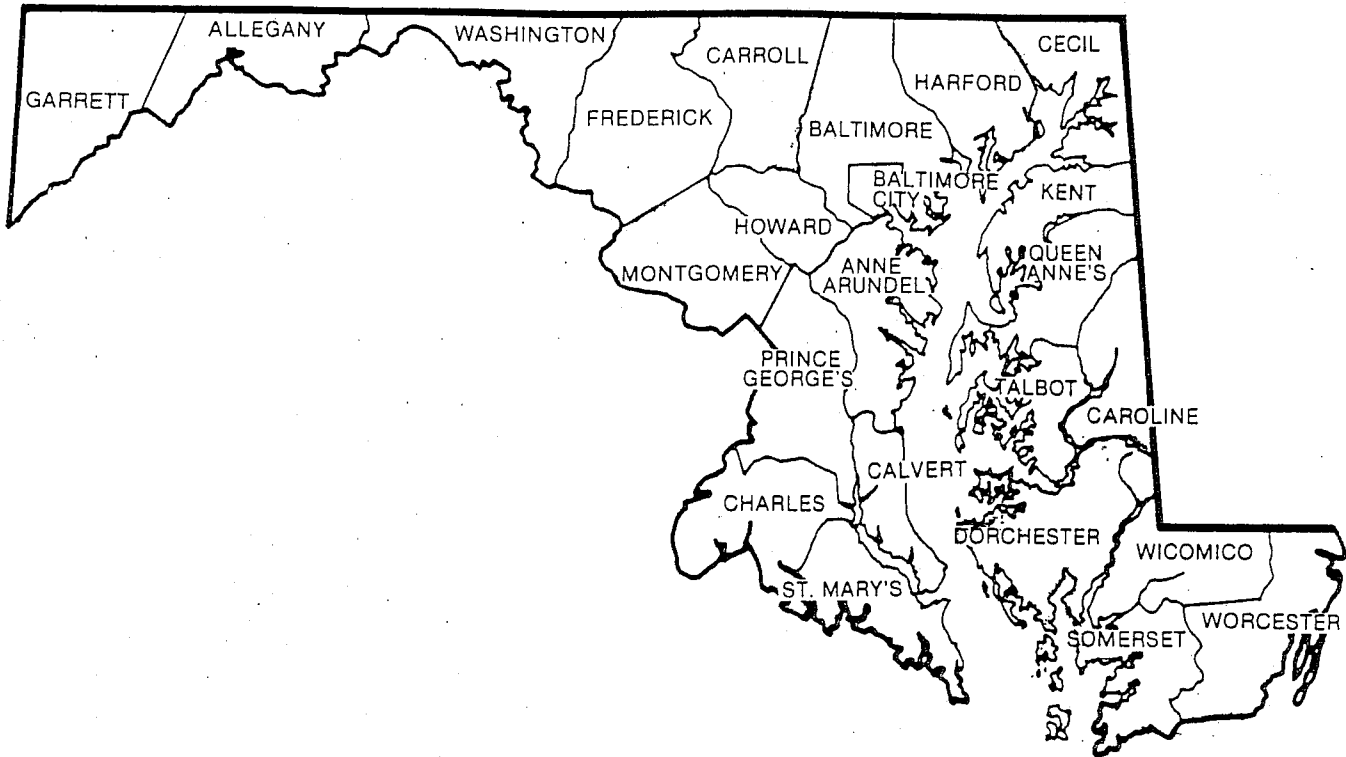
Some of the changes to the law include loan terms no longer being restricted to ten years, but the loan guarantees and interest subsidies are still to be provided on a ten-year basis. Legislation now specifically authorizes the use of bonds and the value of land/easement donations to qualify for matching funds.

The Maryland Department of Agriculture plans to apply for federal loans once funds are appropriated to the federal program.

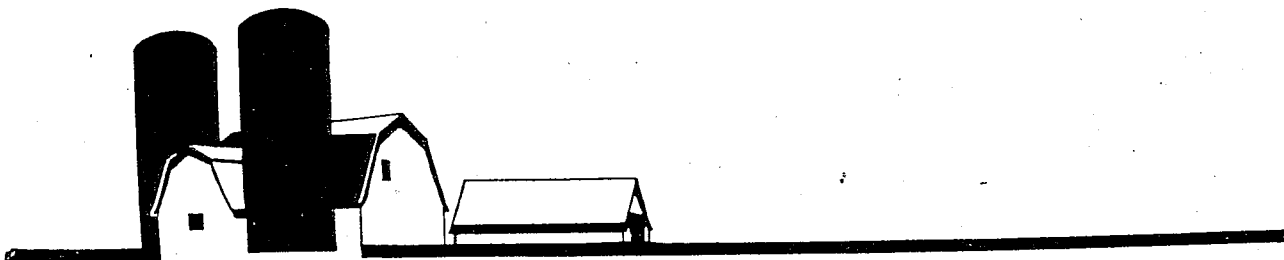
In regard to the current funding situation of the Maryland Agricultural Land Preservation program, the Foundation is waiting for the sale of a \$5 million Capital Bond appropriation approved by the legislature. Once the bonds are sold, the Foundation will be able to again make easement offers.

