

RI00
Maryland Higher Education Commission

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

Program	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
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Community College Construction Grant Program	\$65.405	\$54.926	\$59.386	\$60.000	\$60.000	\$60.000	\$60.000
Total	\$65.405	\$54.926	\$59.386	\$60.000	\$60.000	\$60.000	\$60.000

Fund Source	2015 Approp.	2016 Approp.	2017 Request	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
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GO Bonds	\$65.405	\$54.926	\$59.386	\$60.000	\$60.000	\$60.000	\$60.000
Total	\$65.405	\$54.926	\$59.386	\$60.000	\$60.000	\$60.000	\$60.000

GO: general obligation

Summary of Recommended Bond Actions

1. Community College Facilities Grant Program

Approve.

2. SECTION 12 – Maryland Higher Education Commission – Community College Facilities Grant Program

Approve the pre-authorization for fiscal 2018.

3. SECTION 13 – Maryland Higher Education Commission – Community College Facilities Grant Program

Approve the pre-authorization for fiscal 2019.

4. SECTION 14 – Maryland Higher Education Commission – Community College Facilities Grant Program

Approve the pre-authorization for fiscal 2020.

Program Description

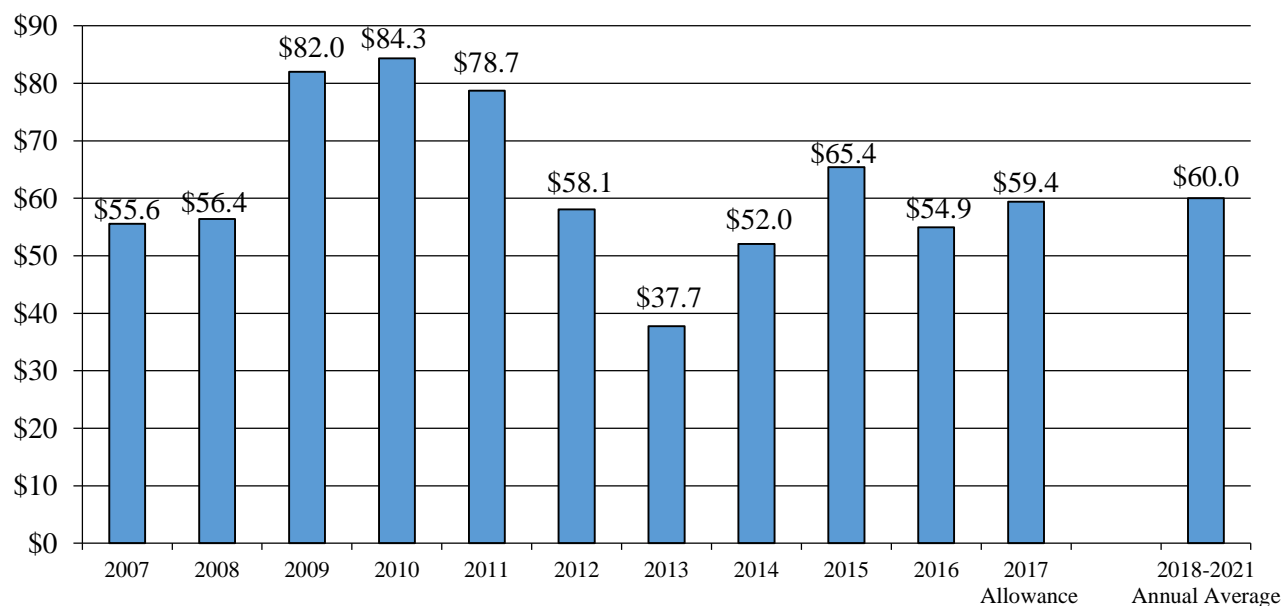
The Community College Facilities Grant Program assists counties in improving the facilities and infrastructure of locally operated community colleges. For regional colleges, State support may total up to 75% of project costs, while other community colleges may receive between 50% and 70% of costs from the State, depending on the wealth of the jurisdiction.

