

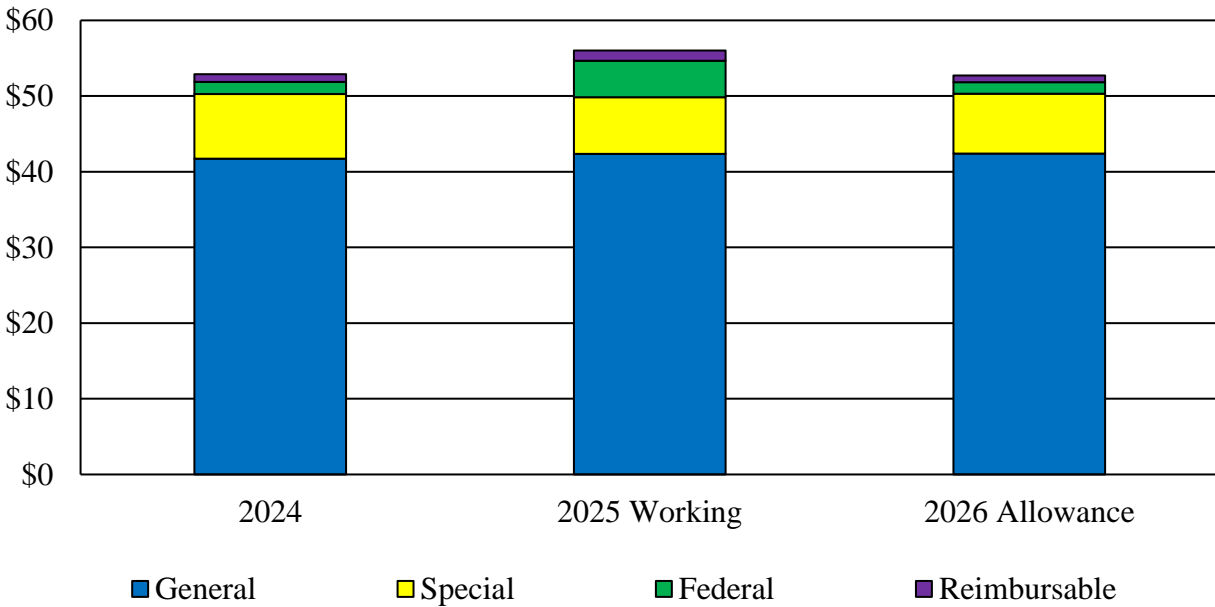
D40W01
Department of Planning

Program Description

The Maryland Department of Planning (MDP) provides information and services that aid State and local governments and nonprofit organizations in supporting desirable growth in Maryland and protecting and interpreting historic resources. MDP’s goals are to provide efficient State Clearinghouse reviews of federal, State, and local plans and projects requiring intergovernmental coordination; provide timely data and intelligent tools to aid in implementation of State and local land use, conservation, community enhancement, and business development policies; support and enhance the vitality of towns, cities, and rural centers with existing or planned infrastructure; encourage economic development by enhancing historical resources and leveraging non-State investment; and protect and interpret historic resources.

Operating Budget Summary

**Fiscal 2026 Budget Decreases \$3.3 Million, or 5.9%, to \$52.7 Million
(\$ in Millions)**



Note: The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

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Fiscal 2024

MDP’s move from State Center to new offices on East Baltimore Street in Baltimore was completed at the beginning of fiscal 2025. A budget amendment approved in May 2024 provided \$903,000 from the Dedicated Purpose Account to assist with the move.

The fiscal 2025 Budget Bill included a fiscal 2024 deficiency appropriation of \$400,000 in general funds for a passthrough grant to the Central Baltimore Partnership to restore a historic train map in Baltimore Penn Station. MDP reports that the funds were transferred on June 4, 2024.

Fiscal 2025

Implementation of Legislative Priorities

Section 21 of the fiscal 2025 Budget Bill added \$1 million in general funds to MDP’s budget for a passthrough grant to Maryland Humanities for the Strengthening the Humanities Investment in Nonprofits for Equity (SHINE) grant program. The SHINE program provides general operating grants to small and mid-sized humanities, arts, cultural, and educational nonprofit organizations. MDP reports that it has transferred the funds to Maryland Humanities.

