

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

Senate Bill 601

(Senator McFadden, *et al.*)

Budget and Taxation

Environment and Transportation

African American Heritage Preservation Program - Reestablishment and Revisions

This bill reestablishes, with alterations, and makes permanent the African American Heritage Preservation Program in the Maryland Historical Trust (MHT) within the Maryland Department of Planning (MDP). For each fiscal year, the Governor must include in the annual operating or capital budget an appropriation of \$1.0 million to the African American Heritage Preservation (AAHP) Grant Fund, a special fund established by the bill.

The bill takes effect June 1, 2015.

Fiscal Summary

State Effect: Assuming the program continues to be funded through the capital budget, general obligation (GO) bond expenditures increase by \$1.0 million annually beginning in FY 2016; the Governor’s proposed FY 2016 capital budget includes \$1.0 million in GO bond funds for the program. MDP’s special fund revenues increase by \$1.0 million annually beginning in FY 2017; special fund expenditures increase correspondingly. General fund revenues increase minimally beginning in FY 2017 from investment earnings of the new fund. **This bill establishes a mandated appropriation beginning in FY 2017.**

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	\$0	-	-	-	-
SF Revenue	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
SF Expenditure	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Bond Exp.	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Net Effect	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)

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

Local Effect: Local jurisdictions benefit to the extent they apply for and receive program grants.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The bill reestablishes, with alterations, and makes permanent the African American Heritage Preservation Program, which is currently set to terminate May 31, 2015. The more significant alterations to the existing program are discussed below.

- The bill creates the AAHP Grant Fund, administered by MHT, as a special, nonlapsing fund that may be used only for African American Heritage Grants. The AAHP Grant Fund consists of (1) money appropriated in the State budget; (2) investment earnings; (3) any other money from any other source; and (4) money received from the sale of State GO bonds.
- The bill changes the date by which an application for an African American Heritage Grant may be submitted from July 15 each year to a date established annually by MHT and the Commission on African American History and Culture.
- The bill requires MHT and the commission, except under limited circumstances, to consider a grant application competitively against all other grant applications submitted during the same fiscal year.
- The bill requires MHT and the commission, in making their recommendations to the Secretary of Planning regarding each grant application, to consider other criteria MHT and the commission deem relevant.
- The bill creates a procedure and establishes requirements for the award of emergency grants by the Secretary of Planning and authorizes the Secretary to reserve up to 20% of the money available in the AAHP Grant Fund to award grants to eligible emergency African American Heritage Preservation Projects not otherwise applied for during the regular application cycle.
- The bill creates a procedure and establishes requirements for the Secretary of Planning to review and consider grant applications.
- The bill changes the date, from October 1 of each year to December 31 of each year, by which MHT and the commission must report to the Governor on the financial status and activities of the program (and fund) for the prior fiscal year.
- The bill specifies that the Director of MHT, instead of the Secretary of Planning, may waive an easement or an agreement to preserve and maintain the property for which the grant was awarded if the director determines that the easement or agreement is impracticable, infeasible, or not necessary under the circumstances.

Current Law: Chapter 278 of 2010 established the African American Heritage Preservation Program, a capital grant program jointly administered by the commission and MHT within MDP. The purpose of the program is to identify and preserve buildings, communities, and sites of historical and cultural importance to the African American experience in Maryland. The Governor must include \$1.0 million in the annual capital budget for program grant projects. The program terminates May 31, 2015.

Program applications must be submitted to the joint partnership of MHT and the commission by July 15 each year to be eligible to receive a grant for the next fiscal year. Applications must include a description of the scope and purpose of the project, a building plan that includes the total cost of the project, and any other information required by MHT and the commission. Program grants to businesses, individuals, or political subdivisions require matching funds from any combination of federal, county, municipal, or private sources and may not exceed 50% of a project's total cost.

MHT and the commission must review grant applications and make grant recommendations for the next fiscal year. MHT and the commission are required to take specified issues into consideration prior to making grant recommendations. By November 1, annually, MHT and the commission must recommend a list of projects and grantees for funding and forward the list to the Department of Budget and Management (DBM).

Grantees must enter into an agreement to preserve and maintain the property. If a grant is for an historic real property, grantees must establish a recordable historic preservation easement. The Secretary of Planning may waive the easement requirement in specified circumstances.