The fiscal 2017 allowance provides funds for 13 projects at 9 community colleges versus 16 projects at 11 community colleges in the fiscal 2016 budget. Funding in 2017 covers all phases: design, construction, renovation, and equipment. Some projects include more than one phase: 1 project is a design and build and 4 projects are build and equip. However, while the fiscal 2016 budget included design work for 6 projects, the fiscal 2017 capital budget includes funds to design only 1 new renovation project. Twelve of the 13 projects include construction in fiscal 2017, with 7 of these projects continuing with construction or equipment in fiscal 2018.

Budget Overview

Fiscal 2017 funding is \$4.5 million, or 8.1% higher than fiscal 2016. This is based on a funding level of \$60.0 million per year for the Maryland Higher Education Commission's (MHEC) Community College Construction Grant Program as reflected in the *Capital Improvement Plan* (CIP). As recently as the 2014 CIP, community colleges had been programmed at \$80.0 million per year in the out-years. **Exhibit 1** shows how funding levels have changed since fiscal 2007. Funding levels peaked in fiscal 2009 through 2011 with a high of \$84.3 million in fiscal 2010. Authorizations were somewhat lower in fiscal 2012 through 2015 as the recession impacted State general obligation (GO) bond authorization levels and some local governments' ability and willingness to provide local funding participation. Although State authorization levels rebounded slightly in fiscal 2015, the program is now slated to receive \$60.0 million annually through fiscal 2021 rather than the \$80.0 million annual funding level programmed in the 2014 CIP.

Exhibit 1
Community College Capital Grant Program
Fiscal 2007-2021
(\$ in Millions)



Note: Does not include funding for Baltimore City Community College, as that college's capital funding receives a separate authorization in the capital budget.

Source: Maryland Higher Education Commission

Exhibit 2 shows the list of proposed projects in the priority order of the Maryland Association of Community Colleges (MACC). Under current guidelines, priority projects are those that incorporate certain project types, project phases, and facility categories. Additional factors include inventory status, age of facilities, funding history, and overall college priority. The combination of factors reflects the complexity of elements that impact project viability and funding priority. MHEC adopted slightly revised prioritization rules in February 2014 to ensure that the model used is in line with PlanMaryland and Green Building concepts. Every community college project must also address workforce shortage concerns and institutional capacity for the project. MHEC also oversees the cost-sharing formula for counties. These percentages are based on county wealth and total enrollments of certain student populations. Projects carry their assigned State share, without change, through the life of the project. Based on this formula, the State will contribute 50% to 75% of the eligible costs of a project. Colleges must provide a guarantee that local funding is in place for a project before it is included in the capital budget. However, in recent years, due to local fiscal pressures, some counties have backed out from or delayed their commitments to projects already accounted for in the MHEC pipeline. Most recently, Cecil County could not provide a firm commitment for its match for Cecil College, so the college's project was removed from consideration in fiscal 2017.

Actual spending totals \$63.2 million, but a program fund balance transfer of \$3.8 million allows for only \$59.4 million in new GO bonds to be authorized. The balance accumulates as actual spending on previously approved projects comes in lower than the amount authorized. The leftover funds are recycled to new projects in the next capital budget. As of March 2016, the actual program fund balance held by MHEC totals approximately \$9.7 million. However, the Department of Budget and Management (DBM) and MHEC have reevaluated the equipment list at Harford Community College and have recommended that an additional \$0.1 million from the fund balance be used for that project in fiscal 2017 to fully meet the equipment bid packages for that project. This does not change the GO bond authorization.

The practice of split funding the construction phase of projects continues in fiscal 2017. Projects are cash flowed by DBM, meaning that project funding may be divided over a number of fiscal years to provide funding only as needed to service the construction contract for the project to stay on schedule. This limits the amount of funding that must be encumbered from year to year, although encumbrances still occur, which means more projects can be funded simultaneously by the State. Projects funded in fiscal 2017 are in all stages of design, construction, and equipping. For some projects, this may be the second or third year of State funding, such as Prince George's Community College's (PGCC) Lanham Hall renovation.

