

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Local Assistance	27,784,483	27,576,460	(208,023)	(0.75)%
Total Expenditures	\$27,784,483	\$27,576,460	(\$208,023)	(0.75)%
General Fund	27,784,483	27,576,460	(208,023)	(0.75)%
Total Funds	\$27,784,483	\$27,576,460	(\$208,023)	(0.75)%
Total Ongoing	\$27,784,483	\$27,576,460	(\$208,023)	(0.75)%
Total OTO	\$0	\$0	\$0	0.00%

Program Description

The funds appropriated by the legislature for this program are distributed to support Montana's three community colleges:

- Miles Community College
- Dawson Community College
- Flathead Valley Community College

Each community college district has an elected board of trustees. The regents have statutory authority to control the community colleges in Title 20, Chapter 15, MCA.

Program Highlights

Community College Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> • The Community College Assistance Program’s 2023 biennium requested appropriations are approximately \$208,000 or 0.8% lower than the 2021 biennium • The executive proposes decreasing general fund by approximately \$278,000 in FY 2022 and \$185,000 in FY 2023 based on the statutory funding formula

Program Actuals and Budget Comparison

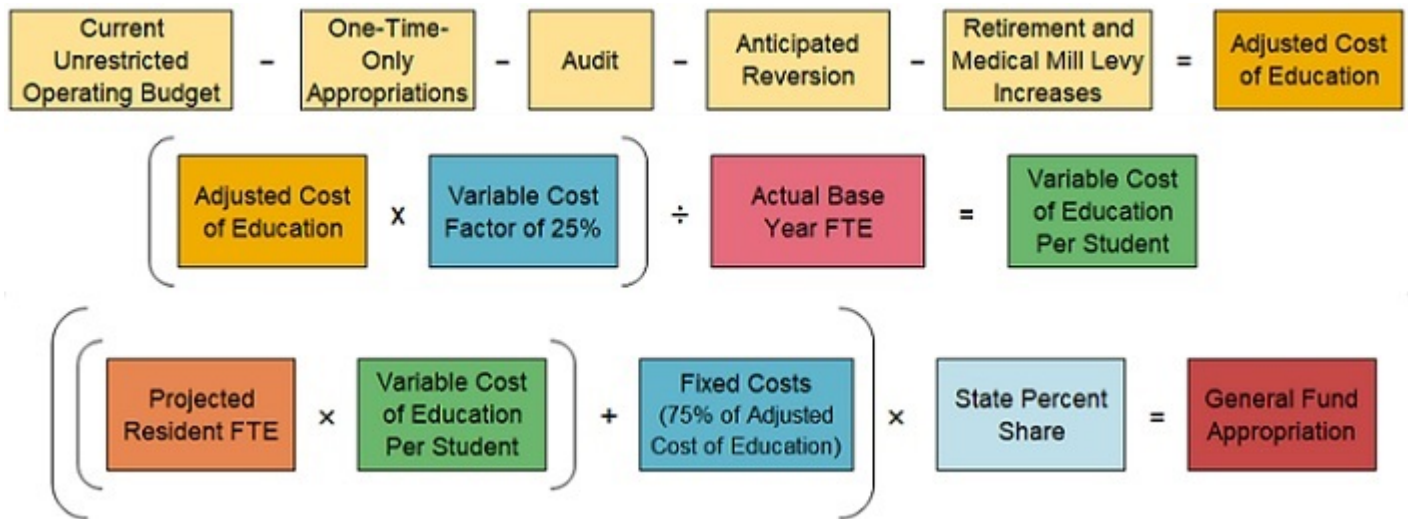
The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
Local Assistance	13,765,066	13,765,066	14,019,417	13,741,815	13,834,645
Total Expenditures	\$13,765,066	\$13,765,066	\$14,019,417	\$13,741,815	\$13,834,645
General Fund	13,765,066	13,765,066	14,019,417	13,741,815	13,834,645
Total Funds	\$13,765,066	\$13,765,066	\$14,019,417	\$13,741,815	\$13,834,645
Total Ongoing	\$13,765,066	\$13,765,066	\$14,019,417	\$13,741,815	\$13,834,645
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

The legislature directly appropriates general fund to the community colleges. The community colleges receive additional funding that is not appropriated or approved by the legislature and is not reflected in the table above. This funding includes tuition and fees, a mandatory local property tax levy, an optional local voted levy, and other miscellaneous funds.