A proposed regulation that relates to approval by the Board of Public Works (BPW) of grants to be financed with GO bonds may not be adopted unless it is first approved by BPW; each recommended grant to be financed with GO bonds must be forwarded to BPW for its approval.

Background:

Commission on African American History and Culture: The Commission on African American History and Culture, a part of the Governor's Office of Community Initiatives, was first established, under a different name, by Chapter 435 of 1969. The commission is required to:

- initiate, direct, and coordinate projects that further the understanding of African American history and culture;

- operate the Banneker-Douglass Museum in Annapolis to house and display photographs, objects, oral history tapes, artifacts, and other materials of African American historic and cultural significance;
- locate, preserve, and disseminate to the public information about significant buildings and sites relating to African American history and culture; and
- publish an annual report and any other material that the commission considers necessary.

The commission advises that approximately 40 African American-focused heritage institutions are currently established in Maryland. The commission notes that this includes archives, foundations, museums, and historical societies. Since fiscal 2012, the commission has awarded \$4.0 million in grants to 57 projects and will award another \$1.0 million in fiscal 2016.

Maryland Historical Trust: MHT was established in 1961 to preserve, protect, and enhance districts, sites, buildings, structures, and objects significant in the prehistory, history, upland, and underwater archaeology, architecture, engineering, and culture of the State. MHT is a division of MDP. Among other things, MHT:

- acquires and maintains properties of historic or architectural merit by gift, grant, or purchase and, through an easement program, holds partial interest in such properties in order to monitor their condition and appearance without the necessity of public ownership;
- helps organizations, local governments, businesses, and individuals restore and acquire historic properties through State grants and a revolving loan fund program;
- gives grants to local jurisdictions surveying Maryland historic sites; and
- administers a local volunteer network represented by advisory organizations.

State Fiscal Effect:

Mandatory Appropriation and the AAHP Grant Fund

The bill requires the Governor to include in the capital or operating budget an appropriation of \$1.0 million annually to the AAHP Grant Fund. Assuming the program continues to be funded through the capital budget and not the operating budget, GO bond expenditures increase by \$1.0 million annually beginning in fiscal 2016. However, the Governor's proposed fiscal 2016 capital budget includes \$1.0 million in GO bonds for the program. The *Capital Improvement Program* does not include targeted funding for the program beyond fiscal 2016. If the bonds needed to fund the program are outside the State's capital debt affordability limit, annual debt service costs increase; however, this estimate assumes bond funds are provided within the capital debt affordability limit.

The recommended fiscal 2016 list of proposed projects and grantees has already been forwarded to DBM and approved. Because the Governor's proposed fiscal 2016 capital budget already includes \$1.0 million in GO bonds for specified projects and grantees, it is assumed that, for fiscal 2016 only, GO bond proceeds are disbursed directly to grantees and do not flow through the new special fund. Beginning in fiscal 2017, it is assumed that GO bond proceeds are deposited in the special fund, as required by the bill. Thus, special fund revenues from the sale of GO bonds increase by \$1.0 million annually beginning in fiscal 2017. This estimate assumes that no other monies are appropriated in the State operating budget for the program.

This analysis assumes that the program expends all funds each fiscal year as grants. Accordingly, special fund expenditures increase by \$1.0 million annually beginning in fiscal 2017.

No additional positions are required to implement the bill; it is assumed that the staff involved with implementing Chapter 278 of 2010 continues administering the program under the bill.

Investment Earnings

Although the bill specifies that the fund's investment earnings accrue to the new special fund, it does not amend § 6-226 of the State Finance and Procurement Article to exempt the fund from existing law that requires all investment earnings and interest from special funds to accrue to the general fund. Thus, general fund revenues increase minimally from interest earned on the new special fund beginning in fiscal 2017.

Small Business Effect: To the extent small businesses receive African American Heritage Preservation Program grants, they benefit from the bill.

Additional Information

Prior Introductions: None.

Cross File: HB 130 (Delegate Jones, *et al.*) - Environment and Transportation.

Information Source(s): Board of Public Works, Department of Budget and Management, Governor's Office, Maryland Department of Planning, Department of Legislative Services

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md/lgc

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