In order to signal intent from the State that more funding will be forthcoming to complete a project, which enables institutions to sign multi-year contracts with construction services vendors, pre-authorizations are provided in the capital budget bill. This is a common practice for large capital projects and five community college projects introduced in the fiscal 2017 capital budget bill are split funded.

Exhibit 2
Fiscal 2017 Proposed Projects
In Maryland Association of Community Colleges Priority Order
(\$ in Millions)

<u>Ranking</u>	<u>Community College</u>	<u>Project Name</u>	<u>Project Phase</u>	<u>Pre-authorized 2015 MCCBL</u>	<u>New Funding</u>	<u>Total Funds FY 2017</u>	<u>Pre-authorized FY 2018</u>
1	Baltimore County	Hilton Mansion Renovation	Construction	\$1.244	\$0.000	\$1.244	
2	Garrett	STEM Building 200 Renovation and Addition	Construction	3.623	0.314	3.937	
3	Howard	Science, Engineering, and Technology Building	Construction+	6.214	4.100	10.314	
4	Montgomery	Sciences and Applied Studies Building	Construction	9.370	-0.009 *	9.361	
5	Prince George's	Lanham Hall Renovation and Addition	Construction+	8.626	1.746	10.372	
6	Prince George's	Queen Anne's Academic Center Renovation and Addition	Construction	18.286	-9.000 *	9.286	\$17.288
7	Wor-Wic	Academic and Administration Building Renovation	Construction+	3.053	0.000	3.053	
8	Harford	Edgewood Hall Renovation and Expansion	Construction	0.529	0.268	0.797	
9	Hagerstown	Learning Resource Center Renovation	Construction+		1.918	1.918	
10	Garrett	Community Education and Performing Arts Center	Design		0.685	0.685	2.992
11	Frederick	Monroe Center Renovation	Design+		2.255	2.255	0.681
12	Montgomery	Rockville Student Services Center	Construction		8.000	8.000	19.856
13	Baltimore County	Health Careers and Technology Building	Construction		2.000	2.000	5.000
Total				\$50.945	\$12.277	\$63.222	\$45.817
Program Balance/Surplus as Introduced						-\$3.836	
Total Governor's Proposed Budget						\$59.386	

MCCBL: Maryland Consolidated Capital Bond Loan

STEM: science, technology, engineering, and mathematics

*Total funds authorized in fiscal 2017 are less than those pre-authorized due to new split funding schedules.

Source: Department of Budget and Management; Maryland Association of Community Colleges

The pre-authorizations for fiscal 2018 total \$45.8 million, or 76.4%, of the 2016 CIP's \$60.0 million for community colleges in that year. This leaves only \$14.2 million in total funding for new projects or contingencies, which may severely constrain capital budget flexibility for community colleges. This is a slight improvement over one year ago, when, after pre-authorizations and with \$60.0 million in the CIP, community colleges had only \$9.1 million for new projects in the next fiscal year. The MACC model will be pressed to determine the most effective use of the limited unrestricted funding. Large capital projects, such as those recently seen at Montgomery College and PGCC, will be under increasing scrutiny with less GO programmed in the five-year CIP as it will be more difficult for the State to support such large facilities across all campuses. How the 15 local community colleges work within both a lower amount of programmed funding and continuing high levels of pre-authorizations will make meeting the State's higher education goals more challenging. Although not shown in Exhibit 2, \$13.5 million is pre-authorized for fiscal 2019, and another \$10.5 million is pre-authorized for fiscal 2020.

