

Department of Legislative Services  
 Maryland General Assembly  
 2018 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1098 (Delegate Korman, *et al.*)  
 Appropriations and Ways and Means

Career and Technology Education and Workforce Investment Act

This bill establishes the Career and Technology Education (CTE) Grant Program within the Interagency Committee on School Construction (IAC) to provide grants to local school systems for the capital equipping of school facilities used to provide CTE. It authorizes the Governor to include up to \$2.0 million annually in the budget for the program for fiscal 2020 through 2026. The bill also repeals a mandated appropriation of \$1.0 million for Workforce Development Sequence Scholarships, but authorizes the Governor to provide up to \$3.0 million annually for the scholarships. **The bill takes effect July 1, 2018, and authorization for the CTE grant program terminates June 30, 2026.**

Fiscal Summary

**State Effect:** General fund expenditures are estimated to increase by \$2.0 million beginning in FY 2020 for the CTE grant program; to the extent that funding levels are less, general fund expenditures adjust accordingly. Expenditures terminate after FY 2026. IAC can implement the program with existing resources. General fund expenditures for the Workforce Development Sequence Scholarships are assumed to remain unchanged, as discussed below. No effect on revenues. **This bill eliminates a mandated appropriation beginning in FY 2020.**

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
PAYGO GF exp	0	2,000,000	2,000,000	2,000,000	2,000,000
Net Effect	\$0	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)

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

**Local Effect:** Local revenues and expenditures both increase beginning in FY 2019 from State grants for CTE programs and the required local matching contribution. Expenditures and revenues terminate in FY 2026.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** Grants provided by the CTE grant program must be approved by the Board of Public Works and matched by local school systems in accordance with their share of school construction project funding.

IAC must administer the grant program, and any funding provided by the grant program must be in addition to funding that would otherwise be appropriated for local school systems from other sources.

**Current Law/Background:** There is no State grant program specifically for the capital equipping of schools with CTE programs. A detailed description of State funding for public school construction projects can be found in the **Appendix – State Funding for Public School Construction**.

### *Workforce Development Sequence Scholarships*

Chapter 149 of 2017 established Workforce Development Sequence Scholarships for eligible students who are enrolled in a program at a community college composed of courses that are related to job preparation or an apprenticeship, licensure or certification, or job skills enhancement. Beginning in fiscal 2019, the Governor must annually include an appropriation of at least \$1.0 million in the State budget to the Maryland Higher Education Commission (MHEC) for the scholarships; the proposed fiscal 2019 State budget so includes \$1.0 million for the program.

To be eligible for a scholarship, a student must be a Maryland resident or have graduated from a Maryland high school and be enrolled at a community college in the State in a Workforce Development Sequence. An eligible individual may apply to the Office of Student Financial Assistance for a scholarship. An award may be used for tuition, mandatory fees, and other associated costs of attendance. The annual amount of a scholarship awarded to an eligible student may not exceed \$2,000.

### *Career and Technical Education*

The federal Carl D. Perkins Career and Technical Education Act of 2006 (Perkins) provides approximately \$1.1 billion in formula grants to states to implement CTE programs in their secondary schools and postsecondary institutions. Perkins requires states to develop sequences of academic and CTE coursework, called programs of study, that prepare students for postsecondary degrees or industry-recognized credentials. Many of the programs of study – which range from plumbing and culinary arts to aerospace engineering and cybersecurity – include or encourage apprenticeship or preapprenticeship opportunities. At a minimum, a program of study must:

- incorporate and align secondary and postsecondary education elements;
- include academic and CTE content in a coordinated, nonduplicative progression of courses;
- offer the opportunity, where appropriate, for secondary students to acquire postsecondary credits; and
- lead to an industry-recognized credential or certificate at the postsecondary level, or an associate or baccalaureate degree.

In federal fiscal 2017, Maryland received \$15.5 million in Perkins Title I grants to support CTE programs in secondary schools and postsecondary institutions. Of that amount, \$13.2 million (85%) was distributed to local governments and the remaining 15% was designated for statewide activities and administration. Of the \$13.2 million distributed to local governments, 65% was used for secondary school programs and 35% was spent on postsecondary programs. Perkins funds are used for a variety of purposes at the local level, including teacher professional development, equipment, and program development and administration.

