

**Department of Legislative Services**  
 Maryland General Assembly  
 2023 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 918 (Senator King)  
 Budget and Taxation

**Higher Education - Community College Facilities Renewal Grant Program - Alterations**

This bill doubles, from 8 to 16, the number of grants the Maryland Higher Education Commission (MHEC) may make under the Community College Facilities Renewal Grant Program (CCFRGP) each fiscal year. Beginning in fiscal 2024, the amount the Governor must appropriate to CCFRGP in the operating or capital budget increases from 5% to 10% of the annual appropriation for the Community College Construction Grant Program (CCCGP). A community college may continue to receive funding for more than one “eligible project” (as defined under current law) in a fiscal year; however, all related limits on timing and funding levels for grants are repealed. **The bill takes effect July 1, 2023.**

**Fiscal Summary**

**State Effect:** Pay-as-you-go (PAYGO) general fund and/or general obligation bond expenditures increase by an estimated \$2.6 million in FY 2024 (this funding is discretionary) and \$4.0 million beginning in FY 2025. MHEC can operate the expanded grant program with existing budgeted resources. Baltimore City Community College (BCCC) is eligible for grants under the program (not reflected below). No other effect on revenues. **This bill increases a mandated appropriation beginning in FY 2025.**

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
Bond/PAYGO Exp.	2.6	4.0	4.0	4.0	4.0
Net Effect	(\$2.6)	(\$4.0)	(\$4.0)	(\$4.0)	(\$4.0)

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

**Local Effect:** Community colleges are eligible for up to an additional \$2.6 million in facility renewal grants in FY 2024 (this funding is discretionary) and up to an additional \$4.0 million beginning in FY 2025. Matching funds are not required for the grants, so there is no other effect on expenditures by local community colleges.

**Small Business Effect:** None.

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## Analysis

### Current Law:

#### *Community College Facilities Renewal Grant Program*

Chapters 687 and 688 of 2018 established CCFRGP within MHEC to provide grants for improvements, repairs, and deferred maintenance projects at community colleges, including BCCC. Grants provided by the program are in addition to and may not supplant funds provided by CCCGP. Each year the Governor must appropriate 5% of the annual appropriation for CCCGP to CCFRGP.

An “eligible project” has a total estimated cost of no more than \$1.0 million and has been submitted to MHEC as part of an annual master plan or a 10-year master plan. Community colleges must submit applications for program grants by September 1 of the preceding fiscal year.

The program has several statutory limits, which are amended or repealed by the bill. MHEC may make up to eight grants in each fiscal year. A community college may not receive grants in consecutive years. Further, if a community college does not request funds in a given year, it may not receive a grant until the second following fiscal year. A community college may receive funding for more than one eligible project in a fiscal year, but the total awarded to a community college is capped at \$500,000 in a fiscal year. If total appropriations to the program are less than \$4.0 million in a fiscal year, equal grants must be given to each community college that is eligible for a grant.

MHEC must consult with each community college to determine which community colleges will receive a grant for eligible projects under CCFRGP each fiscal year. MHEC, in collaboration with the community colleges, must adopt any regulations necessary to carry out the program.

## *Community College Construction Grant Program*

CCCGP provides grants for capital improvements to Maryland's local community colleges; as BCCC is a State agency, it is not included in the program and receives separate capital improvement funding. Applications for grants are submitted simultaneously to 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.

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.

The General Assembly can mandate an appropriation to the operating budget of any State agency, but it can only do so for fiscal years following the next fiscal year.

**State/Local Fiscal Effect:** The bill requires that the Governor appropriate 10% rather than 5% of the appropriation for CCCGP to CCFRGP beginning in fiscal 2024. This analysis assumes the funding is provided in fiscal 2024 even though the higher required funding level cannot be treated as a mandated appropriation until fiscal 2025. Based on projected funding levels for CCCGP in the [2024-2028 Capital Improvement Program](#), the additional appropriations for CCFRGP are \$2.6 million in fiscal 2024 and \$4.0 million in fiscal 2025 through 2028.

The fiscal 2024 capital budget includes \$2.587 million in general funds and \$15.0 million in special funds from the State's Fiscal Responsibility Fund for CCFRGP (\$17.587 million total). The general fund portion of the program funding is 5% of the \$51.735 million in funding allocated to CCCGP, as mandated in statute.

Although \$80.0 million is the planned CCCGP funding level for future fiscal years, actual annual funding varies depending on the cash flow needs and project schedules of each individual project, as prioritized by MHEC. Additional funding for certain legislative priorities has been added to the CCCGP budget as proposed by MHEC in recent fiscal years; however, even so, total program funding has only met or exceeded the \$80.0 million planned amount in two of the previous five fiscal years.

MHEC can operate the expanded program with existing resources; however, funding for fiscal 2024 may be delayed in being distributed to the community colleges because MHEC will need to develop a methodology to distribute the funds (rather than awarding the appropriation equally to each community college eligible for a grant that year).

BCCC and the 15 local community colleges benefit from the additional funding available under the bill and removal of limits on timing and dollar values of grants. Even if additional discretionary funding is not provided in fiscal 2024, the other provisions in the bill apply to CCFRGP beginning in fiscal 2024. As many as 16 grants may be awarded each year, including in fiscal 2024. Accordingly, each community college may be able to receive a grant every year, rather than at most one-half of the community colleges each year.

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### **Additional Information**

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

**Designated Cross File:** None.

**Information Source(s):** Maryland Higher Education Commission; Baltimore City Community College; Department of Budget and Management; Department of Legislative Services

**Fiscal Note History:** First Reader - March 14, 2023  
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