

RI00
Maryland Higher Education Commission – Capital

Capital Budget Summary

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

Program	2020 Approp.	2021 Approp.	2022 Request	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate
Community College Construction Grant Program	\$76.705	\$87.324	\$75.880	\$70.000	\$75.000	\$80.000	\$80.000
Community College Facilities Renewal Grant Program	1.009 ¹	0.000 ²	3.794	3.500	3.750	4.000	4.000
Total	\$77.714	\$87.324	\$79.674	\$73.500	\$78.750	\$84.000	\$84.000

Fund Source	2020 Approp.	2021 Approp.	2022 Request	2023 Estimate	2024 Estimate	2025 Estimate	2026 Estimate
PAYGO GF	\$1.009	\$0.000	\$0.000	\$3.500	\$3.750	\$4.000	\$4.000
GO Bonds	76.705	87.324	59.674	70.000	75.000	80.000	80.000
Bond Premiums	0.000	0.000	20.000	0.000	0.000	0.000	0.000
Total	\$77.714	\$87.324	\$79.674	\$73.500	\$78.750	\$84.000	\$84.000

GF: general funds
GO: general obligation
PAYGO: pay-as-you-go

¹ Cost containment actions taken by the Board of Public Works (BPW) reduced funding by \$2.791 million in PAYGO GF for the Community College Facilities Renewal Grant Program (CCFRGP) for fiscal 2020, from \$3.8 million to \$1.009 million.

² Cost containment actions taken by BPW eliminated the total funding amount of \$4 million in PAYGO GF for the CCFRGP for fiscal 2021.

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Key Observations

- The fiscal 2022 capital budget includes \$75.880 million in funding for the Community College Construction Grant Program (CCCGP) for 11 projects in 11 jurisdictions. Funding includes \$55.880 million in general obligation (GO) bonds and \$20 million in bond premium. Fiscal 2022 funding is further supplemented with the use of \$7.6 million from the program fund balance, which increases the total funding from all sources to \$83.4 million.
- The fiscal 2022 capital budget includes \$3.794 million in funding for the Community College Facilities Renewal Grant Program (CCFRGP), which is less than the planned amount of \$4 million because the mandated funding formula does not include the use of fund balance for the CCCGP in the calculation.
- A proposed fiscal 2021 deficiency appropriation restores \$6.791 million in funding to the CCFRGP that was eliminated due to cost containment actions taken for fiscal 2020 and 2021.

Summary of Recommended PAYGO Actions

1. Community College Facilities Renewal Grant Program

Approve the proposed fiscal 2021 deficiency appropriation of \$6,791,000 in special funds.

Summary of Recommended Bond Actions

1. Community College Construction Grant Program

Approve the \$55,880,000 in general obligation bond funding.

2. Community College Facilities Renewal Grant Program

Approve the \$3,794,000 in general obligation bond funding.

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

Approve the preauthorization of \$49,902,000 for the Community College Construction Grant Program for fiscal 2023.

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

Approve the preauthorization of \$14,799,000 for the Community College Construction Grant Program for fiscal 2024.

5. Section 16 Community College Construction Grant Program

Approve the \$20,000,000 in bond premium funding.

Program Description

The CCCGP 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 receive between 50% and 70% of costs from the State, depending on the wealth of the jurisdiction, per section 11-105(j) of the Education Article. 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. The Maryland Higher Education Commission (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.

The CCFRGP is established by Chapter 687 and 688 of 2018 and administered by MHEC. The program provides grants for improvements, repairs, and deferred maintenance projects at the 16 community colleges in the State, including Baltimore City Community College. Eligible projects may not have a total estimated project cost of \$1.0 million or more and must be submitted to MHEC as part of an annual master plan or 10-year master plan. Grants provided by the program are in addition to and may not supplant funds provided by the CCCGP. Each year, the Governor must appropriate 5% of the annual appropriation for the CCCGP to the CCFRG.

Budget Overview

The fiscal 2022 capital budget provides \$75.9 million for the CCCGP to fund 11 projects at 11 community colleges. Funding includes \$55.9 million in GO bond funds and \$20.0 million in bond premium proceeds from the sale of GO bonds. Fiscal 2022 funding is further supplemented with the use of \$7.6 million from the program fund balance, which increases the total funding from all sources to \$83.4 million. The fund balance for the program is currently estimated by MHEC at approximately

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\$8.5 million and includes unused balances of funds appropriated in previous years that were not needed to complete projects. The use of fund balance in fiscal 2022 will result in an estimated remaining program fund balance of between \$1 million and \$3 million. **Exhibit 1** shows the fiscal 2022 allowance by fund type, including the amount of fund balance used to supplement program funding, compared to the previous two fiscal years.