Another issue is the increasing cost of projects. One year ago, PGCC had indicated a willingness to use value engineering to reduce the total cost of its \$88.0 million renovation and expansion of Queen Anne's Hall, which totals 98,173 net assignable square feet (NASF). However, the construction contract went out in January 2016 with no significant revisions. On the other hand, Howard Community College accepted value engineering of \$7.0 million to its new Science, Technology, Engineering, and Mathematics (STEM) Building and will now design, construct, and equip 84,200 NASF for \$76.5 million. In just one capital project, PGCC will spend the equivalent of 147% of the annual State matching funds for all 15 local community colleges in the CIP.

The Secretary of MHEC should comment on how more colleges can receive funding for projects given the size of recently funded projects at several campuses. The Secretary should also comment on the merits of instituting a cap on the amount of State funding for projects as a means of spreading the funding support to more projects on the MHEC priority list to ensure that funds are available to more institutions.

Fiscal 2017 Capital Projects

- **Baltimore County – Hilton Mansion Rehabilitation – Fiscal 2017 Amount: \$1.2 Million for Construction and Equipment:** Funding is included for constructing and equipping renovations of the historic 16,898 gross square feet (GSF) Hilton Mansion at the Community College of Baltimore County's (CCBC) Catonsville campus. The mansion dates to 1838 and was last updated in the 1920s and subsequently has extremely dated life and safety systems and is in need of renovations. Renovations will bring the structure up to code, including asbestos abatement, and create modern classroom space in the building for the Hospitality and Restaurant Management program, which is currently located in rental space in Reisterstown, and for the Global Education program.

The State's total contribution is programmed at 50.0%, or \$3.0 million, of the total project cost. In addition to CCBC's direct support, matching funds also include a federal National Endowment for the Humanities grant and private donations. Design ran from July 2011 through October 2012, with construction beginning in March 2016 and concluding in May 2017. The project will renovate 7,5115 NASF, creating modernized space consisting of 2,742 NASF of classroom space; 2,241 NASF of office and conference space; and 1,727 NASF of laboratory space to support the classrooms.

- **Baltimore County – Health Careers and Technology Building Renovation and Expansion – Fiscal 2017 Amount: \$2.0 Million for Construction:** Funding is provided in fiscal 2017 to begin construction of the renovation and addition to the Health Careers and Technology Building, formerly the N Building, on the Essex campus of CCBC; design funding was split funded based on the project schedule over two years. The structure was built in 1981 for the business and management programs, and only minor renovations have since occurred. It is currently the home of the School for the Health Professions. The renovation and addition will include science laboratories, lecture space, and faculty offices.

Baltimore County has committed \$28.3 million for this project, down \$1.0 million from one year ago. State support is about 50.0%, or \$28.9 million. Most State support, \$26.0 million, is programmed for fiscal 2019 and 2020. Design began in December 2014 and will conclude in August 2016. During the 2015 session, the county agreed to forward fund the design phase with county funds, which freed up funding that was then applied to the historic mansion project. The county forward funding kept the design phase on schedule. Construction will last from November 2016 through February 2020. This project renovates 31,664 NASF and, with an addition, adds 42,276 NASF to the CCBC Essex campus. Of the total space, 39,876 NASF is laboratory space; 15,994 NASF is office space; and 14,390 NASF is classroom space.

- **Frederick County – Monroe Center Renovation – Fiscal 2017 Amount: \$2.3 Million for Design and Construction:** Funding is included for design and construction of the renovations of the 55,000 GSF Monroe Center that was purchased by Frederick County in 2007. Frederick Community College owns 42,000 GSF of the building, while the county owns the remainder. Funds for this project will be used only for the college's space. This project will reconfigure the former factory's large hallways and temporary walls, which had been hastily reconfigured upon acquisition in 2007, into modern learning spaces for workforce development programs including welding, carpentry, manufacturing, and veterinary assistance.

