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September 30, 2010

The Honorable Martin O'Malley
Governor of Maryland
100 State Circle
Annapolis, Maryland 21401

Senate Budget and Taxation Committee
Acting Chair Edward J. Kasemeyer
Miller Senate Office Building, 3 West Wing
11 Bladen St.
Annapolis, MD 21401

House Appropriations Committee
Chair Norman Conway
121 House Office Building
6 Bladen Street
Annapolis, MD 21401

Gentlemen,

I am pleased to present the Fiscal Year 2010 annual report of the Land Trust Grant Fund (Fund), pursuant to the requirements of Natural Resources Article §3-2A-14.

The Fund was created by the Maryland Legislature in 1990 to provide interest-free loans to help local land trusts purchase conservation lands and easements. Maryland Environmental Trust (MET) has successfully managed the fund with land trust partners to permanently protect 2000 acres of land (as of June 30, 2010). Sixteen land conservation projects have been completed between 1991 and 2004 with purchased and donated easements to MET and the Maryland Agricultural Land Preservation Foundation.

The Fund is available to land trusts as a rapid response tool when valuable resource lands are threatened by sprawl and development. Funding from other State programs for land acquisition is not available on such short notice. MET has deployed the Fund as a revolving loan fund to maximize its capacity to assist as many land trusts as possible. All loans have been repaid to date.

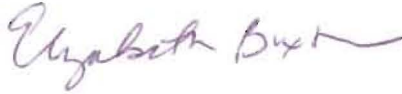
During FY 2010, \$1.5 million of the Fund was diverted to the State's General Fund, making the Fund insufficient for land trusts to acquire conservation lands. MET recommends that the Fund be restored as soon as fiscally possible to resume MET's program goals. This Fund has been highly leveraged and has been a successful tool in protecting land in the Chesapeake Bay Watershed. Without the Fund, opportunities will be missed to preserve critical links in the State's natural resources and ecologically significant areas.

With the ongoing support of the Governor and the General Assembly, MET will continue to permanently protect scenic open space and water quality for public benefit and ensure the future viability of farming and forestry throughout Maryland.

MET serves as the statewide land trust. Our mission is to provide landowners with information and tools to permanently protect natural, historic and scenic resources in the state. MET works with landowners and citizen land trusts to protect Maryland's most treasured landscapes and natural resources as a legacy for future generations. MET's Land Trust Assistance Program sustains a network of over forty citizen-led land conservation groups to meet legal and ethical standards in land conservation.

If you have any questions regarding the enclosed report, please contact me at 410-514-7900 or by email at ebuxton@dnr.state.md.us.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth Buxton".

Elizabeth Buxton
Director

Enclosure
cc Department of Legislative Services (with Enclosure)



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September 28, 2010

Sarah T. Albert
Library and Information Services
Office of Policy Analysis
Department of Legislative Services
90 State Circle, Basement
Annapolis, MD 21401

Re: Report on the Land Trust Grant Fund (as required by the Annotated Code of Maryland, Natural Resources Article, section 3-2A-14)

Dear Ms. Albert,

I am pleased to provide a report on the Land Trust Grant Fund for the period 1 July 2009 to 30 June 2010 (Fiscal Year 2010).

The Fund was created by the Maryland Legislature in 1990 to provide interest-free loans to help local land trusts purchase conservation lands and easements. Maryland Environmental Trust (MET) has managed the fund to aid 16 land conservation projects between 1991 and 2004. These 16 projects permanently protected 2,000 acres (as of June 30, 2010) through purchased and donated easements to MET and the Maryland Agricultural Land Preservation Foundation. 127 acres have been purchased but are awaiting perpetual conservation easements.

The Fund loan has been highly leveraged. The Fund provides on average only one fifth of the project purchase price; the balance coming from local community and other private fund sources. \$2.7million dollars have been lent from the Fund, with an additional \$9.4million coming from conservation partners.

As of June 30, 2010, the Fund had a balance of \$165,447 in the Special Fund Statement of Unobligated Fund Balance MET Reserve Account M0563. No expenditures or reimbursements were made during FY10. All loans had been reimbursed prior to the start of the fiscal year.

A conservation easement was recorded on 256 acres to complete the Chesapeake Wildlife Heritage project in Dorchester County, protecting nearly 400 acres with permanent conservation easements. A mortgage remains sub-ordinated by Patuxent Tidewater Land Trust to MET to give security until the conservation easement is recorded. The Patuxent Tidewater Land Trust project remains in progress to achieve perpetual land protection, although the loan has been fully repaid. The land is owned in fee-simple by a preservation organization, with minimal threat of development.

For information, Appendix 2 lists all projects financed by loans from the Land Trust Grant Fund.

Budget Reconciliation and Financing Act of 2010

\$1.5 million dollars of the Fund was diverted to help balance the state budget, leaving a balance of less than \$300,000 to assist land trusts. The Budget Reconciliation and Financing Act of 2010 (SB 141/ HB 151) allowed that, on or before June 30, 2010, the Governor may transfer to the General Fund \$1,500,000.00 of the funds in the Land Trust Grant Fund established under Section 3-2A-02 of the Natural Resources Article.

The Budget Reconciliation and Financing Act of 2010 also requires that for FY10 and FY11 net interest from special funds shall accrue to the General Fund of the State, and not to the Fund itself. The Special Fund Statement attached does not show interest accrued for FY10 due to this provision.