Exhibit 1
Community College Construction Grant Program Funding by Fund Type
Fiscal 2020-2022
(\$ in Millions)

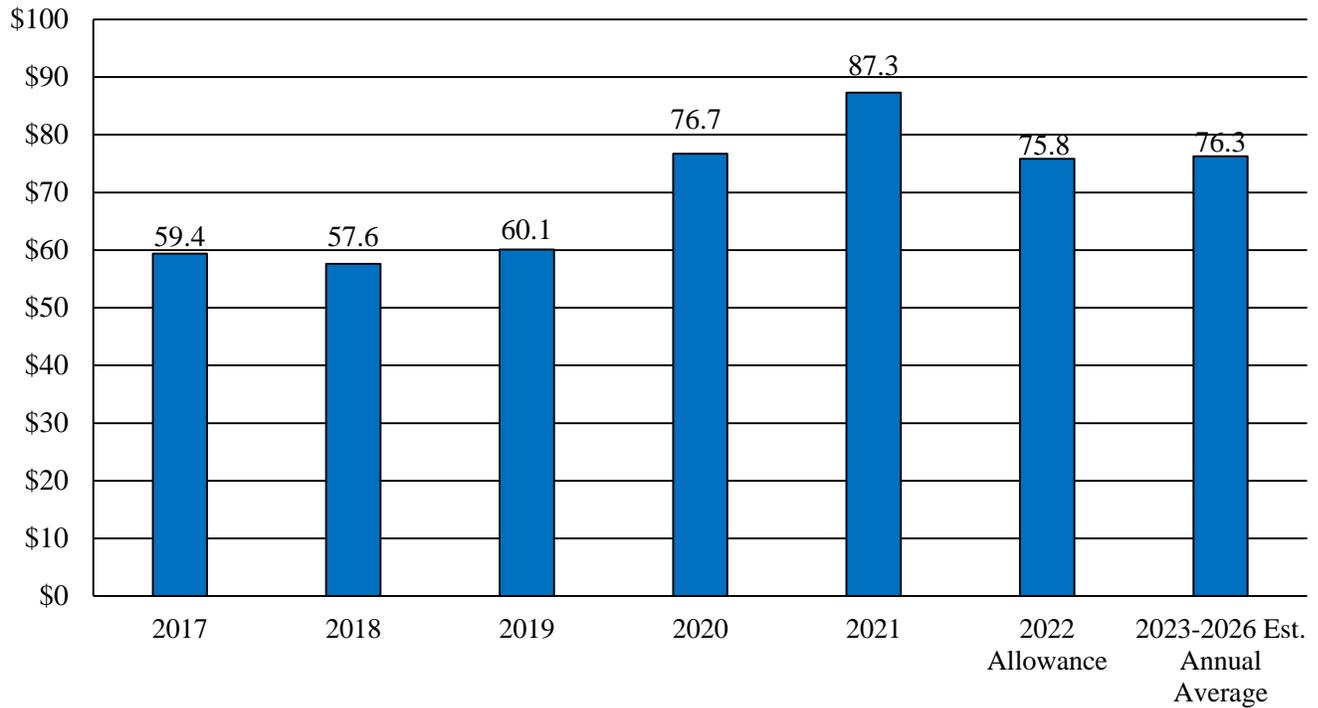
	2020 <u>Approp.</u>	2021 <u>Approp.</u>	2022 <u>Request</u>
GO Bonds	\$76.705	\$87.324	\$55.880
Bond Premium			20,000
Total Appropriation/Request	\$76.705	\$87.324	\$75.880
Use of Fund Balance	\$1.000	\$3.950	\$7.556
Total Annual Program Cost	\$77.705	\$91.274	\$83.436

GO: general obligation

Source: Department of Budget and Management; Department of Legislative Services

Exhibit 2 shows how funding levels for the program have changed since fiscal 2011. The fiscal 2021 authorization represents the peak funding level for this period, at \$87.3 million.

Exhibit 2
Community College Construction Grant Program
Fiscal 2011-2026 Est.
(\$ in Millions)



Note: Annual program funding amounts do not reflect the use of Maryland Higher Education Commission fund balance, which includes the use of prior authorized state funds not needed to complete projects.

Source: Department of Budget and Management

Exhibit 3 summarizes the proposed projects funded in fiscal 2022, including the current estimated project cost and funding plan. Eleven projects at 11 community colleges are included. Projects are listed in priority order of the Maryland Association of Community Colleges.

