

Department of Legislative Services  
Maryland General Assembly  
2023 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

Senate Bill 425

(Senator Elfreth, *et al.*)

Budget and Taxation

Appropriations

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Maryland Historic Trust - Historic Preservation Loan Fund - Qualified  
Cooperating Nonprofit Organizations - Transfers

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This bill alters the uses of the Historic Preservation Loan Fund (Loan Fund) of the Maryland Historical Trust (MHT) by authorizing the fund to be used to make a transfer to a qualified cooperating nonprofit organization, as specified. **The bill takes effect July 1, 2023.**

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Fiscal Summary

**State Effect:** Special fund expenditures may increase and special fund revenues may decrease in FY 2024 and/or future years, as discussed below.

**Local Effect:** The bill is not anticipated to materially affect local government finances.

**Small Business Effect:** Minimal.

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Analysis

**Bill Summary:** A “qualified cooperating nonprofit organization” means a nonprofit organization in good standing with the State Department of Assessments and Taxation that (1) is based in the State; (2) operates statewide; and (3) has demonstrated experience rehabilitating historic structures, managing preservation funds, and holding preservation easements.

A qualified cooperating nonprofit organization may use funds provided by MHT only:

- to pay for the qualified cooperating nonprofit organization to acquire historic properties or interests in historic properties for resale or lease;
- to pay costs, including preparation and administrative costs, to restore or rehabilitate historic properties owned by the qualified cooperating nonprofit organization for resale or lease;
- to make loans to other nonprofit organizations, political subdivisions, and business entities to acquire, rehabilitate, restore, or refinance historic properties;
- to make loans to individuals to rehabilitate or restore historic properties recognized by the National Park Service as National Historic Landmarks; or
- for necessary administrative and programmatic expenses associated with carrying out the transfer of funds.

A qualified cooperating nonprofit organization must (1) develop a competitive process for making awards of financial assistance with funds received from MHT; (2) adopt appropriate guidelines, in coordination with the director of MHT, for the use of the funds received from MHT; and (3) make specified information available on its website regarding the availability and use of the funds.

A qualified cooperating nonprofit organization must provide a report to MHT by June 30 each year outlining all funds received. The annual financial review or audit of the qualified cooperating nonprofit organization must be provided at the request of MHT to confirm the intended use of the transferred funds.

**Current Law:** There is a Historic Preservation Loan Program (Loan Program) and Loan Fund in MHT (which is within the Maryland Department of Planning). The purpose of the Loan Program is to implement and encourage the preservation of historic properties. The Loan Fund consists of (1) money appropriated in the State budget to the Loan Program; (2) money received as interest or repayment of principal on loans made under the Loan Program or the Capital Revolving Fund for Historic Preservation; (3) proceeds from the resale or lease of property originally acquired by MHT with money from the Loan Fund or the Capital Revolving Fund for Historic Preservation; (4) money received from other public or private sources for the benefit of the Loan Fund; or (5) money received from the sale of general obligation bonds.

The Loan Fund may be used to, among other things, pay administrative costs directly related to the Loan Program and make loans to nonprofit organizations, political subdivisions, business entities, and individuals to (1) acquire, rehabilitate, restore, or refinance historic properties or (2) provide short-term financing for costs, including preparation costs, directly related to work that MHT or the State Historic Preservation

Officer requires or recommends to be undertaken before a construction project financed with federal or State money is begun or continued.

An individual or business entity may receive a loan only if the recipient can document that private financing is unavailable.

MHT must ensure that no loan is made under the Loan Program to acquire, restore, or rehabilitate a historic property unless the historic property is listed in or eligible to be listed in the Maryland Register of Historic Properties. MHT must require the recipient of a loan from the Loan Program to enter into an agreement to preserve and maintain the property, and if the property is real property, the agreement must be a recordable historic preservation easement. The Secretary of Planning may waive the agreement requirement if the Secretary finds that an agreement is impracticable.

MHT's board of trustees must review and make recommendations to the Secretary of Planning about loans and expenditures from the Loan Fund, and the Secretary must approve each loan and expenditure from the Loan Fund.

**State Fiscal Effect:** Special fund expenditures may increase in fiscal 2024 and/or future years for MHT to make transfers from the Loan Fund to a qualified cooperating nonprofit organization. The extent of any increase in special fund expenditures cannot be reliably determined at this time. However, for context, MHT estimates that, in fiscal 2024, the Loan Fund will have a beginning balance of \$563,370, with fiscal 2024 revenues and expenditures of \$176,208 and \$204,000 respectively, and a fiscal 2024 ending balance of \$535,578. The estimated \$204,000 in expenditures consists of \$150,000 for loans under the Loan Program and \$54,000 for administrative expenses. An increase in special fund expenditures in fiscal 2024, to make a transfer from the Loan Fund to a qualified cooperating nonprofit organization, results in a reduced fiscal 2024 ending balance.

Special fund revenues to the Loan Fund from loan payments decrease in fiscal 2024 and/or future years to the extent that money in the Loan Fund is spent on transfers to a qualified cooperating nonprofit organization rather than on loans made under the Loan Program. It does not appear that money transferred to a qualified cooperating nonprofit organization under the bill is recovered by the Loan Fund whereas funding used for loans under the Loan Program is recovered through loan payments to the fund.

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### **Additional Information**

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** HB 674 (Delegate Watson) - Appropriations.

**Information Source(s):** Maryland State Treasurer's Office; Department of Housing and Community Development; Maryland Department of Planning; Board of Public Works; Department of Budget and Management; Department of Legislative Services

**Fiscal Note History:** First Reader - February 15, 2023  
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