In addition to the State fiscal 2017 authorization, the current out-year commitment would provide another \$1.8 million for construction and equipment. The State's total contribution is programmed at 58.0%, or \$4.0 million, of the total project cost. This project is new to the 2016 CIP, but design began in July 2015 and is scheduled to finish in April 2016, with construction running from July 2016 until May 2017, with final equipment not programmed until fiscal 2018. The project will renovate 31,500 NASF to create modern space consisting of 17,200 NASF of class laboratories space; 4,200 NASF for classroom space; and the remainder spread across various functions such as office space, storage space, and mechanical systems.

- **Garrett County – Community Education and Performing Arts Center – Fiscal 2017 Amount: \$0.7 Million for Design:** Funding is included for design of the renovation and expansion of the 10,960 GSF 800 Building to house three departments: Continuing Education; Workforce Development; and Fine and Performing Arts. The 800 Building served as a gymnasium since 1972 but has largely fallen into disuse since the college's new recreation center opened in 2012. The updated building will house modern spaces for theater and music courses and performances, including a 400-seat auditorium, and will provide space for community gatherings such as the Garrett Lakes Arts Festival. This requires an addition of approximately 7,700 NASF that will also accommodate modern office space for academic staff.

In addition to the State fiscal 2017 authorization, the current out-year commitment would provide another \$6.7 million for construction and equipment. The State's total contribution is programmed at 50.0%, or \$7.4 million, of the total project cost. This project is new to the 2016 CIP and has design scheduled from September 2016 through September 2017, with construction running from December 2017 until September 2019, indicating that this project will be split funded. The project will renovate 9,082 NASF and add 7,668 NASF, which will create 13,810 NASF of conference and performing arts space, 2,290 NASF for offices, and 650 NASF to be used mostly for storage.

- **Garrett County – STEM Building Renovation and Addition – Fiscal 2017 Amount: \$3.9 Million for Construction:** Funding is included for construction of total renovation of the 15,000 GSF STEM Building. The updated building will house modern laboratories, dedicated classroom space, faculty offices, and consolidate STEM programs into one location on campus. An addition of approximately 6,500 GSF will accommodate all required modern architectural and engineering functions.

In addition to the State fiscal 2017 authorization, the current out-year commitment would provide another \$0.3 million for equipment. The State's total contribution is programmed at 50.0%, or \$4.6 million, of the total project cost, \$0.4 million more than the CIP one year ago. Design began in December 2015 and should end in July 2016. Construction should last from October 2016 through April 2018, ending six months later than the 2015 CIP projected. The project will renovate 12,630 NASF, including 6,300 NASF of laboratory space; 3,240 NASF in classroom space; and 2,040 NASF in office space.

- **Harford County – Edgewood Hall Renovation and Expansion – Fiscal 2017 Amount: \$0.7 Million for Equipment:** Funding is included to furnish equipment for the Edgewood Hall renovations and expansion to address the age of building systems and insufficient space. The facility was built in 1994, with only minor renovation since. Poor building envelope design has caused drywall to rot after only 20 years, and the heating, ventilation, and air conditioning system is already difficult to repair due to its age and cannot be easily switched from heating to cooling, or vice versa. The project would also add 6,500 GSF consisting of two single-story additions to house office and support space and two multi-purpose laboratories and restrooms.

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The State's total contribution is programmed at 53.0%, or \$4.3 million, down from \$4.9 million one year ago. Construction began in June 2015 and should be complete in June 2016 with equipment finishing out the project in fiscal 2017. The project will add or renovate 24,704 NASF, including 7,283 NASF of classroom space; 6,217 NASF of laboratory space; and 5,328 NASF of office space.

- **Howard County – New Science, Engineering, and Technology Building – Fiscal 2017 Amount: \$10.3 Million for Construction and Equipment:** Funding is included to complete construction and equipping of the new Science, Engineering, and Technology building to accommodate continued growth at Howard Community College, the only community college in Maryland to experience enrollment growth from fiscal 2013 to 2016. Construction funding has been split over three years based on the project's schedule. Design took longer than anticipated, and realignment of needs and funding resulted in rounds of value engineering that delayed this project by one year. Overall, it will bring together STEM programs on campus in modern facilities with more adaptable room layouts and new classroom technology.