The Maryland State Department of Education (MSDE) has developed several dozen programs of study grouped within 10 career clusters. Each program of study includes a sequence of four courses that begin in either grade 10 or 11 and prepares students for either further study or industry certification; students that complete the course sequence by high school graduation are considered “CTE completers.” Almost one-quarter of the class of 2016 completed a CTE program of study, and more than half of those also completed the requirements for admission to the University System of Maryland (*i.e.*, “dual completers”).

Chapter 149 also required MSDE, in consultation with the Department of Labor, Licensing, and Regulation (DLLR) and the Governor’s Workforce Development Board, to develop statewide goals each year from 2018 through 2024 so that by January 1, 2025, 45% of high school students successfully complete a CTE program, earn industry-recognized occupational or skill credentials, or complete a registered youth or other apprenticeship before graduating high school.

### **State Expenditures:**

#### *Workforce Development Sequence Scholarships*

The bill repeals a mandated appropriation of \$1.0 million and authorizes up to \$3.0 million for the scholarship program. For the purpose of this analysis, the Department of Legislative Services assumes that the Governor elects to maintain current funding levels of \$1.0 million in future years, so there is no fiscal effect. To the extent that the Governor

elects to provide more or less funding for the program, general fund expenditures by MHEC increase or decrease accordingly.

### *CTE Grant Program*

The bill authorizes, but does not require, funding up to \$2.0 million annually through fiscal 2026 for the program. This analysis assumes that the Governor provides full funding for the program, and that pay-as-you-go general funds are used rather than general obligation bonds. Therefore, general fund expenditures by IAC increase by \$2.0 million; to the extent that the Governor elects to provide less (or no) funding, general fund expenditures adjust accordingly. IAC advises that it can implement the program with existing budgeted resources, but that it will put a strain on limited staff resources. State expenditures for the program terminate after fiscal 2026.

**Local Fiscal Effect:** Local school systems are eligible for up to \$2.0 million in competitive State grants for capital equipping of schools with CTE programs. However, they must match any State grants with local funding according to the State/local cost share formula in statute. Therefore, local revenues and expenditures both increase through fiscal 2026.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 515 (Senator Currie, *et al.*) - Budget and Taxation.

**Information Source(s):** Interagency Committee on School Construction; Maryland State Department of Education; U.S. Department of Education; Advance CTE; Department of Legislative Services

**Fiscal Note History:** First Reader - February 18, 2018  
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## Appendix – State Funding for Public School Construction

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### *School Construction Review and Approval Process*

Subject to the final approval of the Board of Public Works (BPW), the Interagency Committee on School Construction (IAC) manages State review and approval of local school construction projects. Each year, local systems develop and submit to IAC a facilities master plan that includes an analysis of future school facility needs based on the current condition of school buildings and projected enrollment. The master plan must be approved by the local school board. Subsequently, each local school system submits a capital improvement plan to IAC that includes projects for which it seeks planning and/or funding approval for the upcoming fiscal year, which may include projects that the local system has forward funded. In addition to approval from the local school board, the request for the upcoming fiscal year must be approved by the county's governing body. Typically, the submission letter to IAC contains signatures of both the school board president and either the county executive and county council president or chair of the board of county commissioners.

Based on its assessment of the relative merit of all the project proposals it receives, and subject to the projected level of school construction funds available, IAC makes recommendations to BPW on which projects to fund. By December 31 of each year, IAC must recommend to BPW projects comprising 75% of the preliminary school construction allocation projected to be available by the Governor for the upcoming fiscal year. Local school boards may then appeal the IAC recommendations directly to BPW. By March 1 of each year, IAC must recommend to BPW and the General Assembly projects comprising 90% of the allocation for school construction submitted in the Governor's capital budget. Following the legislative session, IAC recommends projects comprising the remaining school construction funds included in the enacted capital budget for BPW approval, no earlier than May 1.