Some counties have stepped in to help preserve viable agricultural land and have purchased easements from landowners who applied to sell an easement in the state program. The state was able to provide some of the background work to the counties in order to preserve these lands. These counties had a local ordinance which allowed them to purchase easements on their own which also helped them to become "certified" by the Foundation and the Office of Planning as having an effective local preservation program. This cooperative effort between the county and the state helped to save important farmland threatened by development in an expedient manner.

With a greater focus on conservation and preservation issues, there will be more counties interested in creating a local preservation program. In addition, there will be more coordination with various county and state agencies, private organizations and the agricultural community. The future holds a lot of challenges for the Maryland Agricultural Land Preservation program but with continued support of the Maryland legislature, county governments and agricultural landowners, we will maintain the preservation program and the agricultural industry in the state!



MARYLAND COUNTIES



ACREAGE REDUCTION

A total of 28.75 acres were excluded and released from easement properties based on requests by the original owners of an easement for one acre building lots intended for themselves and/or their children. The table on the opposite page shows acreage reductions in districts and easement properties. The table is comprised of five factors that would result in an adjustment of the program's acreage base and include permitted lot exclusions, public benefit, severe economic hardship, district termination and adjustments from deeds. To date, a total 114.75 easement acres were excluded for building lots with 28.75 acres excluded during FY '92.

The landowner is required to payback the per acre value of the easement originally paid to them when new lots are created on lands where the Foundation has purchased development rights easements. This requirement has been in effect since 1982. In FY '92, the total payback amount for lot exclusions in easement properties equalled \$15,871.18. To date, the total payback amount for lot exclusions since 1982 is \$65,445.97. Easements purchased prior to 1982 do not require a payback for lot exclusions. It is important to note that easement restrictions are placed on the total property acreage; however, a landowner is not compensated for the one acre area surrounding each dwelling that was in existence at the time the easement was purchased. Exclusion of these dwellings would not require a payback.

The Foundation may receive requests from county governments to exclude land in district

or easement status to be used for public benefit. This includes improvements such as roads, bridges or culverts. In FY '92, there were no acres excluded for public benefit. To date, a total of 21.469 acres have been excluded for such public improvements resulting in a total payback of \$2,490.43.

In the past, the most significant acreage reduction factor was the termination of district properties. Fifteen districts, totalling 2,066 acres, were terminated after meeting the minimum five year commitment. Unfortunately, this figure is much higher than the 7 terminations reported in FY '91. The Foundation will probably continue to see a significant number of districts terminating in the near future, due to the recent limited funding status of the program. To date, a total of 128 districts covering 21,346 acres have been terminated but some have re-entered the program after adjusting the acreage contained in original districts.

In the easement settlement process, acreage adjustments are often made after a title search is performed. The verification of acreage through research of ownership including out-conveyances and surveys may total a different amount than that shown on the district agreement. There are sometimes increases in acreage. During FY '92 there was an increase of 23.622 acres due to adjustments from deeds. The total net loss, to date, from such adjustments totals 519.775 acres.

Acreage reductions from all sources listed on the chart total 2,572.551 acres for FY '92. To date, total acreage reductions from all sources total 19,737 acres.

MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
ACREAGE REDUCTIONS IN DISTRICT AND EASEMENT PROPERTIES

RECORDED FROM JULY 1, 1991 TO JUNE 30, 1992

COUNTY	OWNER'S OR CHILDREN'S LOT EXCLUSIONS		EXCLUSION BY COUNTY FOR PUBLIC BENEFIT			EARLY TERMINATION FOR SEVERE ECONOMIC HARDSHIP		DISTRICT TERMINATION AFTER 5 YEARS		ACREAGE ADJUSTMENTS FROM DEEDS	TOTALS
	Dist./Easement Acreage	Payback Amount	District Acreage	Easement Acreage	Payback Amount	Number	Acreage	Number	Acreage		
ALLEGANY											
ANNE ARUNDEL								1	-214.83	+4,348	-210.482
BALTIMORE	-1.00	\$ 997.00									-1.00
CALVERT											
CAROLINE	-6.50	\$2,865.70						7	-1,185.589		-1,192.089
CARROLL	-6.00	\$3,700.94						3	-275.5081		-281.5081
CECIL											
CHARLES											
DORCHESTER	-1.00	\$123.00						1	-123.00		-124.00
FREDERICK	-5.00	\$3,424.31						1	-133.05		-138.05
GARRETT	-3.25	\$890.53									- 3.25
HARFORD	-1.00	\$417.15								+2.29	+ 1.29
HOWARD								1	-21.00		-21.00
KENT											
MONTGOMERY	-3.00	\$3,452.55						1	-113.37		-116.37
PRINCE GEORGE'S											
QUEEN ANNE'S											
ST. MARY'S											
SOMERSET										+16,984	+ 5,318
TALBOT											-101.00
WASHINGTON	-1.00	N/A									- 1.00
WICOMICO	-1.00	N/A									-1.00
WORCESTER											
TOTAL	-28.75	\$15,871.18	-0-	-0-	-0-	-4	-501.076	15	-2,066.3471	+23,622	-2,572.551

FY '92 DISTRICT PARTICIPATION

In FY '92 the Foundation approved the establishment of 152 new agricultural preservation districts protecting 18,864 acres. This amount represents a 8% increase over last year's total. Although participation has slowed down, there are still a number of landowners willing to participate in this successful program. By the end of FY '92 the Foundation added 1,701 additional districts increasing the program's acreage base to 247,233 acres consisting of 1,835 individual districts.

As it was with last year, Washington County once again took the lead in terms of additional district acreage enrolled in the program during FY '92 with 49 new districts being established. During FY '92 Washington County showed more growth in terms of additional acres than any other county for the year by enrolling 5,861 additional acres. This represents a county growth rate of 38%. The second ranking county in terms of total acreage was Caroline County which added 2,649 acres to the program's acreage base in FY '92. Kent and Harford County were very close in determining third and fourth place with 1,599 and 1,593 acres respectively. While usually one of the forerunners, this year, Carroll County did not enroll any districts in the Maryland Agricultural Land Preservation Program. This was due largely to the funding limitations of the program.

On a regional perspective, the Western Region constituted the most growth by adding 7,753 acres in FY '92, with the majority of the acreage belonging to Washington County,

while the Upper Shore added 4,185 acres. The Central and Southern regions had moderate increases.

One of the most beneficial aspects of this program is the establishment and growth of preservation areas. This is the total amount of contiguous land under district agreement. The Foundation continues to make every effort to encourage new landowners to join the program. This is one of the ways landowners can insulate against development. "Critical mass" of preserved agricultural land remains the biggest leverage against development pressure. As of June 30, 1992 the three largest preservation areas in the state were located in Carroll and Cecil counties. Carroll County has two preservation areas located in the Uniontown Area (4,444 acres) and in the New Windsor Area (1,559 acres). In Cecil County, the St. Augustine Preservation Area covers 3,838 acres.

Each preservation area continues to grow but in FY '92 Cecil County's preservation area grew the fastest. It has expanded to cover 3,489 acres by adding 523 acres consisting of 24 district properties. Traditional agricultural community and rural areas must continue to compete with development. Preservation areas of significant size can be our best ally in preserving agricultural areas. The Maryland Agricultural Land Preservation Foundation program continues to be very successful in preserving quality farmland and is compelled to maintain its success.

MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
FY '92 DISTRICT PARTICIPATION