The state general fund appropriation for each community college is defined in Montana statute (20-15-310, MCA). The purpose of the community college funding formula is to provide a tool for the legislature to use to establish the state general fund appropriation for the community colleges each biennium. The state appropriation is based on a multi-factor funding formula. The following graphic represents the funding formula:



The statutory formula factors are defined as follows:

- Cost of Education (current unrestricted operating budget) – actual base year expenditures reported by the community colleges in the annual operating budgets submitted to and approved by the Board of Regents
- Adjusted cost of education – the cost of education adjusted for one-time-only expenditures, revenues statutorily excluded such as a voted mill levy, retirement and medical levies exceeding the FY 2012 levels, and if applicable, an estimate for any FTE reversion required by 17-7-142, MCA
- Variable cost of education per student – the portion of the adjusted cost of education that is influenced by increases or decreases in student enrollment, divided by the actual student enrollment for the base year
- Fixed cost of education – the portion of the adjusted cost of education that is not influenced by increases or decreases in student enrollment
- Projected resident student enrollment – the aggregated resident FTE count that the three colleges project for each year of the proposed biennial budget

- State percent share – the percent of the fixed and variable cost calculation that the legislature decides, as a matter of public policy, to support with a state appropriation

The general fund appropriation calculated using the formula is constrained by two factors in statute, which include:

- State support per resident full-time equivalent student (FTE)
 - The state general fund appropriation for the community college system cannot be more than the weighted average of state support per resident FTE of the community colleges and the Montana University System (MUS) for the most recent year plus two standard deviations on the most recent six-year weighted average
- Enrollment
 - If enrollment is less than 200 resident FTE for two consecutive years, the state general fund appropriation may not exceed the lesser of the weighted average of state support per resident FTE for the MUS or the community college system

FY 2020 Appropriation Compared to FY 2020 Actual Expenditures

The Community College Assistance Program is entirely funded in HB 2 with general fund. The HB 2 modified budget of \$13.8 million was 100.0% expended as of the end of FY 2020. This is in line with anticipated expenditures at the end of the fiscal year.

FY 2020 Appropriations Compared to FY 2021 Appropriations

Overall, the FY 2021 appropriation is approximately \$254,000 or 1.8% higher than the FY 2020 appropriation. The differences in the total appropriation are primarily due to the legislature approving a higher present law adjustment in FY 2021 for an increase in projected resident FTE for the three community colleges and the pay plan allocation in each fiscal year.

Executive Request

The appropriation to the community colleges is distributed to OCHE and then allocated to the individual community colleges. The executive request for the 2023 biennium decreases the appropriation by approximately \$462,000 or 3.3% when compared to the FY 2021 base appropriation. The following figure shows the calculation of the general fund appropriation for the 2023 biennium.

