

Department of Legislative Services  
 Maryland General Assembly  
 2024 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 427 (Delegate D. Jones)  
 Appropriations

Higher Education - Community College Facilities Renewal Grant Program - Alterations

This bill *requires* the Maryland Higher Education Commission (MHEC) to distribute grants of equal amounts to each community college under the Community College Facilities Renewal Grant Program (CCFRGP), rather than authorizing distribution to as many as 8 of the 16 community colleges. Beginning in fiscal 2025, 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 *utilize* funding received, rather than receive funding, for more than one “eligible project” (as defined under current law) in a fiscal year; further, all related limits on timing and funding levels for grants are repealed. **The bill takes effect July 1, 2024.**

Fiscal Summary

**State Effect:** Pay-as-you-go (PAYGO) general fund and/or general obligation (GO) bond expenditures increase by \$1.9 million in FY 2025 (this funding is discretionary), \$3.5 million in FY 2026, and \$4.0 million beginning in FY 2027. 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 2026.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
Bond/PAYGO Exp.	1.9	3.5	4.0	4.0	4.0
Net Effect	(\$1.9)	(\$3.5)	(\$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 (including BCCC) are eligible for up to an additional \$1.9 million in facility renewal grants in FY 2025 (this funding is discretionary) and up to an additional \$3.5 million in FY 2026 and \$4.0 million beginning in FY 2027. 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 – either in the operating budget or the capital budget.

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.

### *Mandated Appropriations*

The General Assembly can mandate an appropriation be included in the *operating* budget of any State agency, but it can only do so for fiscal years following the next fiscal year. Appropriations cannot be mandated in the capital budget. Accordingly, mandates for capital spending allow for such funding to be provided in either the operating budget or in the capital budget.

**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 2025. This analysis assumes the funding is provided in fiscal 2025 even though, as noted above, the higher required funding level cannot be treated as a mandated appropriation until fiscal 2026. Further, if the increased mandated appropriation for the program is met by including funds in the operating budget, PAYGO general funds must be used. However, the Governor can satisfy the increased mandated appropriation by including GO bond funding in the capital budget on a discretionary basis. Further, if the additional funding is provided in the capital budget, total State funding is not affected as such funding is established annually through the capital budget process. Instead, increased funding for CCFRGP with GO bonds results in less GO bond funding being available for other purposes.

Based on projected funding levels for CCCGP in the [2025-2029 Capital Improvement Program](#), the additional appropriations for CCFRGP are \$1.9 million in fiscal 2025, \$3.5 million in fiscal 2026, and \$4.0 million in fiscal 2027 through 2029. MHEC can operate the expanded program with existing resources.

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 2025, the other provisions in the bill apply

to CCFRGP beginning in fiscal 2025. Under the bill, each community college must receive a grant of equal size each year, whereas under current law, MHEC may only award a grant to as many as eight community colleges.

More specifically, the fiscal 2025 capital budget includes \$1.903 million in GO bonds for CCFRGP, which is 5% of the \$38.058 million in funding allocated to CCCGP, as mandated in statute. Under current law and practice, these funds are evenly distributed among the eight community colleges eligible to receive a grant in that year. Consequently, each of those eligible eight community colleges would receive \$237,875 in fiscal 2025. However, under the bill, all 16 community colleges, including BCCC, receive \$237,875 in fiscal 2025, contingent upon the availability of discretionary funding. Without the discretionary funding, each of the 16 community colleges receives \$118,937. Accordingly, once the additional funding becomes available, any community college that would have received funding is essentially held harmless under the bill, while all other community colleges benefit.

Although \$70.0 million to \$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.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See SB 918 2023.

**Designated Cross File:** SB 393 (Senator King) - Budget and Taxation.

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

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