COUNTY	RECORDED DISTRICTS AS OF JUNE 30, 1991		APPROVED DURING FY '92		COUNTY ACREAGE GROWTH RATE	ACREAGE ADJUSTMENTS		TOTAL RECORDED AND APPROVED DISTRICTS AS OF JUNE 30, 1992		PERCENTAGE OF TOTAL
	No. of Districts	District Acreage	No. of Districts	District Acreage		No. of Districts	District Acreage	No. of Districts	District Acreage	
ALLEGANY	3	335.1980	0	0	0%	0	0	3	335.1980	0.1%
ANNE ARUNDEL	66	7,293.9416	12	935.2350	13%	-1	-210.482	77	8,018.6946	3.2%
BALTIMORE	218	19,505.4382	7	938.4830	5%	0	-1.00	225	20,442.9212	8.3%
CALVERT	44	5,959.1672	0	0	0%	0	0	44	5,959.1672	2.4%
CAROLINE	230	31,499.9916	19	2,649.2486	8%	-7	-1,192.089	242	32,957.1512	13.3%
CARROLL	309	38,048.7708	0	0	0%	-3	-281.5081	306	37,767.2627	15.3%
CECIL	53	8,792.3735	3	616.2310	7%	0	0	56	9,408.6045	3.8%
CHARLES	24	3,843.972	10	1,083.3423	28%	0	0	34	4,927.3143	2.0%
DORCHESTER	26	4,424.378	2	143.700	3%	-1	-124.00	27	4,444.078	2.0%
FREDERICK	97	15,492.9891	9	1,337.3295	9%	-1	-138.05	105	16,692.2686	6.7%
GARRETT	30	4,775.5438	6	696.6100	15%	0	- 3.25	36	5,468.9038	2.2%
HARFORD	147	17,557.2267	20	1,593.3890	9%	0	+ 1.29	167	19,151.9057	7.7%
HOWARD	54	6,806.4044	0	0	0%	-1	-21.00	53	6,785.4044	2.7%
KENT	35	5,916.2032	6	1,599.458	27%	0	0	41	7,515.6612	3.0%
MONTGOMERY	18	3,027.908	0	0	0%	-1	-116.37	17	2,911.538	1.2%
PRINCE GEORGE'S	0	0	0	0	0%	0	0	0	0	0%
QUEEN ANNE'S	108	20,420.0396	3	676.910	3%	-2	-388.41	109	20,708.5396	8.4%
ST. MARY'S	24	3,755.7733	0	0	0%	0	+ 5.318	24	3,761.0913	1.5%
SOMERSET	23	3,577.7910	0	0	0%	-1	-101.00	22	3,476.791	1.4%
TALBOT	41	7,146.6650	1	223.880	3%	0	0	42	7,370.545	3.0%
WASHINGTON	103	15,448.8753	49	5,861.1177	38%	0	- 1.00	152	21,308.9930	8.6%
WICOMICO	47	7,066.832	5	508.82	7%	0	-1.00	52	7,574.652	3.1%
WORCESTER	1	246.0000	0	0	0%	0	0	1	246.0000	0.1%
TOTAL	*1,701	230,941.4823	152	18,863.7541	8%	18	-2,572.5511	1,835	247,232.6853	100%

* Figure corrected from FY '91 Annual Report due to computation error

**REGIONAL ANALYSIS:
PERCENTAGE OF TOTAL DISTRICT ACREAGE**

REGIONS	FY '89	FY '90	FY '91	FY '92
WESTERN:				
Garrett				
Allegany	14.1%	13.4%	15.6%	17.7%
Washington	23,269 acres	26,096 acres	36,052 acres	43,805 acres
Frederick				
CENTRAL:				
Carroll				
Baltimore	39.3%	38.3%	36.8%	35.2%
Harford	64,691 acres	74,515 acres	84,946 acres	87,058 acres
Montgomery				
Howard				
SOUTHERN:				
Anne Arundel				
St. Mary's	11.4%	10.0%	9.0%	9.2%
Calvert	18,728 acres	19,527 acres	20,853 acres	22,666 acres
Charles				
Prince George's				
UPPER SHORE:				
Queen Anne's				
Talbot	32.4%	33.2%	31.9%	31.5%
Cecil	53,252 acres	64,398 acres	73,775 acres	77,960 acres
Kent				
Caroline				
LOWER SHORE:				
Dorchester				
Wicomico	2.8%	5.1%	6.7%	6.4%
Worcester	4,550 acres	9,852 acres	15,315 acres	15,741 acres
Somerset				
TOTAL ACREAGE	164,490 acres	194,388 acres	230,942 acres	247,233 acres

REGIONAL ANALYSIS: PERCENTAGE OF TOTAL EASEMENT ACREAGE

REGION	FY '89	FY '90*	FY '91**	FY '92***
WESTERN:				
Garrett				
Allegany	13.8%	14.1%	13.5%	13.5%
Washington	10,987 acres	12,914 acres	13,267 acres	13,258 acres
Frederick				
CENTRAL:				
Carroll				
Baltimore	42.8%	41.8%	41.1%	41.1%
Harford	34,052 acres	38,198 acres	40,555 acres	40,544 acres
Montgomery				
Howard				
SOUTHERN:				
Anne Arundel				
St. Mary's	9.2%	8.3%	8.3%	8.3%
Calvert	7,293 acres	7,565 acres	8,198 acres	8,198 acres
Charles				
Prince George's				
UPPER SHORE:				
Queen Anne's				
Talbot	32.0%	33.1%	33.5%	33.5%
Cecil	25,430 acres	30,245 acres	32,990 acres	32,983 acres
Kent				
Caroline				
LOWER SHORE:				
Dorchester				
Wicomico	2.2%	2.8%	3.6%	3.6%
Worcester	1,720 acres	2,528 acres	3,522 acres	3,521 acres
Somerset				
TOTAL ACREAGE	79,482 acres	91,448 acres	98,532 acres	98,504 acres