Figure 7

Community College Assistance Program Calculation of General Fund Appropriation for the 2023 Biennium Using Statutory Funding Formula Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio				
Fiscal Year 2022				
Budget Item Factors	Dawson	Flathead Valley	Miles	Total
Projected Resident Student FTE	275	1,375	400	2,050
Variable Cost of Education per FTE	\$3,264	\$3,264	\$3,264	\$3,264
Fixed Cost of Education	3,206,168	13,848,623	4,763,480	21,818,270
Variable Cost of Education	897,670	4,488,349	1,305,701	6,691,720
Total Cost of Education	4,103,837	18,336,972	6,069,181	28,509,990
State % Share of Cost of Education	48.2%	48.2%	48.2%	48.2%
Calculated Total Funding Budget	1,978,050	8,838,420	2,925,345	13,741,815
Other Funding:				
Legislative Audit	42,954	31,999	41,931	116,884
Total FY 22 Appropriation	<u>\$2,021,003</u>	<u>\$8,870,419</u>	<u>\$2,967,276</u>	<u>\$13,858,699</u>
Fiscal Year 2023				
Budget Item Factors	Dawson	Flathead Valley	Miles	Total
Projected Resident Student FTE	300	1,389	420	2,109
Variable Cost of Education per FTE	\$3,264	\$3,264	\$3,264	\$3,264
Fixed Cost of Education	3,206,168	13,848,623	4,763,480	21,818,270
Variable Cost of Education	979,276	4,534,048	1,370,986	6,884,311
Total Cost of Education	4,185,444	18,382,671	6,134,466	28,702,581
State % Share of Cost of Education	48.2%	48.2%	48.2%	48.2%
Calculated Total Funding Budget	2,017,384	8,860,448	2,956,813	13,834,644
Other Funding:				
Legislative Audit				
Total FY 23 Appropriation	<u>\$2,017,384</u>	<u>\$8,860,448</u>	<u>\$2,956,813</u>	<u>\$13,834,644</u>
Total 2023 Biennium Appropriation	<u>\$4,038,387</u>	<u>\$17,730,867</u>	<u>\$5,924,089</u>	<u>\$27,693,343</u>

Enrollment Reversions

Section 17-7-142, MCA states that a reversion calculation is effective only in those years when the legislature funds resident enrollment growth based upon resident enrollment projections and requires a reversion if the resident enrollment projections are not met.

A reversion is anticipated for the 2021 biennium, as the FY 2020 actual community college resident enrollment was less than the FTE resident enrollment estimate used to establish the FY 2020 appropriation. A final reversion calculation will take place late in FY 2021 and the reversion would be made at the end of the biennium.

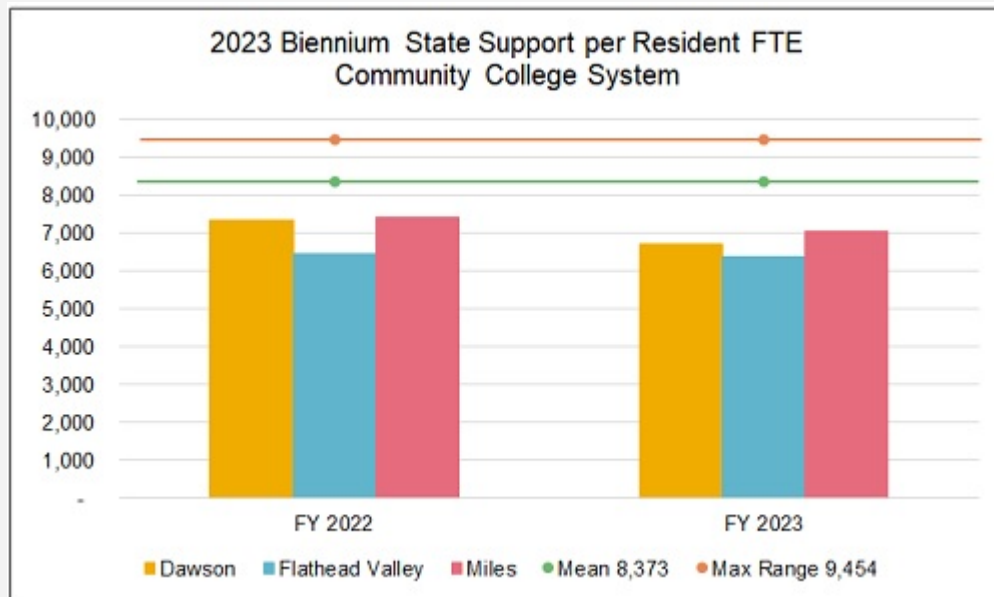
LFD COMMENT

The 2019 Legislature passed and approved HB 212, which revised the community college funding formula. There were modifications to the constraints placed on the state general fund appropriation and enrollment.