The State share of this project is programmed at 50.0%, or \$38.3 million. Design ran from December 2011 until September 2014, and construction began in October 2014 and should conclude in October 2016. The project will add 84,200 NASF including 63,860 NASF in class laboratory space; 11,310 NASF in office space, and 3,400 NASF in general space.

- **Montgomery County – Science and Applied Studies Building Renovation and Addition – Fiscal 2016 Amount: \$9.4 Million for Construction:** Funding is provided to continue construction of the renovation and addition to Rockville Sciences West. Construction was split funded over fiscal 2016 and 2017 based on the estimated cash flow and schedule. Classrooms and class laboratories in the current facility are not conducive to current teaching methods, and the infrastructure is not able to support the technology load required of the science and math courses offered in the building. The project is being coordinated with Rockville Science Center and Rockville Sciences East projects. This project involves renovating and expanding a new third floor and addressing space shortages in a building dating from 1978 on the Germantown campus. Renovated space in this building will house Student Services until a new Student Services Center is constructed, which is now included in the 2016 CIP.

The estimated total project cost is \$40.0 million with the State contribution set at 49.0%, or \$19.6 million, the same as in the prior CIP. In addition to the State's fiscal 2017 authorization, the current out-year commitment would provide another \$2.3 million for construction and equipment. Design began in June 2013 and finished three months late in September 2015. Construction was delayed from September 2015 to April 2016 and will now conclude in June 2018, rather than September 2017, effectively a year later. This project renovates 39,855 NASF. Of the total space, 25,696 NASF is class laboratory space; 4,037 NASF is general space; and 3,194 NASF is office space.

- **Montgomery County – Rockville Student Services Center – Fiscal 2017 Amount: \$8.0 Million for Construction:** Funding is provided to begin construction of the new Student

Services Center to centralize student administrative services into a “one stop shop” at Montgomery College’s largest campus in Rockville. The primary focus of this facility is administrative, rather than academic as it unifies admissions, registration, financial aid, and the bursar, and also provide training and assessment space typical of a student center. The project will also house the School of Education, central utilities for the campus, and the information technology hub for the campus. This project immediately follows upon the Rockville Science Center and Rockville Sciences East projects.

The estimated total project cost is \$75.1 million with the State contribution set at 50.0%, or \$37.3 million. In addition to the State’s fiscal 2017 authorization, the current out-year commitment would provide another \$24.3 million for construction and equipment. Construction was split funded based on the estimated cash flow and schedule, with the county to match the majority of funding in fiscal 2017 and the State the majority of funding in fiscal 2018. Design began in July 2014 and is scheduled to conclude in July 2016. Construction is scheduled to last from September 2016 through September 2018. This project constructs 70,200 NASF, consisting of 40,648 NASF of office and meeting space; 15,293 NASF of class laboratory space; and 8,549 of meeting space.

- **Prince George’s County – Lanham Hall Renovation and Addition – Fiscal 2017 Amount: \$10.4 Million for Construction and Equipment:** The capital budget includes funding to finish construction and equipment for the renovation and expansion of Lanham Hall, which is over 40 years old and requires asbestos abatement and major mechanical upgrades. This project also provides space for the Middle College High School Partnership with Prince George’s County. It will also consolidate space for workforce development and continuing education programs and services as well as provide adequate space for a print shop and mailroom to serve the entire Largo campus. Project costs had increased due to unforeseen issues that were not included in the program estimate such as asbestos abatement and rebuilding storm drain systems.

The estimated total project cost is \$33.2 million with the State contribution set at 58.0%, or \$19.4 million, the same as in the prior CIP. Design began in June 2013 and finished in June 2015. Construction is planned from October 2015 to June 2017, three months later than anticipated. This project renovates 48,728 NASF and adds 7,530 NASF.

