

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 654

(Delegate Behler, *et al.*)

Environment and Transportation

Rules

Natural Resources - Maryland Heritage Areas Authority - Funding and Grants

This bill modifies the amount and use of funding transferred from Program Open Space (POS) to the Maryland Heritage Areas Authority (MHAA) Financing Fund by increasing the overall amount authorized to be transferred, from up to \$6.0 million to up to \$12.0 million, and modifying the limit on the amount of that funding that may be used for operating expenses, to allow for up to 7% or \$600,000 to be used, whichever amount is greater (in place of up to 10%, under current law). The bill also modifies requirements and authority relating to MHAA's awarding of grants and loans under the Maryland Heritage Areas Program (MHAP) (which the MHAA Financing Fund supports). **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: The bill is not expected to have a net effect on overall State finances, but it (1) redirects up to \$6.0 million of funding away from existing purposes, beginning in FY 2027, and (2) is expected to result in the hiring of additional personnel (covered by existing, redirected funds), as discussed below.

Local Effect: Local government revenues and expenditures may increase beginning in FY 2027.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Funding Transferred to the Maryland Heritage Areas Authority Financing Fund

The bill makes the following changes regarding POS funding transferred to the MHAA Financing Fund:

- ***Transfers from State Share*** – The bill increases the amount – from up to \$3.0 million to up to \$9.0 million – of the State’s share of POS funds that may be transferred by an appropriation in the State budget, or by budget amendment, to the MHAA Financing Fund. This increases the total amount of POS funding that may be transferred to the MHAA Financing Fund each fiscal year, from up to \$6.0 million to up to \$12.0 million, when accounting for an additional, separate existing authorization for up to \$3.0 million of POS funding to be transferred to the MHAA Financing Fund before POS funding is divided among State and local POS shares (State land acquisition and capital improvements and local government acquisition and development) and State forest and park operations.
- ***Transferred Funds Used for Operating Expenses*** – The bill modifies the limit on the amount of total POS funds transferred to the MHAA Financing Fund that may be used to pay the operating expenses of MHAA so that, instead of being able to use up to 10% of total POS funds (under current law), MHAA can use up to 7% or \$600,000, whichever amount is greater.

Grant and Loan Assistance

In existing provisions governing grants and loans awarded by MHAA to local jurisdictions or other appropriate entities under MHAP, the bill replaces requirements that grants not exceed 50% of the cost of a project or management plan, as well as certain guidance regarding the use of grants, with authorizations for MHAA to (1) require matching funds for grants or loans in whatever proportion MHAA considers appropriate and (2) establish terms and conditions for grants and loans.

Current Law:

Maryland Heritage Areas Authority

MHAA is an independent unit within the Maryland Department of Planning. MHAA, along with the Maryland Historical Trust (MHT), implements MHAP. There are currently 13 certified heritage areas across the State, which, pursuant to statute, are intended to reflect the cultural themes of the State’s development and provide educational, HB 654/ Page 2

inspirational, economic, and recreational benefits for present and future generations. The heritage areas are proposed by local jurisdictions and approved by MHAA according to specific criteria.

“Heritage area” is defined in statute as a developed area of public and private uses that (1) ranges in size from a portion of a county or municipality to a regional area with special coherence; (2) is distinguished by physical and cultural resources, which have played a vital role in the historic life and development of the community and contribute to the public through interpretive, educational, and recreational use; (3) is composed of contiguous or noncontiguous geographic areas; and (4) may include traditional parks and historic places or property on the national or State register of historic properties.

MHAA uses the MHAA Financing Fund to award (1) grants and loans to local jurisdictions or other appropriate entities for planning, design, acquisition, development, preservation, restoration, interpretation, marketing, and programming of certified heritage areas and (2) grants to local jurisdictions or other appropriate entities to develop management plans for proposed certified heritage areas. Acquisition/development grants, program grants, and grants to develop a management plan each may not exceed 50% of the cost of the project (or cost of the management plan). Acquisition/development grants must be used for implementation of the certified heritage area in conformity with the approved management plan. Program grants are made to (1) develop and present interpretive exhibits, materials, or other appropriate products to further the educational and recreational objectives of the certified heritage areas program and (2) encourage revitalization of, and reinvestment in, certified heritage area resources.