* Cycle One FY '90 Information Only

** Cycle Two FY '90 Information Only

*** Figures denote total easement acreage less easement acreage reductions for lot exclusions
No additional easements were purchased in FY '91 nor FY '92 due to budgetary constraints

EASEMENT PARTICIPATION

The last Easement Acquisition Program conducted by the Maryland Agricultural Land Preservation Foundation was Cycle Two of the FY '90 Easement Acquisition Program.

The chart on the opposite page reflects Cycle Two of the FY '90 Easement Acquisition Program, less easement acreage reductions for lot exclusions. Total reductions in easement properties due to lot exclusions was 28.75 acres. Therefore, adjusted total acreage under easement as of June 30, 1992 is 98,504 acres consisting of 677 individual properties.

Although no additional easements have been purchased, these figures still reflect Maryland as having more perpetually preserved farmland than any other state agricultural land preservation program in the United States.

The Foundation hopes to make easement offers in the fall of 1992, assuming the bonds appropriated by the General Assembly are sold. Those figures will be reflected in the FY '93 Annual Report.

As shown in the regional analysis on Page 33, Central Maryland has the most acreage under easement, protecting 40,544 acres or 41.1% of the statewide total. The Upper Shore is ranked as a close second with 32,983 acres or 33.5% of the Statewide totals.

The Foundation genuinely believes that with continued participation and adequate funding, they will be able to maintain the long-range goal of the program in permanently protecting agricultural land.



EASEMENT PARTICIPATION*

COUNTY	EASEMENTS ACQUIRED OR CONTRACT STATUS AS OF JUNE 30, 1991		LESS: EASEMENT REDUCTIONS		TOTAL EASEMENTS ACQUIRED OR W/ CONTRACT STATUS AS OF JUNE 30, 1992		PERCENTAGE OF TOTAL
	Number	Acreage	Acreage	Number	Acreage		
ALLEGANY	1	183.292	0	1	183.292	0.2%	
ANNE ARUNDEL	24	2,773.7597	0	24	2,773.7597	2.8%	
BALTIMORE	84	9,407.5298	-1.0	84	9,406.5298	9.5%	
CALVERT	23	3,404.7943	0	23	3,404.7943	3.5%	
CAROLINE	122	17,190.6399	-6.5	122	17,184.1399	17.4%	
CARROLL	153	20,170.9220	-6.0	153	20,164.922	20.4%	
CECIL	10	1,700.5409	0	10	1,700.5409	1.7%	
CHARLES	1	221.7500	0	1	221.7500	0.2%	
DORCHESTER	7	1,296.7420	-1.0	7	1,295.742	1.3%	
FREDERICK	42	7,431.9895	-5.0	42	7,426.9895	7.6%	
GARRETT	16	2,435.415	-3.25	16	2,432.165	2.5%	
HARFORD	46	5,338.4246	-1.0	46	5,337.4246	5.4%	
HOWARD	27	3,957.7802	0	27	3,957.7802	4.0%	
KENT	23	3,696.1062	0	23	3,696.1062	3.7%	
MONTGOMERY	9	1,680.2078	-3.0	9	1,677.2078	1.7%	
PRINCE GEORGE'S	0	0	0	0	0	0	
QUEEN ANNE'S	47	8,868.983	0	47	8,868.983	9.0%	
ST. MARY'S	12	1,797.9610	0	12	1,797.961	1.8%	
SOMERSET	5	878.50	0	5	878.50	1.0%	
TALBOT	4	1,533.582	0	4	1,533.582	1.5%	
WASHINGTON	12	3,216.2955	-1.0	12	3,215.2955	3.3%	
WICOMICO	9	1,347.610	-1.0	9	1,346.610	1.5%	
WORCESTER	0	0	0	0	0	0	
TOTAL	677	98,532.8254	-28.75	677	98,504.0754	100%	

*No new easements were acquired in FY '91 and FY '92.

