

Department of Legislative Services  
 Maryland General Assembly  
 2010 Session

FISCAL AND POLICY NOTE  
 Revised

House Bill 915 (Delegate Jones, *et al.*)

Environmental Matters

Budget and Taxation

African American Heritage Preservation Program

This bill establishes an African American Heritage Preservation Program to identify and preserve buildings, communities, and sites of historical and cultural importance to the African American experience in Maryland. The program must be developed and administered by the Maryland Historical Trust (MHT) in partnership with the Commission on African American History and Culture. Beginning in fiscal 2012, the Governor must include \$1.0 million in the annual capital budget submission for program grant projects. MHT and the commission must submit an annual report by October 1 to the Governor and the General Assembly. The Secretary of Planning, in consultation with the commission, must adopt implementing regulations. The bill expresses legislative intent that MHT and the commission administer the new program with existing resources.

The bill takes effect June 1, 2010, and terminates May 31, 2015.

Fiscal Summary

**State Effect:** Maryland Department of Planning (MDP) general fund expenditures increase by \$162,900 in FY 2011. Future year general fund expenditures reflect inflation. Since the bill expresses intent that MHT and the commission use existing resources to administer the program, State funding would need to be redirected from other projects. MDP's general obligation (GO) bond expenditures increase by \$1.0 million annually from FY 2012 through 2015 for capital grants. Revenues are not affected. **This bill establishes a mandated appropriation beginning in FY 2012.**

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	162,900	157,400	164,800	172,500	180,700
GO Bond Exp.	0	1,000,000	1,000,000	1,000,000	1,000,000
Net Effect	(\$162,900)	(\$1,157,400)	(\$1,164,800)	(\$1,172,500)	(\$1,180,700)

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.

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## Analysis

**Bill Summary:** 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 program 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.

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.

**Current Law:** The State does not have a program that provides targeted capital grants for African American heritage preservation.

Currently, funding mandates exist for two capital programs. The Governor must include in the annual capital budget an amount not less than \$5.0 million for the Department of Natural Resource's Rural Legacy Program. Also, \$5.0 million must be included in the annual operating or capital budget for the Maryland State Department of Education's County Library Grant Program.

## **Background:**

### *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.

MHT has three capital programs that provide historic preservation assistance:

- the Revolving Loan Fund provides loans to nonprofit organizations, local jurisdictions, business entities, and private individuals for the purpose of acquiring, rehabilitating, or refinancing all categories of real property listed in or eligible for listing in the Maryland Register of Historic Properties;
- the Maryland Heritage Structure Rehabilitation Tax Credit Program provides tax credits equal to 20% of the qualified capital costs expended in the rehabilitation of a certified heritage structure; and
- the Capital Grant Program provides support to nonprofit preservation foundations, organizations, and individuals for the purpose of acquiring, preserving, and restoring historic properties and monuments.

Due to a large backlog of unfinished projects and limited staffing funds, MHT's Capital Grant Program was not funded in fiscal 2010 and funding is not included in the Governor's proposed fiscal 2011 budget.

### *The Governor's Commission on African American History and Culture*

The Governor's Commission on African American History and Culture serves as a statewide clearinghouse for documenting and preserving evidence of the African American experience in Maryland. It specializes in research assistance and collection of

historical materials of significance to African American history and culture. The commission also participates in a continuing statewide survey to locate and identify sites and buildings of historical and cultural importance. The commission's nine members are appointed to four-year terms by the Governor with Senate advice and consent. The commission appoints a director, subject to the Governor's approval.

### *State Debt Affordability*

Chapter 43 of 1978 created the Capital Debt Affordability Committee (CDAC) to recommend an estimate of State debt to the General Assembly and the Governor. CDAC is chaired by the State Treasurer, and other committee voting members are the Comptroller, the Secretaries of Transportation and Budget and Management, and an individual appointed by the Governor. When reviewing State debt, CDAC considers GO bonds, consolidated transportation bonds, stadium authority bonds, bay restoration bonds, Grant Anticipation Revenue Vehicle bonds, and capital leases supported by State revenues. While the Governor and the General Assembly are not bound by CDAC's recommendations, the State has always adhered to CDAC's recommended limits. CDAC recommended a limit of \$990 million for new authorizations of GO bonds during the 2010 legislative session, \$120 million less than what was authorized in the 2009 legislative session.

**State Expenditures:** In the past, when it was funded at between \$500,000 and \$1.0 million annually, MHT's Capital Grant Program had two and a half positions dedicated to program administration. Capital Grant Program applicants included some local governments but largely small nonprofit organizations that required significant technical assistance with program administration and the construction process. The grant program proposed by this bill is similar in size and is anticipated to have similar applicants.

The bill expresses intent that MHT and the commission administer the program using existing resources. Accordingly, this estimate assumes redirection of an estimated \$162,904 in MDP general funds in fiscal 2011 from other projects associated with two full-time program administrators to establish and operate the program. This estimate assumes that (1) funding for the other projects would need to be backfilled in fiscal 2011 through 2015; and (2) MHT takes the lead role in administering the program and the commission absorbs any costs within existing budgeted resources. The estimate assumes two "backfill" administrators are hired by July 1, 2010, to maintain existing departmental programs and allow redirection of resources to meet the deadline for reviewing applications and recommending fiscal 2012 grants. Thus, the estimate reflects two salaries, fringe benefits, travel, one-time start-up costs, and ongoing operating expenses.

Positions	2
Salaries and Fringe Benefits	\$148,754
Start-up and Operating Expenses	<u>14,150</u>
<b>Total FY 2011 Administrative Expenditures</b>	<b>\$162,904</b>

The estimated amount of MDP general funds that will be redirected to the program in fiscal 2012 through 2015, and that must be backfilled, reflects salaries with 4.4% annual increases, 3% employee turnover, and 1% annual increases in ongoing operating expenses. Because the bill terminates May 31, 2015, it is assumed that, at that time, the positions established under the bill could either be abolished or shifted to other activities.

From fiscal 2012 through 2015, the bill requires that the Governor’s proposed capital budget include \$1.0 million annually for program grants. Therefore, this estimate assumes GO bond expenditures increase by \$1.0 million annually for fiscal 2012 through 2015. The current five-year capital program does not include targeted funding for African American heritage preservation projects. If the bonds to fund these projects are outside the debt affordability limit, annual debt service costs will increase. However, this estimate assumes bond funds are provided within the debt affordability limit.

**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:** SB 319 (Senator Miller, *et al.*) - Budget and Taxation.

**Information Source(s):** Department of Budget and Management, Maryland Department of Planning, Department of Legislative Services

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