



MONTANA LEGISLATIVE BRANCH

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Director
AMY CARLSON

DATE: June 15, 2022
TO: Education Interim Budget Committee
FROM: Katie Guenther, Fiscal Analyst
RE: Community College Funding Formula Factors

COMMUNITY COLLEGE FUNDING FORMULA – FACTORS

The 2021 Legislature passed HB 67, which redesigned the community college funding formula (20-15-310, MCA). The new funding formula will be implemented for the first time in the 2025 biennium. There are two areas that the legislature determines as a matter of public policy: (1) the FTE decrease/increase funding factor, and (2) the FTE weighting factors. The Office of the Commissioner of Higher Education has requested the Education Interim Budget Committee's input on the factors to use in the formula. This memo provides two funding scenarios: (1) using the factors applied last interim in the development of the new funding formula, and (2) using the community college presidents' proposal provided this interim. These factors include:

- Factors used last interim
 - FTE decrease/increase funding factor
 - \$3,000 – FTE decrease
 - \$6,000 – FTE increase
 - FTE weighting factors
 - 1.50 for CTE FTE
 - 1.00 for all other study area FTE
- Factors proposed by the community college presidents
 - FTE decrease/increase funding factor
 - \$3,500 – FTE decrease
 - \$7,000 – FTE increase
 - FTE weighting factors
 - 1.75 for CTE FTE
 - 1.25 for general education/transfer FTE
 - 1.00 for all other study area FTE

Assumptions Applied to the Funding Formula

In order to objectively compare the two alternatives, a set of underlying assumptions were used in the calculation and applied to both funding scenarios. These include:

- Low Growth, Average Growth, High Growth – the scenarios include the lowest, average, and highest percent growth in FTE for each of the community colleges (FY 2016 through FY 2020). This was done to show the range of potential funding outcomes based upon the variation in actual enrollment at the community colleges over the last 5 years

- Growth in Areas of Study – for each 0.25 added to an FTE weighting factor, there is an assumption of 2.5% growth in the applicable area of study
- The calculations were done individually for each community college and then consolidated to show the community college system in the tables for each of the scenarios

COMMUNITY COLLEGE FUNDING FORMULA – SCENARIOS

The two funding scenarios are included on pages three and four of this memo. The adjustment of the two factors only impacts the adjustment for weighted FTE. The change to the adjusted base remains the same in both funding scenarios because the same inflationary factors are applied.

Over the 2025 biennium the change in state support using average growth is \$1.5 million with the factors used last interim and \$1.9 million with the factors proposed by the community college presidents, which is a difference of approximately \$386,000. The average state share per resident FTE for the 2025 biennium using average growth is \$8,724 with the factors used last interim and \$8,913 with the factors proposed by the community college presidents (the state share per resident FTE is shown for each fiscal year for each of the scenarios on the next two pages). This is a difference of \$189 per resident FTE under average growth assumptions.

CONCLUSION

Recommendations by the Education Interim Budget Committee (EIBC) of factors to include in the community college funding formula will assist the Office of the Commissioner of Higher Education in the development of the budget it will submit to the Office of Budget and Program Planning in September. While these factors can change throughout the budgeting process, the decision by the EIBC will influence the factors presented in the budget that will be deliberated on in the 2023 Legislative Session.

Community College Funding Formula Scenario - Factors Used Last Interim								
	FY 2024				FY 2025			
	Low Growth	Average Growth	High Growth		Low Growth	Average Growth	High Growth	
Adjusted Base	\$ 14,555,486	\$ 14,555,486	\$ 14,555,486	FY 2024 Appropriation	\$ 14,575,474	\$ 15,414,323	\$ 16,750,529	
Adjustment for Inflation	392,998	392,998	392,998	Adjustment for Inflation	448,455	448,455	448,455	
Adjustment for Weighted FTE	<u>(373,010)</u>	<u>465,839</u>	<u>1,802,045</u>	Adjustment for Weighted FTE	<u>(149,156)</u>	<u>225,930</u>	<u>983,932</u>	
Total General Fund Appropriation	\$ 14,575,474	\$ 15,414,323	\$ 16,750,529	Total General Fund Appropriation	\$ 14,874,773	\$ 16,088,708	\$ 18,182,916	
Base Resident FTE (FY 2022)	1,752	1,752	1,752	Base Resident FTE (FY 2022)	1,752	1,752	1,752	
Change in Resident FTE	<u>(142)</u>	<u>41</u>	<u>235</u>	Change in Resident FTE	<u>(195)</u>	<u>66</u>	<u>372</u>	
Total Estimated Resident FTE	1,610	1,793	1,987	Total Estimated Resident FTE	1,557	1,818	2,124	
Change in State Support*	\$ 19,988	\$ 858,837	\$ 2,195,043	Change in State Support	\$ 299,299	\$ 674,385	\$ 1,432,387	
Percent Change in State Support	0.1%	5.9%	15.1%	Percent Change in State Support	2.1%	4.4%	8.6%	
State Share per Resident FTE	\$ 9,053	\$ 8,597	\$ 8,430	State Share per Resident FTE	\$ 9,553	\$ 8,852	\$ 8,562	
*Compared to the adjusted base								

Community College Funding Formula Senario - Factors Proposed by the Community College Presidents							
	FY 2024				FY 2025		
	Low Growth	Average Growth	High Growth		Low Growth	Average Growth	High Growth
Adjusted Base	\$ 14,555,486	\$ 14,555,486	\$ 14,555,486	FY 2024 Appropriation	\$ 14,604,912	\$ 15,710,144	\$ 16,811,053
Adjustment for Inflation	392,998	392,998	392,998	Adjustment for Inflation	448,455	448,455	448,455
Adjustment for Weighted FTE	<u>(343,572)</u>	<u>761,660</u>	<u>1,862,569</u>	Adjustment for Weighted FTE	<u>(150,956)</u>	<u>315,659</u>	<u>987,882</u>
Total General Fund Appropriation	\$ 14,604,912	\$ 15,710,144	\$ 16,811,053	Total General Fund Appropriation	\$ 14,902,411	\$ 16,474,258	\$ 18,247,390
Base Resident FTE (FY 2022)	1,752	1,752	1,752	Base Resident FTE (FY 2022)	1,752	1,752	1,752
Change in Resident FTE	<u>(142)</u>	<u>41</u>	<u>235</u>	Change in Resident FTE	<u>(195)</u>	<u>66</u>	<u>372</u>
Total Estimated Resident FTE	1,610	1,793	1,987	Total Estimated Resident FTE	1,557	1,818	2,124
Change in State Support*	\$ 49,426	\$ 1,154,658	\$ 2,255,567	Change in State Support	\$ 297,499	\$ 764,114	\$ 1,436,337
Percent Change in State Support	0.3%	7.9%	15.5%	Percent Change in State Support	2.0%	4.9%	8.5%
State Share per Resident FTE	\$ 9,071	\$ 8,762	\$ 8,461	State Share per Resident FTE	\$ 9,571	\$ 9,064	\$ 8,593
*Compared to the adjusted base							