EASEMENT ACQUISITION PROGRAM HISTORIC PERSPECTIVE

The Historical Perspective table shows easement acquisitions by year. The table also factors in adjustments from deeds and late rejections of easement offers after initial acceptance, which is noted in the final figure. Total dollar values and average cost per acre by year are based on easement acreage only. The average fair market, agricultural and easement values are based on the appraisals selected by the State and used in making easement offers. However, these figures do not reflect adjustments for acreage as settled. The total acquisition cost and per acre average reflect final dollar figures. The table also shows the historic total of acreage reductions which resulted in lot exclusions. Adjustments to reflect the total payback amount associated for lot exclusions are also shown, to date.

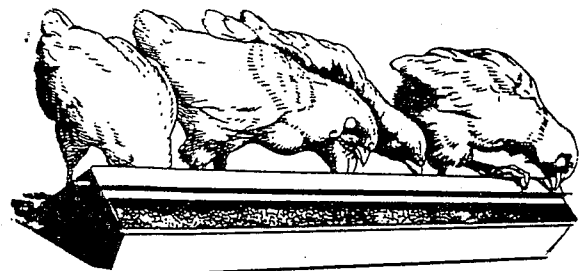
As was reported in last year's Annual Report, over the past 14 years a total of 672 of a potential 1,117 easement applicants have accepted offers, allowing these landowners the ability to enjoy permanent protection of their land. This figure indicates that the State has protected 98,504 acres, or 60% of what was submitted for easement sale. This adjusted figure takes into consideration a total reduction of 28.75 acres in FY '92. Historically, the average farm size was 148 acres. However, over the years, a range of annual average farm size was 134 in Cycle Two of FY '90 to 157 acres in FY '86.

The cost that is actually paid to the landowner is the acquisition cost. This cost depicts the lower price between either the

asking price or the appraised easement value. Historically, the average Easement Value has been \$1,105 per acre, but due to the lower asking prices, the average acquisition cost was only \$986/acre. Landowners may discount their asking price as a form of a competitive bid to improve their ranking and perhaps to maintain a better chance of receiving an offer from the Foundation. This becomes very important during times of limited funds.

The discount value plays an important role to the Foundation in making easement offers. The discount value is a direct result of making easement offers based on the landowner's asking price instead of the appraised easement value. As a result, over the years, the Foundation has been able to save 12,178,364 and purchase 12,440 additional acres due to the nature of competitive bidding. Therefore, the most cost effective component of the program is distinguished by using the competitive bidding mechanism.

Unfortunately, there were no new easement offers in FY '91 or FY '92, due to budgetary constraints, as reflected in the chart. Easement offers are expected to be made in the fall of 1992, assuming the bonds are sold. This information will be shown in next year's report.



MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
EASEMENT ACQUISITION PROGRAM - HISTORIC PERSPECTIVE

FISCAL YEAR	ACCEPTED OFFERS % TOTAL APPLICATIONS	TOTAL ACRES	AVERAGE FARM SIZE	ASKING PRICE THAT ACCEPTED		APPRAISED VALUES				ACQUISITION COST	DISCOUNT VALUE
				AVG. PER ACRE TOTAL AMT.	FAIR MARKET	AVG. PER ACRE TOTAL AMT.	AGRICULTURAL	EASEMENT	AVG. PER ACRE TOTAL AMT.		
1977 to 1985	<u>243 of 510</u> 48%	37,101.4502	154 acres	\$916/acre \$34,603,164	\$2320/acre \$87,521,648	\$1343/acre \$51,932,642	\$976/acre \$35,586,006	\$837/acre \$30,971,731	\$837/acre \$30,971,731	4,087.72 acres \$4,614,275	
1986	<u>70 of 98</u> 71%	10,990.6083	157 acres	\$942/acre \$10,347,664	\$2118/acre \$23,282,354	\$1281/acre \$14,081,344	\$ 837/acre \$9,201,010	\$753/acre \$8,278,757	\$753/acre \$8,278,757	1,224.77 acres \$ 922,253	
1987	<u>77 of 121</u> 64%	11,091.0373	144 acres	\$919/acre \$10,197,369	\$2306/acre \$25,580,968	\$1458/acre \$16,165,810	\$849/acre \$9,415,158	\$764/acre \$8,478,243	\$764/acre \$8,478,243	1,226.33 acres \$936,915	
1988	<u>77 of 104</u> 74%	10,366.1767	135 acres	\$945/acre \$ 9,798,920	\$2290/acre \$23,741,280	\$1337/acre \$13,865,850	\$953/acre \$9,875,430	\$792/acre \$8,198,193	\$792/acre \$8,198,193	2,120.40 acres \$1,677,237	
1989	<u>66 of 111</u> 59%	9,300.9209	141 acres	\$1538/acre \$14,306,184	\$2967/acre \$27,600,116	\$1541/acre \$14,333,220	\$1426/acre \$13,266,916	\$1225/acre \$11,399,272	\$1225/acre \$11,399,272	1,523.26 acres \$1,867,644	
1990 Cycle One	<u>88 of 110</u> 80%	12,665.1051	144 acres	\$1668/acre \$21,124,232	\$2668/acre \$33,784,742	\$1232/acre \$15,598,253	\$1436/acre \$18,187,091	\$1342/acre \$17,302,484	\$1342/acre \$17,302,484	647.59 acres \$ 884,607	
1990 Cycle Two	<u>53 of 63</u> 88%	7,103.7695	134 acres	\$2317/acre \$16,465,131	\$2212/acre \$22,818,467	\$1325/acre \$ 9,416,347	\$1866/acre \$13,402,023	\$1779/acre \$12,639,837	\$1779/acre \$12,639,837	179.54 acres \$1,275,433	
1991	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
1992	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
TOTAL	<u>672 of 1,117</u> 60%	98,619,0680 LESS: 14,9926 98,504,0754	148 acres	\$1186/acre \$116,842,664	\$2480/acre \$244,329,575	\$1374/acre \$135,393,466	\$1105 \$108,933,634	\$97,268,517 986/acre LESS: 71,631 \$97,196,880	\$97,268,517 986/acre LESS: 71,631 \$97,196,880	12,439.66 acres \$12,178,364	