The fiscal 2025 budget also restricted \$125,000 of general funds for the Maryland 250 Commission (MD250) to be used for grants to local nonprofit organizations dedicated to commemorating the two-hundred-and-fiftieth anniversary of the United States. MD250 launched a grants program for local two-hundred-and-fiftieth anniversary initiatives in September 2024 and distributed 12 grants totaling nearly \$60,000 by the end of calendar 2024 to communities around the State. An additional \$165,000 is expected to be awarded by the end of the fiscal year. More about MD250 is included in the Key Observations section of this analysis.

Proposed Deficiency

The fiscal 2026 budget includes a proposed fiscal 2025 deficiency appropriation of \$1.8 million in federal funds from a U.S. Department of Transportation (USDOT) Strengthening Mobility and Revolutionizing Transportation (SMART) grant. MDP received the grant through a competitive application process under the Infrastructure Investment and Jobs Act. A State match is not required.

The SMART grant will support a pilot program to use drones to deliver packages of health care resources between Crisfield and Smith Island on the Eastern Shore. MDP is partnering with the University of Maryland’s Uncrewed Aircraft Systems Research and Operations Center, the University of Maryland Eastern Shore Aviation Science Program and School of Pharmacy, a to-be-determined commercial drone services provider, and a local health care provider to carry out the program. While the grant’s period of performance runs through March 2026, the full award amount is budgeted for fiscal 2025.

Fiscal 2026 Overview of Agency Spending

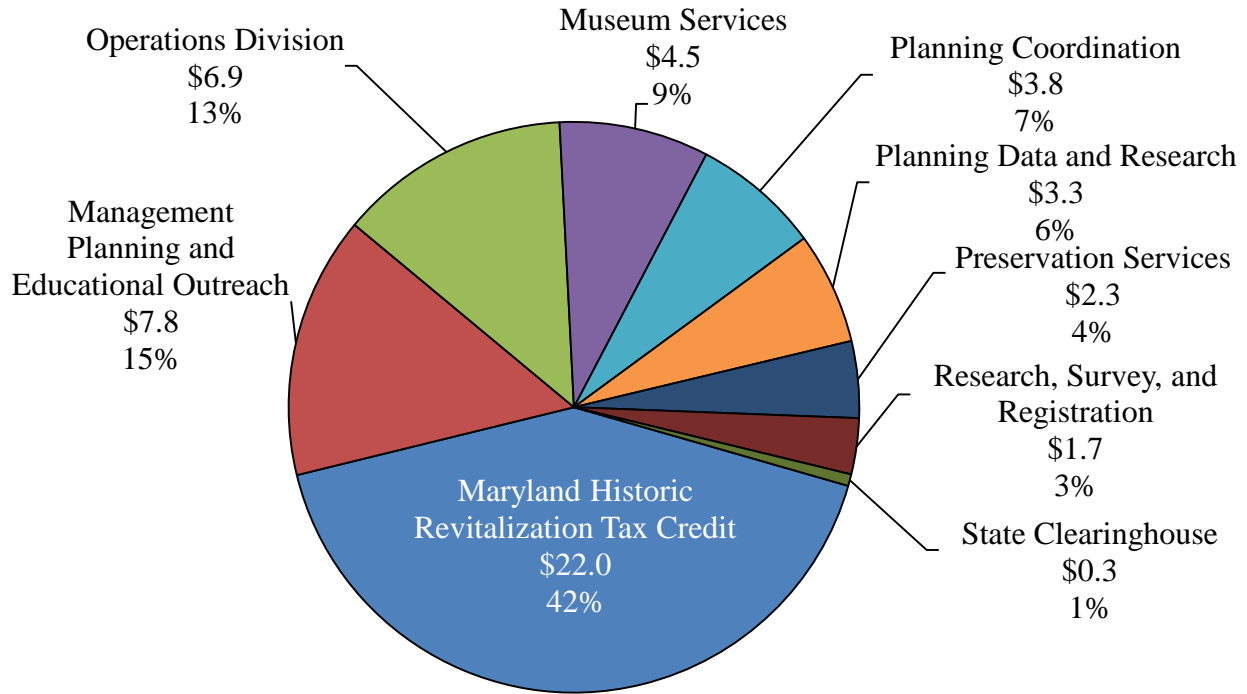
The fiscal 2026 allowance for MDP totals \$52.7 million. The agency is comprised of an administrative unit and seven programmatic units, as described further. The operating budget also includes the Maryland Historic Revitalization Tax Credit. **Exhibit 1** reflects the breakdown of the fiscal 2026 allowance among these units.