Program Open Space

In General

POS is administered by the Department of Natural Resources (DNR) and provides funding at the State and local level for the acquisition and development of land for recreation and open space purposes. POS consists of a State and local component and is funded with the State transfer tax of 0.5% of the consideration paid for the transfer of real property. Under a statutory formula, 76.15% of State transfer tax revenues are distributed to POS and, subject to certain additional detail and distributions, in general, approximately 50% of the transfer tax funding distributed to POS is allocated to State land acquisition and capital improvements on DNR land, 30% is allocated to local government acquisition and development, and 20% is allocated to State forest and park operations.

Transfers to Maryland Heritage Areas Authority Financing Fund

Each fiscal year, prior to POS funding being allocated among State land acquisition and capital improvements (subject to certain additional detail and distributions), local government acquisition and development, and State forest and park operations, up to \$3.0 million is authorized to be transferred to the MHAA Financing Fund, and up to \$300,000 of that amount may be distributed to MHT to be awarded as noncapital historic preservation grants. In addition, from the funding allocated for State land acquisition and capital improvements, up to another \$3.0 million may be transferred to the MHAA Financing Fund. Up to 10% of the overall transferred funds may be used to pay the operating expenses of MHAA.

State Fiscal Effect:

Funds Transferred – No Net Effect on State Finances

The increase, under the bill, in the amount of funding that may be transferred to the MHAA Financing Fund is not expected to have a net effect on overall State finances, since the bill only redirects (or authorizes the transfer of) funding from POS State land acquisition (and potentially capital improvements or certain other purposes) to the MHAA Financing Fund. The funding that is transferred to the MHAA Financing Fund under the bill funds – under current law – certain allocations toward capital improvements and other purposes, before the remaining funding is allocated to State land acquisition. Any amount of the \$6.0 million of additional funding authorized to be transferred, that is transferred, is therefore no longer available for State land acquisition and may take funding from capital improvements or other purposes if there is limited POS State funding available in a given year.

This analysis assumes the full \$6.0 million of additional funding is transferred, based on past and current practice of the full existing authorization of up to \$6.0 million being transferred each fiscal year to the MHAA Financing Fund.

Additional Personnel

Assuming the full \$6.0 million of additional funding is transferred, MHT indicates that existing personnel are not sufficient to handle that level of increase in grant funding, and two additional staff (one assistant administrator and one assistant grants manager) must be hired to supplement existing staff to administer and financially manage the program. As a result, \$202,318 of the \$6.0 million of additional funding transferred to the MHAA Financing Fund each fiscal year is devoted to the new staff in fiscal 2027.

Despite the bill modifying the limit on the amount of funding transferred from POS to the MHAA Financing Fund that can be used for operating expenses, if an additional \$6.0 million is transferred under the bill, 7% of the total \$12.0 million transferred is \$840,000, an additional \$240,000 from the existing \$600,000 operating expenses level, enough to fund the two additional staff.

The personnel costs shown below assume a July 1, 2026, start date and include salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	2.0
Salaries and Fringe Benefits	\$182,648
Personnel-related Operating Expenses	<u>19,670</u>
Total FY 2027 New Personnel Costs	\$202,318
(Supported by Existing, Transferred Funds)	

Future year costs (supported by existing, transferred funds) which total \$181,214 in fiscal 2028, increasing to \$207,002 by fiscal 2031, reflect salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Local Fiscal Effect: Local government revenues and expenditures increase beginning in fiscal 2027 to the extent counties or municipalities apply for and receive grants or loans, or larger grants, from MHAA as a result of additional funding transferred under the bill and the discretion given to MHAA under the bill to determine the extent to which matching funding must be provided by a recipient of an MHAP grant or loan.

Small Business Effect: Small businesses may be meaningfully affected by the bill's changes, with small business that provide goods or services for heritage area projects benefitting and small businesses supporting State land acquisition (through title work, surveys, and appraisals) potentially being negatively affected by funding being redirected from State land acquisition to heritage area projects.

Additional Comments: Although the General Assembly passed similar legislation in the 2025 session (Senate Bill 980), the Governor vetoed the bill.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 980 and HB 1327 of 2025.

Designated Cross File: SB 638 (Senator Corderman, *et al.*) - Budget and Taxation.

Information Source(s): Harford, Montgomery, Talbot, and Wicomico counties; City of Frostburg; Department of Budget and Management; Department of Natural Resources; Maryland Department of Planning; Department of Legislative Services

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