- **Prince George’s County – Queen Anne’s Academic Center Renovation and Addition – Fiscal 2017 Amount: \$9.3 Million for Construction:** The capital budget includes funding to continue construction of the new music and performing arts building at PGCC. The current facility is inadequate given the programs’ current enrollment levels and teaching methods required for arts education. The facility is not Americans with Disabilities Act-compliant and also has failing physical infrastructure. This project will be split funded due to its very large size. The overall cost of the building has increased 16.8% since design started. The cost increase is a concern given that this is a renovation and addition project, rather than an entirely new construction project. Renovation is preferred for capital funding because of the belief that this is a more efficient use of finite State resources. However, this project’s growing costs call into question the original assessment that a new building would, in fact, be more expensive.

Additionally, the State should be particularly concerned when cost overruns are this large, as this project will crowd out other community college facilities projects in the out-years at the same time that PGCC has another large project underway, Lanham Hall.

The estimated total project cost is \$88.0 million with the State contribution set at 57.0%, or \$49.9 million. In addition to the State's fiscal 2017 authorization, the current out-year commitment would provide another \$21.3 million in fiscal 2018 and 2019 for construction and equipment. Design began in January 2014 and finished in July 2015. Construction began in January 2016 and will run through July 2018. This project renovates 22,852 NASF and adds 79,137 NASF. Of that amount, 44,266 NASF is laboratory space; 25,533 NASF is general use space; and 12,600 NASF is classroom space.

- **Washington County – Learning Resource Center Renovation – Fiscal 2017 Amount: \$1.9 Million for Construction and Equipment:** Funding is included for constructing and equipping renovations of noncontiguous portions of the 57,308 GSF Learning Resource Center for various purposes including a new backup server room, expanding campus safety areas, modernized classrooms, and replacing climate control systems. Portions of the building have been remodeled, but other parts of the building are dated and need improvements. The central aspect of this project will be removing the library stack space to create four classrooms, five offices, and one conference room.

The State's total contribution is programmed at 63.0%, or \$1.9 million, of the total project cost. Hagerstown self-funded the design component of this project, which runs from November 2014 through April 2016. Construction is scheduled from July 2016 through June 2017. The project will renovate 34,015 NASF and remove 6,385 NASF, leaving 12,208 NASF of modernized classroom space; 8,084 NASF of office and meeting space; and 4,639 NASF of central service space. The remainder is mostly class laboratory and study space.

- **Regional – Wor-Wic Academic and Administrative Building/Maner Technology Center Renovation – Fiscal 2017 Amount: \$3.0 Million for Construction and Equipment:** Funding is provided in fiscal 2017 for constructing and equipping the renovation of an existing 1,463 NASF office suite that will accommodate the Institutional Advancement staff and provide space for future staff needs in the marketing department. This project will also modernize restrooms that were constructed in 1994 and update elevators. Finally, a 20-year-old infrastructure system will be replaced with a new high-efficiency hybrid geothermal system that will provide a heat pump and chiller support to three campus buildings.

The project is estimated to cost \$8.6 million, an increase of \$4.1 million from one year ago, with the State's share at 71.0%, or \$6.1 million. An unsuccessful bid attempt in fiscal 2016, coupled with problematic design of the geothermal component led to the cost increase, although the college anticipates a program modification approved in October 2015, will keep the project within its new approved budget. This small project renovates 1,463 NASF, all of it office space. Design ran from April 2014 to August 2015, and construction is to run from April 2016 to June 2017, although this schedule is now unlikely given the cost overrun.

GO Bond Recommended Actions

1. Approve \$59.4 million in general obligation bonds for the Community College Facilities Grant Program.
2. Approve the pre-authorization for \$45.8 million in general obligation bonds for the 2017 legislative session for the Community College Facilities Grant Program.
3. Approve the pre-authorization for \$13.5 million in general obligation bonds for the 2018 legislative session for the Community College Facilities Grant Program.
4. Approve the pre-authorization for \$10.5 million in general obligation bonds for the 2019 legislative session for the Community College Facilities Grant Program.