Foundation operated only one Easement Cycle Per Year during FY '91 and FY '92. The Foundation was unable to purchase any easements due to financial constraints.

PRESERVATION VERSUS CONVERSION

The graph and table reflecting preservation versus conversion covers the period 1984 - 1992. This chart shows a comparison between the amount of farmland that has been preserved versus farmland converted to other uses. The graph also depicts the corresponding amount of easement acreage acquired between that period of time.

There were no new easement offers made during for FY '91 and FY '92 due to budget constraints. However, the chart reflects 7,103 acres being preserved in FY '91. These acres actually reflect easement offers made to Cycle Two of FY '90 but did not settle until FY '91.

The amount of lost farmland that is continually being lost to development far surpasses that which is being preserved. Despite the fact that Maryland continues to have the most successful program of its kind in the country, farmland is disappearing.

To date, preservation efforts have protected only about 34% of the farmland lost during the past ten years. However, the amount of

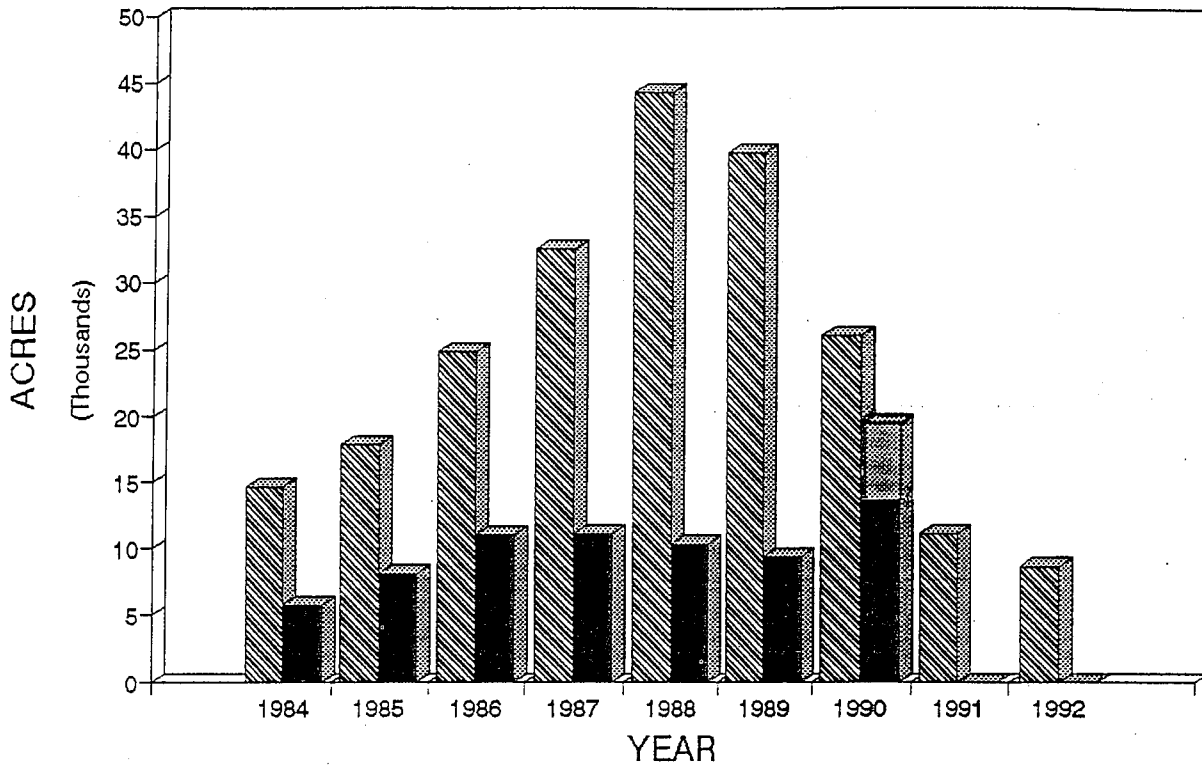
farmland being converted to other uses has slowed drastically during the past few years. The total amount of preserved land in the adjoining graph represents only those areas protected by the Maryland Agricultural Land Preservation Foundation.