Exhibit 3
Fiscal 2022 Community College Construction Grant Program Proposed Projects
Maryland Association of Community Colleges Priority Order
(\$ in Millions)

<u>Project</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>2022 Request</u>	<u>Future Request</u>	<u>Total State Share</u>
Allegany College of Maryland – Technology Building Renovation, Phase 2: Renovate pods A and C of the Technology Building on the college's main campus. This project will modernize classroom and lab spaces for the technology programs, improve the building layout, and upgrade building systems. The revised project cost is a decrease from last year's estimate of \$11.5 million.	\$8.712	\$4.614	\$1.416	\$0	69%
Cecil College – Entrance, Roadway, and Facilities Management Building: Construct a multilane entrance to the college and roadways to better connect the campus and improve traffic flow. The project will also construct a new Facilities Management Building to replace the existing facility, which is undersized, in poor condition, and is planned for demolition.	14.566	5.051	3.776	0	61%
Frederick Community College – Linganore Hall Renovation: Renovate Linganore Hall on the college's main campus. This project will modernize and expand lab space for the Health Sciences Program, provide additional study and meeting spaces, and address other space deficiency issues. The project will also address roof and building infrastructure items. The scope of the project was reduced in order to keep the project within budget by eliminating a planned addition to the building.	11.395	3.334	3.048	0	56%
Howard Community College -- Mathematics and Athletics Complex: Construct a complex to house the Mathematics Department and Athletic Programs. The new building complex will meet the space needs of both programs, which are currently housed in outdated and undersized facilities.	101.667	8.849	13.844	28.141	50%
Montgomery College -- Catherine and Isiah Leggett Math and Science Building: Construct a new facility to house the campus Science, Technology, Engineering, and Mathematics programs. The programs are currently housed in six buildings, which have inadequate space and are in generally poor condition. The project will include demolition of the Falcon Hall and Science South buildings to facilitate the construction of the new facility. The scope of the project has been reduced in order to keep the project within budget by reducing the building size and equipment costs.	91.003	29.933	11.630	3.939	50%

<u>Project</u>	<u>Total Cost</u>	<u>Prior Auth.</u>	<u>2022 Request</u>	<u>Future Request</u>	<u>Total State Share</u>
Prince George’s Community College -- Marlboro Hall Renovation and Addition: Renovate and expand Marlboro Hall to upgrade building infrastructure, improve the building layout, and upgrade and expand classrooms for the Liberal Arts, Social Sciences and Business, Mathematics, and Learning Foundation courses. The total project cost reflects an increase from last year’s estimate of \$110.4 million.	112.867	30.938	24.137	13.549	61%
Wor-Wic Community College -- Applied Technology Building: Construct a new Applied Technology Building and associated road and parking lot improvements. The new facility will house the college's Supply Chain Management, Logistics, Transportation, Industrial Technology, and Alternative Energy programs. The college currently has insufficient space for these programs. Roadway improvements will allow for better vehicle circulation and pedestrian safety.	35.728	1.522	15.750	9.524	75%
Harford Community College -- Chesapeake Welcome Center and Renovation and Addition: Renovate and expand the Chesapeake Center to create a Chesapeake Welcome Center. The building will include a modern performing arts center, expanded conference space, a visitor’s center, a food service facility, and other admissions and enrollment services. The project will reconfigure the layout of the building and upgrade systems infrastructure.	32.179	857	2.817	13.381	53%
College of Southern Maryland -- Student Resource Center: Renovate the Health Technology Building on the college’s La Plata campus to create a Student Resource Center. The renovated facility will house the offices for various functions including Admissions, Advising, Career Center, Testing Center, Welcome Center, Financial Aid, and Student Affairs. These offices are currently divided between two facilities, which are undersized.	5.400	0	1.629	2.421	75%
Community College of Baltimore County -- Essex -- Wellness and Athletics Center Renovation and Addition: Renovate and expand the Wellness and Athletics Center to include a new fitness center, dance studios, and support space for the Athletics Program. The project will also include upgrades to several aging building systems. The scope of the project has been adjusted to include a storm water runoff management system.	11.000	230	4.214	1.056	50%
Hagerstown Community College – Learning Resource Center Roof and Metal Panel Replacement: Replace the roof and metal panel system on the college's Learning Resource Center. The current system is beyond its useful life and has experienced water infiltration issues. Preventative maintenance to prevent roof leaks has been unsuccessful.	1.783	0	1.175	0	66%
Total	\$426.300	\$85.328	\$83.436	\$72.011	

Source: Department of Budget and Management

Community College Miscellaneous Capital Projects

The fiscal 2022 capital budget includes \$700,000 in funding to complete construction of the Garrett College – Community Education and Performing Arts Center project as part of the miscellaneous capital projects program. This project will renovate and expand the existing 800 Building, an old gymnasium on the college’s main campus, to become the new Community Education and Performing Arts Center. This project was originally included as part of the CCCGP with a calculated 50/50 split of State and local funds but has been drawn out as a miscellaneous capital project in previous fiscal years. The fiscal 2022 total project cost estimates put the funding split at approximately 79/21 between the State and Garrett County. The construction of the project is estimated to be completed in early 2022.

