

**Department of Legislative Services**  
 Maryland General Assembly  
 2017 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 1069

(Senator Ferguson, *et al.*)

Budget and Taxation

Rules and Executive Nominations

**Maryland Historic Trust Grant Fund Improvement Act**

This bill requires the Governor to include in the annual State budget bill an appropriation of \$1.5 million to the Maryland Historical Trust (MHT) Grant Fund, for fiscal 2018 and each following fiscal year, subject to the limitations of the State budget. The bill also allows for up to 5% of the annual general fund appropriation to the fund to be used for administrative costs. Grants to historic properties owned by MHT may not exceed 10% of all grants awarded from the fund. In an existing annual report to the Governor and General Assembly on the financial status and activities of the MHT Grant Program and MHT Grant Fund, MHT must include information on the amount of the fund that is used for administrative purposes and the amount of grants made to historic properties owned by MHT.

**Fiscal Summary**

**State Effect:** General fund (operating and pay-as-you-go (PAYGO)) expenditures increase by \$1.3 million annually beginning in FY 2018, reflecting the impact of the required annual appropriation in comparison to current spending, assuming budget limitations do not prevent the annual appropriation. Special fund revenues and (operating and PAYGO) expenditures increase correspondingly, reflecting the MHT Grant Fund's receipt of the general funds and corresponding expenditures for authorized purposes of the fund.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000
GF Expenditure	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000
SF Expenditure	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000
Net Effect	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)	(\$1,300,000)

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

**Local Effect:** Local government revenues and expenditures increase annually due to receipt of grant funds and expenditures of those funds.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Current Law:** “MHT Grant Fund” is defined in statute as the Historic Preservation and Historical and Cultural Museum Assistance Grant Fund of MHT. It supports MHT’s Historic Preservation Grant Program (also known as the MHT Grant Program) and its Historical and Cultural Museum Assistance Program. The purposes of the MHT Grant Program are to (1) implement and encourage the preservation of historic properties and (2) promote interest in and study of historic properties and their preservation. The Historical and Cultural Museum Assistance Program provides political subdivisions and nonprofit organizations with financial assistance for museums. Authorized uses of the MHT Grant Fund include (1) making grants to nonprofit organizations, political subdivisions, business entities, and individuals to acquire, rehabilitate, or restore historic properties; (2) making grants to nonprofit organizations and political subdivisions for historic preservation education and promotion, including the research, survey, and evaluation of historic properties and the preparation of historic preservation planning documents and educational materials; and (3) under the Historical and Cultural Museum Assistance Program, making grants to political subdivisions and nonprofit organizations for use by museums for various specified purposes.

The MHT Grant Fund consists of (1) money appropriated in the State budget to the MHT Grant Program or the Historical and Cultural Museum Assistance Program; (2) proceeds from the resale or lease of any properties originally acquired by the trust from the MHT Grant Fund or the Capital Grant Fund for Historic Preservation; (3) money received from other public or private sources for the benefit of the MHT Grant Fund; and (4) money received from the sale of State general obligation (GO) bonds. Grants to business entities may not be more than 10% of all grants awarded from the fund.

By December 31 of each year, MHT must report to the Governor and General Assembly on the financial status and activities of the MHT Grant Program and the MHT Grant Fund for the preceding fiscal year.

MHT is within the Maryland Department of Planning (MDP).

**Background:** The capital (restoration projects) and noncapital (research, survey, *et al.*) portions of the MHT Grant Program and the Historical and Cultural Museum Assistance Program each have not received funding in recent years. However, the capital and

noncapital portions of the MHT Grant Program receive \$600,000 in GO bond funding and \$200,000 in general funds, respectively, in the fiscal 2018 capital and operating budgets. The fiscal 2018-2022 *Capital Improvement Program* (CIP) also includes \$600,000 in GO bond funding, annually through fiscal 2022, for the capital portion of the MHT Grant Program. Those programs last received funding in fiscal 2009 and fiscal 2012, respectively. Funding is not included in the fiscal 2018 budget for the Historical and Cultural Museum Assistance Program, which last received funding in fiscal 2011.

In the 2016 *Joint Chairmen's Report*, the budget committees requested that MDP work with the Department of Budget and Management and preservation advocates to identify, in a report to the committees, the need and demand for preservation, survey, and museum (operating and capital) grant funding and future plans to address those statewide needs. In its October 2016 [report](#), in response to the budget committees' request, MDP indicates, among other things, that (1) the unmet need and ongoing demand for preservation and museum funding is substantial and (2) restoring funding to the MHT Grant Fund in support of the capital and noncapital portions of the MHT Grant Program and the Historical and Cultural Museum Assistance Program is critically important.

## **State Fiscal Effect**

### *Impact of Annual Appropriation*

General fund (both operating and PAYGO) expenditures increase by \$1.3 million annually beginning in fiscal 2018, reflecting the impact of the bill's required annual appropriation in comparison to spending in the absence of the bill. The estimate reflects the following assumptions:

- the bill's requirement that the Governor include in the annual State budget bill (the operating budget) an appropriation of \$1.5 million is met using general funds;
- budget limitations do not prevent the annual general fund appropriation; and
- in the absence of the bill, the general fund appropriation included in the fiscal 2018 operating budget of \$200,000 is continued in future years.

Special fund revenues and (operating and PAYGO) expenditures increase correspondingly each fiscal year, reflecting the receipt of the additional general funds and the expenditure of those funds for the authorized purposes of the MHT Grant Fund. This analysis assumes that all available funding is spent each fiscal year.

### *Administrative Staff*

Independent of this bill, MDP has indicated a potential need for an additional contractual staff position to administer the capital portion of the MHT Grant Program under the current SB 1069/ Page 3

proposed GO bond funding level of \$600,000 annually. MDP expects to use special funds (but not money from the MHT Grant Fund, which currently is not authorized for use for administrative costs) to support that position. Under the bill, since up to 5% of the annual general fund appropriation to the MHT Grant Fund can be used for administrative costs (up to \$75,000), it is assumed that any such contractual position is instead funded largely, if not wholly, from the MHT Grant Fund.

#### *Existing General Obligation Bond Funding*

While not a direct impact of the bill, presumably a portion of the \$1.5 million annual general fund appropriation under the bill, assuming it is not prevented by budget limitations, may take the place of the annual \$600,000 in GO bond funding included in the CIP, so that the capital portion of the MHT Grant Program is instead supported with PAYGO funding. Any decrease in planned GO bond funding is at the discretion of the Governor, however.

**Local Fiscal Effect:** Local government revenues and expenditures increase annually due to receipt of additional grant funds and expenditures of those funds. Local governments are eligible recipients of funding under the capital and noncapital portions of the MHT Grant Program and the Historical and Cultural Museum Assistance Program.

**Small Business Effect:** Small businesses such as architects, contractors, cultural resource management firms, and conservators may meaningfully benefit from the additional funding provided for historic preservation and museum projects under the bill.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1513 (Delegate Jones, *et al.*) - Appropriations.

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

**Fiscal Note History:** First Reader - March 1, 2017  
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