There are, however, other programs including state, federal and private land trusts that help to protect Maryland's farmland. With these programs, the amount of preserved farmland over the past 10 years is greater than that stated above.

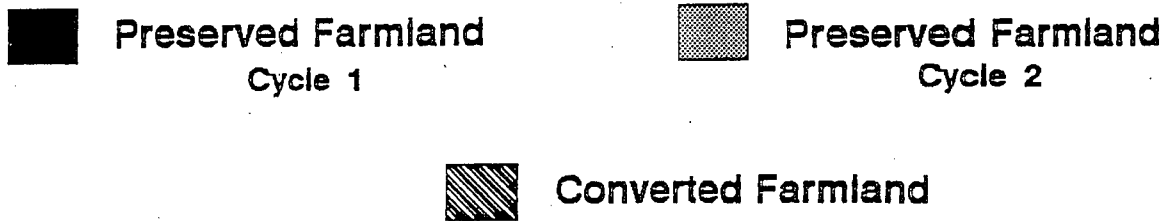
The Foundation is proud of its past accomplishments. However, more of a concentrated effort has to be made or we may have to accept the stark reality that our precious farmland may succumb to development. The time to preserve is now, especially in light of the current economy, low interest rates and the future threat of development.



PRESERVATION VERSUS CONVERSION



NOTE: Acres of preserved farmland in the above chart only reflects that which was preserved by the Maryland Agricultural Land Preservation Foundation. There may have been more farmland acres preserved through various county programs, local land trusts and other state programs.



	1984	1985	1986	1987	1988	1989	1990 *	1991	1992	TOTAL
CONVERTED FARMLAND	14663	17859	24831	32524	44269	39801	26079	11070	8719	219815
PRESERVED FARMLAND	5783	8158	10991	11091	10366	9301	19768	0	0	75458
DIFFERENCE	-8880	-9701	-13840	-21433	-33903	-30500	-6311	-11070	-8719	-144357

* Total reflects combined total of FY '90 Cycle 1 and Cycle 2

MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION
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MARYLAND AGRICULTURAL LAND PRESERVATION FOUNDATION

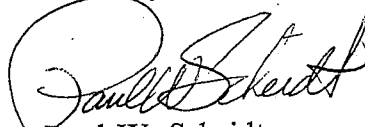
Maryland Department of Agriculture
50 Harry S. Truman Parkway
Annapolis, Maryland 21401

FOUNDATION STAFF:

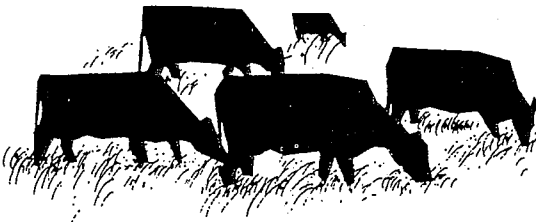
Paul W. Scheidt, Executive Director
Iva L. Frantz, Administrative Specialist
Pebbles LaBeau, Secretary
Sandra Beilman, Office Clerk

Thank you to the staff of the Maryland Agricultural Land Preservation Foundation for their dedication, hard work and long hours towards the completion of this report and the successful administration of the program. Thank you to the Program Administrators in each county for their cooperation, support and administration at the local level and in reaching out to the landowners.

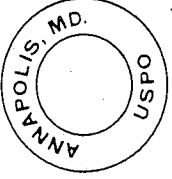
Sincerely,



Paul W. Scheidt
Executive Director



MARYLAND DEPARTMENT OF AGRICULTURE
50 Harry S. Truman Parkway
Annapolis, Maryland 21401



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U.S. POSTAGE
PAID
Permit No. 318