Management of the Land Trust Grant Fund

The original funds of the Fund came to MET by General Assembly appropriations in the early 1990's through Program Open Space funding. The Fund is part of MET's State budget (Object 14, Item 33).

The Fund is held in the Fund's Reserve Account, with appropriations for new projects being held for each fiscal year in the Fund's Active Account. The Fund Reserve Account is interest bearing, the Active Account is not. Repayments are initially made to the Active Account. The fund is unique that money can be transferred at the end of the fiscal year from the Active to the Reserve Account, such as repayments.

Loans are given out and repaid in accordance with Land Trust Grant Fund Agreements that are completed for each project. The Fund Statute (Md. Code. Ann., Nat. Res. §3-2A-01) provides that loans can be made to a Maryland land trust for preservation and protection of open space and natural areas. The Statute provides that the MET may make the grants reimbursable to the Fund, and may require the dedication of a conservation easement on the property. Revised guidelines will be issued for funding that remains available to assist land trusts.

Legislative Audit of DNR

In FY09, we reported that the Office of Legislative Audits, Department of Legislative Services, Maryland General Assembly published a legislative audit of DNR in August 2008 with a finding concerning operation of the Fund.

The Secretary of Natural Resources reported separately to the Legislature's Joint Audit Committee on the recommendation. The Audit findings provided an opportunity to review the operations of the Fund. MET agreed that pass-through loans will not be considered for future projects.

Future Recommendations

MET's ability to assist its partners and program capacity for rapid response to protect significant open space and natural resources significantly diminished with a balance of less than \$300,000 now available. When the fiscal climate allows, the Fund should be replenished so that it may continue to serve as a critical source of bridge financing to land trusts in their efforts to protect open space.

The Fund has worked effectively as a rapid response land preservation tool. The Fund is available to land trusts at 0% interest when valuable resource lands are threatened by development. Funding from other State programs is not available at such short notice.

The Fund will operate if land trusts bring projects that can be accommodated with the reduced funding available. The re-adjustment of land prices may spur demand for loan funds for public/private partnerships emerge to address local land use issues with voluntary conservation measures. MET recommends that program guidelines are established and updated to clarify the use of this fund. The accrual of interest to the General Fund of the State further diminishes future funding for land conservation projects.

I recommend that the Fund is restored as soon as fiscally possible to resume program goals to assist Maryland's land trust preserve open space and natural areas.

If you have any questions regarding this report, please contact me at 410-514-7900 or by email at ebuxton@dnr.state.md.us.

Sincerely



Elizabeth Buxton
Director

Appendix 1 - Financial Tracking Spreadsheet

DEPARTMENT OF NATURAL RESOURCES
Special Fund Statement of Unobligated Fund Balance
Fiscal Year 2010

Maryland Environmental Trust Local Land Trust

Beginning Balance	1,752,764
Cancelled Prior Year Encumbrances	0
Cash Transfer	(1,500,000)
Receipts	
8037 Stocks/Bonds/U.S.Treasury	
9638 Principal Repayments - Easements	
Total Receipts	<u>0</u>
Total Available	252,764
Expenditures	
Maryland Environmental Trust	
M001-General Direction	87,317
Total Expenditures	87,317
Ending Balance	<u><u>165,447</u></u>

Appendix 2 – Projects supported by Land Trust Grant Fund

Partner	Year	LTFG Amount	Acquisition Cost	Acres	County	% LTFG	Protection Status
Central Maryland Heritage League	1991	\$10,000.00	\$125,000	9	Frederick	8%	Purchased easement to MET(\$58,400.00)
Central Maryland Heritage League	1991	\$50,000.00	\$325,000	18	Frederick	15%	Purchased easement to MET/MHT (\$118,700.00)
Save Historic Antietam Foundation	1991	\$100,000.00	\$330,700	40	Washington	30%	Donated to MET
American Chestnut Land Trust	1991	\$80,000.00	\$160,000	49	Calvert	50%	Owned by ACLT
Lower Shore Land Trust	1993	\$19,500.00	\$37,000	285	Somerset	53%	Donated to MET
American Chestnut Land Trust	1994	\$200,000.00	\$900,000	140	Calvert	22%	Donated to MET
Izzac Walton League - Bethesda-Chevy Chase Chapter	1997	\$300,000.00	\$400,000	127	Montgomery	75%	Donated to MET/Potomac Conservancy
Izzac Walton League - Frederick Chapter	1998	\$85,000.00	\$100,000	47	Frederick	85%	Donated to MET
Chesapeake Wildlife Heritage	1998	\$220,000.00	\$487,178	221	Kent	45%	Donated to MET/CWH/DNR
Appalachian Trail Conference/Trust for Appalachian Trail Lands	1998	\$81,300.00	\$113,700	29	Washington	72%	Donated to MET
Long Green Valley Conservancy	1998	\$290,000.00	\$390,000	98	Baltimore	74%	MALPF
Land Preservation Trust	1998	\$150,000.00	\$945,000	135	Baltimore	16%	MALPF
Eastern Shore Land Conservancy	2000	\$200,000.00	\$1,330,000	338	Cecil	15%	MALPF
Patuxent Tidewater Land Trust	2001	\$250,000.00	\$725,000	127	St. Mary's	34%	Outstanding
Bay Ridge Trust	2002	\$300,000.00	\$4,100,000	79	Anne Arundel	7%	Purchased Easement to MET and Bay Ridge Trust (\$1,191,000.00)
Chesapeake Wildlife Heritage	2004	\$400,000.00	\$1,716,400	385	Dorchester	23%	Donated to MET/CWH