Community College Facilities Renewal Grant Program

The fiscal 2022 capital budget funds the facility renewal program at \$3.794 million in GO bond funds, which is 5% of the \$75.9 million in funding allocated to the larger construction program as mandated in statute. The mandate does not factor into the calculation the \$7.566 million of fund balance used to support the construction program. **The committees should consider amending the statute to set the mandate at the greater of \$4.0 million, or 5%, of the amount of State funds authorized for the construction program to at least establish a mandated minimum funding level, as well as to allow for additional program funding in fiscal years when the construction program is funded at a higher level.** Statute currently limits the program to awarding no more than eight grants of a maximum of \$500,000 each, effectively setting a maximum annual funding level of \$4 million, although actual program funding has been less than \$4 million in most years of the program’s history.

Exhibit 4 shows the distribution of the grants for fiscal 2022. As shown, equal sized grants of \$474,000 are distributed to Allegany College of Maryland, Anne Arundel Community College, Community College of Baltimore County, Cecil College, Montgomery College, Prince George’s Community College, College of Southern Maryland, and Wor-Wic Community College.

Exhibit 4
Community College Facilities Renewal Grant Program Recipients
Fiscal 2022
(\$ in Thousands)

<u>Community College</u>	<u>Award</u>
Allegany College of Maryland	\$474
Anne Arundel Community College	474
Community College of Baltimore County	474
Cecil College	474
Montgomery College	474
Prince George’s Community College	474
College of Southern Maryland	474
Wor-Wic Community College	474
Total	\$3,794

Source: Department of Budget and Management

Fiscal 2020 and 2021 Cost Containment Actions

Cost containment actions taken by the Board of Public Works reduced the funding for the CCFRGP by \$2,791,000 in fiscal 2020 and eliminated the total funding amount of \$4,000,000 for the program in fiscal 2021. **Exhibit 5** illustrates these reductions for both fiscal years. The Governor’s fiscal 2022 operating budget includes a proposed fiscal 2021 deficiency appropriation of \$6,791,000 in special funds to restore funding from these reductions using bond premiums from the Annuity Bond Fund. Projects previously planned for fiscal 2021 using funds from this program were either postponed, reprioritized, or completed using other fund sources.

Exhibit 5
CCFRGP Cost Containment Actions
Fiscal 2020-2021
(\$ in Millions)

	<u>2020</u>	<u>2021</u>
Appropriation	\$3.800	\$4.000
Reduction	2.791	4.000
Remaining Funds	\$1.009	\$0.000

CCFRGP: Community College Facilities Renewal Grant Program

Source: Department of Budget and Management

Preauthorizations

Exhibit 6 shows the proposed GO bond preauthorizations for the CCCGP. The capital budget bill includes a \$49.902 million GO bond preauthorization for fiscal 2023 and a \$14.799 million GO bond preauthorization for fiscal 2024. These preauthorizations allow contracts to be approved for projects that will take more than one year to complete without having to authorize all of the funds in a single fiscal year.

Exhibit 6 Preauthorizations Fiscal 2023-2024

<u>Project</u>	<u>2023</u>	<u>2024</u>
Community College Construction Grant Program	\$49.902	\$14.799

Source: Department of Budget and Management, 2020 *Capital Improvement Program*

PAYGO Recommended Actions

1. Approve the proposed fiscal 2021 deficiency appropriation of \$6,791,000 in special funds from bond premium revenues for the Community College Facilities Renewal Grant Program.

GO Bond Recommended Actions

1. Approve the \$55,880,000 in general obligation bond funding for the Community College Construction Grant Program.
2. Approve the \$3,794,000 in general obligation bond funding for the Community College Facilities Renewal Grant Program.
3. Approve the preauthorization of \$49,902,000 for the Community College Construction Grant Program for fiscal 2023.
4. Approve the preauthorization of \$14,799,000 for the Community College Construction Grant Program for fiscal 2024.
5. Approve the \$20,000,000 in bond premium funding for the Community College Construction Grant Program.