

Department of Legislative Services  
 Maryland General Assembly  
 2022 Session

FISCAL AND POLICY NOTE  
 Third Reader

House Bill 1088  
 Appropriations

(The Speaker, *et al.*)

Budget and Taxation

African American Heritage Preservation Program - Annual Appropriation and Alterations

This bill increases funding for the African American Heritage Preservation (AAHP) Program and modifies specified requirements of the program. **The bill takes effect July 1, 2022.**

Fiscal Summary

**State Effect:** General obligation (GO) bond or Pay-as-you-go (PAYGO) general fund expenditures increase by \$4.0 million annually beginning in FY 2024. Special fund revenues and expenditures increase correspondingly. General fund expenditures increase by \$246,200 in FY 2024 and by ongoing amounts in future years. **This bill increases a mandated appropriation beginning in FY 2024.**

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$0	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
GF Expenditure	\$0	\$246,200	\$232,900	\$238,900	\$245,300
SF Expenditure	\$0	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Bond/PAYGO	\$0	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Exp.					
Net Effect	\$0	(\$4,246,200)	(\$4,232,900)	(\$4,238,900)	(\$4,245,300)

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

**Local Effect:** Local government revenues and expenditures may increase, beginning in FY 2024, as discussed below.

**Small Business Effect:** Potential meaningful.

## Analysis

**Bill Summary:** The bill increases, from \$1.0 million to \$5.0 million, the appropriation that the Governor must include in the annual operating or capital budget for the AAHP Grant Fund administered by the Maryland Historical Trust (MHT). The bill repeals requirements applicable to a grant to a business entity, an individual, or a political subdivision that (1) the prospective grantee provide matching funding and (2) the grant not exceed 50% of the total cost of the project for which the grant is awarded. Instead, the bill limits the amount of a grant to a business entity, an individual, or a political subdivision to not more than \$500,000. The bill also eliminates consideration of the viability of matching funds for a project as one of several criteria that must be considered in the process of recommending and deciding on awarded grants.

**Current Law:** The AAHP Program, first established in 2010, has the purpose of identifying and preserving buildings, communities, and sites of historical and cultural importance to the African American experience in the State. The program is administered by MHT in partnership with Maryland Commission on African American History and Culture (MCAAHC). There is an AAHP Grant Fund that is used for grants made under the program. Each fiscal year, the Governor is required to include in the annual operating or capital budget an appropriation of \$1.0 million to the fund. Grants made under the program are for capital projects that (1) preserve buildings, communities, and sites of historical and cultural importance to the African American experience in the State and (2) are for the acquisition of land or buildings or the construction or improvement of land or buildings.

An individual or a business entity, nonprofit organization, or political subdivision may apply for a grant. Program applications must include a description of the scope and purpose of the project, a building plan that includes the estimated 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 to the Secretary of Planning for a final decision. MHT and the commission are required to take specified criteria into consideration in making grant recommendations (including the viability of matching funds for a project), and the Secretary must consider the same issues in making the final decision. Grantees must generally enter into an agreement to preserve and maintain the property for which the grant was awarded. If the property is historic real property, the agreement must be a recordable historic preservation easement. The Director of MHT may waive the agreement or easement requirement in specified circumstances.

## **State Fiscal Effect:**

### *Increased Grant Funding*

GO bond expenditures or PAYGO general fund expenditures increase by \$4.0 million annually beginning in fiscal 2024, the first fiscal year to which the increased funding requirement applies (due to constitutional provisions applicable to the timing of funding mandates in relation to the budget preparation process). The increased expenditures reflect the increase in the annual appropriation for the program from \$1.0 million to \$5.0 million. Special fund revenues to the AAHP Grant Fund increase by \$4.0 million annually beginning in fiscal 2024; special fund expenditures from the fund increase correspondingly. This analysis assumes that all funds received by the fund are expended each fiscal year.

### *Additional Administrative Costs*

MHT advises that the bill's funding increase has a significant impact on MHT and that additional staff is required to manage the increase in the program's portfolio, including providing outreach and guidance to applicants; conducting threshold reviews of applications; facilitating review by MCAAHC, the MHT board, and the Secretary of Planning; developing grant agreements; ensuring that proper vetting procedures are followed; managing payments; conducting site visits; coordinating project reviews; conducting oversight; developing easement or preservation agreements; managing records; and fulfilling reporting requirements.

MHT advises that it currently has one dedicated staff person for the program, and the increased workload under the bill is not absorbable within existing resources. At the current funding level of \$1.0 million per year, an average of 12 new projects are funded per year, with an average portfolio of 65 or more grants open at all times; at a \$5.0 million funding level, MHT anticipates an increase in grant awards of between 25 to 40 new projects per year.

General fund expenditures for MHT increase by \$246,208 in fiscal 2024, which assumes a July 1, 2023 start date for new staff, coinciding with the availability of the increased funding. To the extent new staff are needed earlier than July 1, 2023, to assist with activities related to fiscal 2024 funding that begin prior to July 1, 2023, general fund expenditures also increase in fiscal 2023. This estimate reflects the cost of hiring two research and preservation specialists and one agency grants specialist. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	\$217,338
Operating Expenses	<u>28,870</u>
<b>Total FY 2024 Additional Administrative Costs</b>	<b>\$246,208</b>

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

**Local Fiscal Effect:** With local governments being eligible applicants under the program, local government revenues and expenditures may increase, beginning in fiscal 2024, due to receipt and spending of additional grant funding.

**Small Business Effect:** Small business applicants benefit to the extent they are awarded grants from the additional funding provided under the bill. In addition, small businesses that are hired by program grantees to undertake capital improvements to historic property may benefit from the additional funding.

**Additional Comments:** MHT advises that although there is currently no statutory cap on grant awards, as a matter of policy, MHT and MCAAHC have established a cap of \$100,000 per project.

### Additional Information

**Prior Introductions:** None.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - March 6, 2022  
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