- ***Maryland Historic Revitalization Tax Credit (\$22.0 Million, 42%):*** Provides State income tax credits to cover a portion of qualifying rehabilitation expenses at certified historic properties. Chapter 449 of 2022 amended the program to mandate \$20 million annually for competitive commercial credits in fiscal 2023 through 2031 and established a small commercial project account with mandated funding of \$2 million annually in fiscal 2024 through 2031. The Department of Legislative Services (DLS) has included this program in the capital budget analysis in previous years.
- ***Management Planning and Educational Outreach (\$7.8 Million, 15%):*** Provides administrative support for the Division of Historical and Cultural Programs and administers the Maryland Heritage Areas Authority (MHAA) program.
- ***Operations Division (\$6.9 Million, 13%):*** Provides administrative services for financial, personnel, procurement, and information technology needs and supports the Interagency Commission on School Construction.
- ***Museum Services (\$4.5 Million, 8%):*** Operates the Jefferson Patterson Park and Museum in Calvert County, which includes the Patterson House/Patterson Center, and the Maryland Archeology Conservation Laboratory, the State repository for archeological collections. Both of these facilities are currently undergoing major capital improvement and renovation projects, which will make needed repairs and upgrades and allow for substantially expanded operations and opportunities for public engagement.
- ***Planning Coordination (\$3.8 Million, 7%):*** Provides technical services to improve the planning and management capacity of local governments. The program, which includes Centreville, Cumberland, and Salisbury regional offices, helps local governments with land use planning and zoning as well as rural and urban design issues.
- ***Planning Data and Research (\$3.3 Million, 6%):*** Collects, analyzes, and publishes social, economic, and geographic information relating to the State and its political subdivisions; identifies and evaluates development issues in support of smart growth; and prepares reports and studies on specific topics for the Governor and the General Assembly. The program also makes available U.S. Census, American Community Survey, and other U.S. Department of Commerce information to the State, local governments, and the private sector.

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- ***Preservation Services (\$2.3 Million, 4%):*** Provides assistance to protect and enhance historical and cultural properties in Maryland through State and federal regulatory reviews, historic preservation easements, and historic rehabilitation tax credits. The program also administers capital loans and grants.
- ***Research, Survey, and Registration (\$1.7 Million, 3%):*** Provides assistance to advance research, documentation, evaluation, and retrieval of information about Maryland’s historical and cultural resources through the Maryland Inventory of Historic Properties and National Register of Historic Places. The program also administers the noncapital Historic Preservation Grant program, the library, and the Geographic Information System.
- ***State Clearinghouse (\$0.3 Million, 1%):*** Facilitates intergovernmental review and coordinates review of applications for federal and State financial assistance, proposals for direct federal development programs, drafts of environmental impact statements, plans requiring gubernatorial review, and other actions requiring intergovernmental coordination per the Federal Intergovernmental Cooperation Act.

Exhibit 1
Overview of Agency Spending
Fiscal 2026 Allowance
(\$ in Millions)



Note: The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

Source: Governor's Fiscal 2026 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, MDP's fiscal 2026 allowance decreases by \$3.3 million compared to the fiscal 2025 working appropriation due largely to a decrease in one-time federal funds of \$1.8 million for a USDOT SMART grant provided as a deficiency appropriation and \$1.5 million under the American Rescue Plan Act (ARPA) to support grants issued by MD250. The fiscal 2026 allowance also eliminates one-time passthrough grants of \$1 million for the SHINE program and \$500,000 for the Maryland Center for History and Culture to offset operating shortfalls provided in fiscal 2025.

**Exhibit 2
Proposed Budget
Department of Planning
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2024 Actual	\$41,742	\$8,531	\$1,621	\$1,013	\$52,906
Fiscal 2025 Working Appropriation	42,374	7,475	4,816	1,350	56,014
Fiscal 2026 Allowance	<u>42,421</u>	<u>7,882</u>	<u>1,528</u>	<u>887</u>	<u>52,718</u>
Fiscal 2025-2026 Amount Change	\$47	\$407	-\$3,288	-\$462	-\$3,297
Fiscal 2025-2026 Percent Change	0.1%	5.4%	-68.3%	-34.3%	-5.9%
Where It Goes:					<u>Change</u>
Personnel Expenses					
Salary and associated fringe benefits, including fiscal 2025 cost-of-living adjustments and increments					\$1,338
Costs associated with 7 new regular positions from contractual conversions					664
Turnover decreases from 4.90% to 4.82%					14
Employee and retiree health insurance					-490
Other Changes					
Cost allocations					866
Update local addresses database with the U.S. Census Bureau					200
Storage and moving costs associated with JPPM capital projects					-352
Contractual employee costs decrease due to a 10 full-time equivalent reduction including 7 contractual conversions					-712
One-time passthrough grant funding					-1,500
One-time federal grant funding					-3,266
Other					-59
Total					-\$3,297