### *Eligible School Construction Costs*

IAC establishes a range of appropriate per student, square foot allocations for elementary, middle, and high schools as well as for special education students, career and technology students, and specialized programs. IAC also establishes, on an annual basis, a *cost per square foot* that is applicable to major school construction projects. For fiscal 2019, the cost per square foot is \$302 for new construction *without* site development (up from \$293 in fiscal 2018) and \$360 for new construction *with* site development (up from \$348.67 in fiscal 2018). In general, multiplying the cost per square foot allocation by the allowable

square feet (based primarily on the State-rated capacity of a building) yields the maximum allowable cost that is subject to the State/local cost-share formula.

The cost of acquiring land may not be considered an eligible construction cost and may not be paid by the State. Otherwise, BPW regulations specify public school construction-related costs that are eligible and ineligible for State funding. In general, the following costs are included among eligible expenses:

- construction of a new facility, a renovation of a new facility, an addition to an existing facility, or a replacement of an existing building or building portion (*i.e.*, “bricks and mortar”);
- building and site development;
- modular construction that meets specified standards;
- State-owned relocatable facilities and temporary facilities that are required to be on site during construction; and
- built-in equipment and furnishings.

Beginning in fiscal 2018, BPW approved the use of State funding for window air-conditioning units and associated electrical upgrades, installation, and security in schools where more than one-half of the classrooms are not temperature controlled.

Among the major items that explicitly are *not* eligible for State funding (besides site acquisition) are (1) architectural, engineering, and other consulting fees; (2) master plans and feasibility studies; (3) projects or systemic renovations for buildings and systems that have been replaced, upgraded, or renovated within the last 15 years; and (4) movable equipment and furnishings.

### *State Share of Eligible Costs*

The State pays at least 50% of eligible costs of school construction and renovation projects, based on a funding formula that takes into account numerous factors including each local school system’s wealth and ability to pay. The Public School Facilities Act (Chapters 306 and 307 of 2004) requires that the cost-share formula be recalculated every three years. The first recalculation occurred in 2007, the second recalculation occurred in 2010, and the third was completed in 2014. The most recent recalculation was completed in 2017. IAC recommended updating the formula for the next three years, but BPW approved new cost shares *only* for fiscal 2019, which held harmless several jurisdictions that otherwise would have experienced a decrease in State support based on the 2017 recalculation of the formula. **Exhibit 1** shows the State share of eligible school construction costs for all Maryland jurisdictions for fiscal 2017 through 2019, as approved by BPW.

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**Exhibit 1**  
**State Share of Eligible School Construction Costs**  
**Fiscal 2017-2019**

<b>County</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
Allegany	83%	83%	85%
Anne Arundel	50%	50%	50%
Baltimore City	93%	93%	93%
Baltimore	52%	52%	56%
Calvert	53%	53%	53%
Caroline	80%	80%	81%
Carroll	59%	59%	59%
Cecil	63%	63%	66%
Charles	61%	61%	61%
Dorchester	76%	76%	76%
Frederick	64%	64%	64%
Garrett	50%	50%	50%
Harford	63%	63%	63%
Howard	55%	55%	55%
Kent	50%	50%	50%
Montgomery	50%	50%	50%
Prince George's	63%	63%	70%
Queen Anne's	50%	50%	51%
St. Mary's	58%	58%	58%
Somerset	100%	100%	100%
Talbot	50%	50%	50%
Washington	71%	71%	71%
Wicomico	97%	97%	97%
Worcester	50%	50%	50%
MD School for the Blind	93%	93%	93%

Source: Interagency Committee on School Construction

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Chapters 306 and 307 also established the State's intent to provide \$2.0 billion of funding for school construction by fiscal 2013, an average of \$250.0 million each year for eight years. The State achieved the \$2.0 billion target ahead of schedule, and Public School Construction Program (PSCP) funding has remained above the \$250.0 million target each year since. **Exhibit 2** shows annual State public school construction funding from fiscal 2010 through 2018, by county.

