

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 407

(Senator McKay)

Budget and Taxation

Community Colleges - Capital Projects - State Share Adjustment

This bill increases the State share for the Community College Construction Grant Program (CCCGP) under certain circumstances. Under the bill, a county is eligible for an adjustment to the State share for a CCCGP project if (1) the county's median household income is in the bottom quartile in the State and (2) the State share for a CCCGP project in the county is 50%. For a county that meets these criteria, the local share of a county CCCGP project must be reduced to equal the local share of the adjacent community college or regional community college that is less than 50% (but closest to 50%). The State share in the affected county must subsequently be increased by the same amount (*i.e.*, to offset the decrease in the local share percentage). **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: No material effect on total State funding for community college capital projects. Individual projects are approved in the capital budget through the legislative process and supported by the sale of general obligation bonds. Any increase in the State share of individual community college capital projects *may* result in fewer funds being available for other community college construction projects; therefore, fewer projects may receive funding in a given year. Revenues are not affected.

Local Effect: Local revenues for CCCGP projects increase in any jurisdictions that meet the bill's criteria and obtain project approval under the existing application process. Thus, in those jurisdictions, local expenditures on community college projects may decrease, as discussed below.

Small Business Effect: Minimal.

Analysis

Current Law: CCCGP provides grants for capital improvements to Maryland's local community colleges; as Baltimore City Community College is a State agency, it is not included in the program and receives separate capital improvement funding. Applications for grants are submitted simultaneously to the Maryland Higher Education Commission (MHEC) and the Department of Budget and Management (DBM). DBM recommends grant awards to MHEC. The recommended projects are included in the Governor's capital budget bill submitted to the General Assembly. All grants under the program must be approved by the Board of Public Works. The level of State support is based on two criteria: (1) the portion of the project that meets the eligibility requirements for State support; and (2) the State/local cost-sharing formula contained in statute. Except for regional community colleges, grant awards under CCCGP cover between 50% and 70% of total design and construction costs for a project, including site acquisition and development costs. For regional community colleges, the grants cover 75% of project costs.

Under current CCCGP 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. Projects carry their assigned State share, without change, through the life of the project. Colleges must provide a guarantee that local funding is in place for a project before it is included in the capital budget.

State/Local Fiscal Effect: MHEC advises that Garrett College is the only community college that could have qualified for an adjusted State share under the bill in the past 10 years. Specifically, Garrett College's State share would have been increased from 50% to 68.9% for one project and 69.8% for another project (depending on the year of financing). Based on the amounts appropriated for those projects at that time, the State share of costs would have increased by nearly \$2 million. However, the Department of Legislative Services advises that, while the State share for particular projects may increase, total expenditures for CCCGP are likely not materially impacted. Individual projects are chosen each year within the funding available. Thus, lower-priority projects may not receive funding in that year.

Because CCCGP requires a guarantee of local funding, to the extent Garrett College is able to have a higher-cost project funded under the program, Garrett County may be required to allocate more of its available capital funds for such projects. Otherwise, Garrett County

may be able to expend less funding for projects that qualify for an adjusted State share. Regardless, total capital spending by Garrett County is not affected. Instead, to the extent that available capital funds are used (or do not have to be used) for CCCGP, those funds are not available (or more funds are available) for other capital construction needs in the county.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 297 and HB 654 of 2023.

Designated Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Frederick, and Montgomery counties; Maryland Higher Education Commission; Department of Legislative Services

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