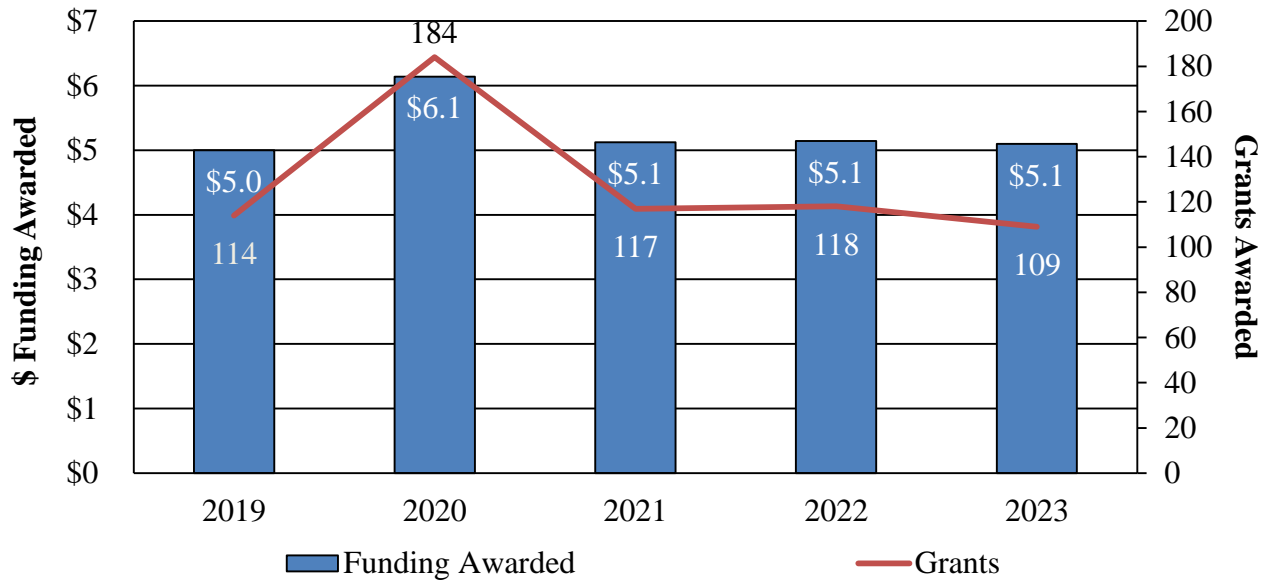
JPPM: Jefferson Patterson Park and Museum

Note: Numbers may not sum to total due to rounding. The fiscal 2025 working appropriation accounts for deficiencies. The fiscal 2025 impacts of statewide salary adjustments are centrally budgeted in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2026 impacts of the fiscal 2025 statewide salary adjustments appear in this agency’s budget. The fiscal 2026 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

Budget Reconciliation and Financing Act

MDP’s MHAA receives up to \$6 million of Program Open Space (POS) funding annually for heritage tourism projects and activities in the State. Most of the funds are used for MHAA grants. As shown in **Exhibit 3**, in fiscal 2023, the authority awarded \$5.1 million in grants to 109 projects.

Exhibit 3
Total Amount and Number of MHAA Grants Awarded
Fiscal 2019-2023
(\$ in Millions)



MHAA: Maryland Heritage Areas Authority

Source: MHAA Annual Reports, 2021-2023

MHAA is also allowed to use up to 10% of the POS funding for operational expenses and up to 50% for debt service on bonds. MDP advises that in recent years, approximately \$5.1 million of the annual POS funding has been used for grants, \$600,000 has been used for operating expenses, \$300,000 has been used for the Maryland Historic Trust (MHT) Historic Preservation Non-Capital Grant Program, and none has been used for debt service. A provision in the Budget Reconciliation and Financing Act would allow MDP to use an additional \$340,000 of POS funds transferred to MHAA for MDP’s operating expenses in fiscal 2026. The Department of Budget and Management (DBM) reports that the additional \$340,000 would be used to cover the costs for a grant software procurement for MHT, which operates MHAA. As the total amount of POS

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funding that MDP can receive is capped at \$6 million, reallocating additional funds to operational expenses would reduce the amount of funds available for grants. A similar provision allowed MDP to use \$500,000 for operating expenses in fiscal 2012.