The Governor's proposed fiscal 2019 budget includes \$309.0 million in general obligation (GO) bonds and \$4.9 million in general funds for PSCP and an additional \$40.0 million in GO bonds for a supplemental grant program for school systems that have high enrollment growth or a large number of relocatable classrooms, as established by statute. The fiscal 2019 *Capital Improvement Program* includes \$280.0 million annually for PSCP in fiscal 2020 through 2023 and \$40.0 million annually for the supplemental grant program.

**Exhibit 2**  
**State Public School Construction Funding**  
**Fiscal 2010-2018**  
**(\$ in Thousands)**

County	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY2015	FY 2016	FY 2017	FY 2018
Allegany	\$0	842	\$727	\$1,999	\$2,496	\$6,597	\$10,837	\$24,242	12,873
Anne Arundel	25,020	26,200	32,400	33,349	34,870	36,200	39,419	42,598	36,829
Baltimore City	27,733	28,559	41,000	46,102	39,478	35,329	36,788	37,500	37,303
Baltimore	28,000	29,000	39,000	47,394	52,068	34,561	42,177	45,775	45,186
Calvert	8,181	8,450	7,317	7,129	5,577	2,653	1,500	9,964	14,575
Caroline	6,000	3,767	235	756	7,788	0	2,902	36	1,646
Carroll	10,520	8,444	9,079	15,211	4,874	3,915	6,415	3,418	3,853
Cecil	1,538	1,744	2,830	1,915	1,268	8,194	4,723	6,650	6,730
Charles	8,898	8,335	9,180	12,480	9,426	8,200	12,817	8,951	10,516
Dorchester	6,469	5,436	3,639	979	1,590	768	179	5,009	10,975
Frederick	16,226	14,000	16,532	19,254	20,163	15,901	21,000	21,295	19,564
Garrett	666	0	382	319	134	0	0	0	1,567
Harford	16,253	13,835	17,040	16,573	13,214	12,791	9,309	8,732	13,592
Howard	18,262	18,290	26,936	32,811	25,931	20,772	27,820	31,206	21,066
Kent	388	0	104	123	95	817	615	0	0
Montgomery	28,350	30,183	42,000	43,794	38,592	39,950	45,708	50,128	59,194
Prince George's	28,200	29,500	40,348	42,192	39,371	38,539	41,729	44,675	49,625
Queen Anne's	3,947	5,750	5,374	649	4,371	5,112	0	249	2,455
St. Mary's	4,028	6,600	3,354	3,172	7,472	11,876	7,015	1,273	815
Somerset	6,000	6,000	3,371	289	3,811	2,752	2,222	1,771	14,720
Talbot	436	344	135	35	634	0	308	0	0
Washington	7,965	7,970	8,571	9,117	8,494	7,467	8,404	4,847	2,592
Wicomico	13,170	9,975	1,864	11,290	13,327	10,991	7,440	10,373	11,847
Worcester	403	0	165	166	4,882	0	72	0	0
MD School for the Blind				2,800	6,063	14,733	8,616	6,000	9,376
Statewide		500		100	500	660	175	300	500
<b>Total</b>	<b>\$266,653</b>	<b>\$263,724</b>	<b>\$311,583</b>	<b>\$349,997</b>	<b>\$347,277</b>	<b>\$318,778</b>	<b>\$338,190</b>	<b>\$364,992</b>	<b>\$387,399</b>
<b>Amount Over \$250M</b>	<b>\$16,653</b>	<b>\$13,724</b>	<b>\$61,583</b>	<b>\$99,997</b>	<b>\$97,277</b>	<b>\$68,778</b>	<b>\$88,190</b>	<b>\$114,992</b>	<b>\$137,399</b>

Note: Includes new general obligation bonds, pay-as-you-go funds, and reallocated funds that were previously authorized. Counties receiving \$0 did not request any eligible projects to be funded in that year. Fiscal 2016-2018 include funds allocated for the Enrollment Growth and Relocatable Classroom program totaling \$20 million in fiscal 2016, \$40 million in fiscal 2017, and \$62.5 million in fiscal 2018. Fiscal 2017 total for Baltimore County includes \$5 million withheld by the Board of Public Works and later reauthorized by the General Assembly in fiscal 2018.

Source: Interagency Committee on School Construction; Department of Legislative Services