Personnel Data

	<u>FY 24</u> <u>Actual</u>	<u>FY 25</u> <u>Working</u>	<u>FY 26</u> <u>Allowance</u>	<u>FY 25-26</u> <u>Change</u>
Regular Positions	133.00	142.00	149.00	7.00
Contractual FTEs	<u>21.34</u>	<u>15.13</u>	<u>5.13</u>	<u>-10.00</u>
Total Personnel	154.34	157.13	154.13	-3.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	6.84	4.82%
Positions and Percentage Vacant as of 12/31/24	19.00	13.38%
Vacancies Above Turnover	12.16	

- The fiscal 2026 allowance adds 7 regular positions due to contractual conversions. The number of contractual full-time equivalents decreases by 10. However, MDP indicates not all 10 contractual full-time equivalents may be eliminated. **MDP should comment on its plans for the contractual conversions.**
- Of the 19 positions vacant as of December 31, 2024, 6 are new positions, and 8 have been vacant for six months or less. None have been vacant for more than a year.

Key Observations

1. Maryland 250 Commission

MD250 was established by executive order in July 2023 to encourage and facilitate the statewide observance of the two-hundred-and-fiftieth anniversary of the founding of the United States in 2026. MD250 replaced an earlier commission established for a similar purpose. MDP provides staffing and support for the commission, and the fiscal 2026 allowance includes \$250,000 in general funds for MD250. Through October 2024, the commission has received about \$800,000 in State funding and a \$10,000 grant from America250, the national commemorative commission, and has spent \$364,000, most of that on small grants. As of writing, some funds remain available from the fiscal 2024 appropriation. **MDP should provide an update on how much funding it currently has remaining and whether funding from prior years will be available to spend in fiscal 2026. If previously allocated funds are available, MDP should comment on whether the full \$250,000 is needed in fiscal 2026 and how the funding will be spent.**

In fiscal 2024, MD250 launched three small grant programs in partnership with Maryland Humanities for nonprofits and local government entities. As of October 2024, \$285,000 had been spent on those three grant programs. An additional \$1.5 million in federal ARPA funding was added to the fiscal 2025 budget through a budget amendment in December 2024 to support the grant programs, and applications are expected to open again in February 2025.

2. Historic Revitalization Tax Credit

The Maryland Historic Revitalization Tax Credit program provides a State income tax credit of up to 25% of the cost of substantial rehabilitation projects at historic properties. Credits are available through homeowner, competitive commercial, and small commercial tax credit programs. General funds are allocated each year to the Reserve Fund, which is then used to reimburse the State General Fund in the year the income tax credits for commercial rehabilitation projects are claimed. Homeowner tax credits are not subject to an appropriated cap, and homeowners can claim the credits on their State tax returns in the year renovation projects are completed. Chapter 449 mandated that the Governor include \$20 million annually for competitive commercial credits for fiscal 2023 through 2031 and \$2 million annually for small commercial credits for fiscal 2024 through 2031. The Act also extended the program's termination date to June 30, 2031. Previously, Chapter 332 of 2021 required the Governor to appropriate at least \$12 million to the reserve fund in fiscal 2023 and 2024. Prior to fiscal 2023, funding was discretionary, and the fund received \$7 million in fiscal 2022 and \$3.5 million in fiscal 2021. In previous years, DLS has included this program in its capital budget analysis, but funding is provided in the operating budget and DBM does not include it in the *Capital Improvement Program*.

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In fiscal 2024, MHT, which manages the program, approved \$20.4 million in anticipated credits for 10 competitive commercial projects with a total estimated rehabilitation cost of \$93.3 million. MHT awarded final credits worth \$4.3 million for competitive commercial projects approved in previous years, representing qualified rehabilitation expenditures of \$21.4 million.

In light of the State’s fiscal situation, DLS recommends reducing fiscal 2026 funding for the Historic Revitalization Tax Credit program’s competitive commercial credits by \$2 million to a total of \$18 million.

Operating Budget Recommended Actions

	<u>Amount Change</u>	
1. In light of the State’s fiscal situation, reduce funding for the Maryland Historic Revitalization Tax Credit program’s competitive commercial credits. The fiscal 2026 allowance includes the mandated \$20 million for competitive commercial credits.	-\$ 2,000,000	GF
Total General Fund Net Change	-\$ 2,000,000	

Updates

- ***Accessory Dwelling Unit (ADU) Policy Task Force Final Report:*** Chapters 798 and 799 of 2023 established the ADU Policy Task Force, staffed by MDP, to study best practices for ADU policies. The task force’s final report submitted in May 2024 recommended that the State pursue legislation that would:
 - require permitting of one ADU as a by-right use in most single-family zoning areas;
 - prohibit new and existing neighborhood covenants from barring or unreasonably restricting ADUs;
 - limit impact fees that would unduly hinder the affordability of ADUs; and
 - prohibit jurisdictions from requiring an ADU developer to install new and/or separate water and sewer lines to the unit.

The task force did not recommend setting statewide parking or lot requirements and noted areas where further guidance and resources are needed to help local jurisdictions develop ADU ordinances. The report includes examples of best practices from existing ADU policies in jurisdictions around the State.

Appendix 1
2024 Joint Chairmen’s Report Responses from Agency

The 2024 *Joint Chairmen’s Report* (JCR) requested that MDP prepare one report. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***School Enrollment Projections:*** Committee narrative requested that MDP submit a report discussing different types of enrollment projection models, particularly for school-level projections, and recommend which model is most appropriate for Maryland schools and why. MDP currently develops school enrollment projections by grade at the school district level, while school-level projections are the responsibility of local school districts. Districts use different methods that incorporate various combinations of birth data, residential construction and sales data, and cluster analysis; the report provides examples from four Maryland counties and New Mexico. MDP concludes that developing a school-level projections model would require additional staff and equipment. DLS has requested additional details on the costs and potential benefits of keeping school-level projections at the local level or moving that function to the State level, but this data was not available as of January 20, 2024. This report is discussed further in R00A02 – MSDE – Aid to Education.

**Appendix 2
Object/Fund Difference Report
Department of Planning**

<u>Object/Fund</u>	<u>FY 24 Actual</u>	<u>FY 25 Working Appropriation</u>	<u>FY 26 Allowance</u>	<u>FY 25 - FY 26 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	133.00	142.00	149.00	7.00	4.9%
02 Contractual	21.34	15.13	5.13	-10.00	-66.1%
Total Positions	172.34	157.13	154.13	-3.00	-1.9%
Objects					
01 Salaries and Wages	\$ 16,192,864	\$ 17,929,679	\$ 19,455,778	\$ 1,526,099	8.5%
02 Technical and Special Fees	1,076,716	1,039,687	327,809	-711,878	-68.5%
03 Communication	52,912	188,659	188,659	0	0%
04 Travel	114,606	106,054	108,707	2,653	2.5%
05 Food	1,432	0	0	0	0.0%
06 Fuel and Utilities	304,248	383,664	403,686	20,022	5.2%
07 Motor Vehicles	277,730	188,720	190,839	2,119	1.1%
08 Contractual Services	3,086,296	2,623,766	3,292,370	668,604	25.5%
09 Supplies and Materials	346,499	246,817	247,517	700	0.3%
10 Equipment – Replacement	25,579	34,320	34,320	0	0%
11 Equipment – Additional	506,846	90,914	35,000	-55,914	-61.5%
12 Grants, Subsidies, and Contributions	30,846,262	30,852,332	27,852,332	-3,000,000	-9.7%
13 Fixed Charges	74,412	563,777	580,809	17,032	3.0%
Total Objects	\$ 52,906,402	\$ 54,248,389	\$ 52,717,826	-\$ 1,530,563	-2.8%
Funds					
01 General Fund	\$ 41,741,563	\$ 42,373,623	\$ 42,420,875	\$ 47,252	0.1%
03 Special Fund	8,530,699	7,475,216	7,881,909	406,693	5.4%
05 Federal Fund	1,620,834	3,050,010	1,527,864	-1,522,146	-49.9%
09 Reimbursable Fund	1,013,306	1,349,540	887,178	-462,362	-34.3%
Total Funds	\$ 52,906,402	\$ 54,248,389	\$ 52,717,826	-\$ 1,530,563	-2.8%

Note: The fiscal 2025 appropriation does not include deficiencies. The fiscal 2026 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.