Statute states that the state general fund appropriation for each resident FTE may not exceed:

- The weighted average of state support per resident FTE among the community colleges and the 2-year and 4-year campuses of the MUS in the most recent year
- Plus an amount equal to two standard deviations of the most recent six years of weighted averages of state support per resident FTE among the community colleges and 2-year and 4-year campuses of the MUS

The following figure is based upon the proposed budget for the 2023 biennium. Each community college does not exceed the constraints established in statute.



The weighted average of state support per resident FTE for the community colleges and the 2-year and 4-year campuses of the MUS is \$8,737. The maximum range for funding, with the addition of two standard deviations is \$9,454. As noted above, the three community colleges do not exceed the limits on the state support per resident FTE for the 2023 biennium request.

In addition to the state support per resident FTE constraints, the community colleges also must meet enrollment requirements. Statute states that if enrollment for a community college is less than 200 resident FTE for 2 consecutive years, the maximum general fund appropriation in the subsequent fiscal year for that community college may not exceed the lesser of:

- The weighted average of state support per resident FTE within the MUS, or
- The weighted average of state support per resident FTE within the community college system

Based on resident FTE projections provided by the community colleges, it does not appear that enrollment will drop below 200 resident FTE in the 2023 biennium.

Figure 8

Commissioner of Higher Education Community College Assistance Program Resident FTE History				
	Dawson Community College	Flathead Valley Community College	Miles Community College	Total
FY 2011	327	2,053	372	2,752
FY 2012	274	1,845	352	2,471
FY 2013	229	1,714	326	2,269
FY 2014	213	1,557	298	2,068
FY 2015	200	1,458	285	1,943
FY 2016	154	1,410	317	1,881
FY 2017	165	1,452	348	1,965
FY 2018	183	1,415	361	1,959
FY 2019	205	1,408	383	1,996
FY 2020	223	1,366	396	1,985
FY 2021*	248	1,494	401	2,143
FY 2022*	275	1,375	400	2,050
FY 2023*	300	1,389	420	2,109

*FY 2021 through FY 2023 resident FTE are the projections used to establish HB 2 appropriations

Funding

The following table shows proposed program funding by source of authority.

Commissioner of Higher Education, 04-Community College Assistance Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	27,576,460	0	0	0	27,576,460	100.00 %
State Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$27,576,460	\$0	\$0	\$0	\$27,576,460	

The Community College Assistance Program is funded entirely with general fund in HB 2. The state appropriation for the community college is a separate line item and is not part of the lump sum appropriation to the Montana University System educational units.

LFD COMMENT

The joint subcommittee from the Legislative Finance Committee and the Education Interim Committee reviewed the community college funding formula during the most recent interim. This review resulted in the Legislative Finance Committee approving a committee bill (LC 429) for a new funding formula that would be implemented for the 2025 biennium if passed and approved by the full legislature.

The proposed community college funding formula uses a base-plus concept. The following graphic shows a potential base-plus community college funding formula. There are primarily two components to the base-plus funding formula: the prior

biennia base budget plus inflation and funding additional FTE by area of study.



The base-plus community college funding formula above starts with the state appropriations from the first year of the current biennium for each community college, adjusted for one-time-only and legislative audit appropriations and funding received for actual weighted FTE. This is multiplied by an inflation factor. State statute, 20-9-326, MCA, provides a mechanism for an annual inflation adjustment for K-12 funding. The inflation factor is calculated using the consumer price index and cannot exceed 3.0% in each year and is subject to final determination by the legislature. The established K-12 inflation calculation is used for determining inflation as part of the proposed community college funding formula.

Additionally, the base-plus funding formula includes weighted FTE in certain areas of study. The community colleges will project resident FTE in four areas: career and technical education (CTE), general education, early college, and concurrent enrollment. The legislature, as a matter of public policy, can apply a weight to any area of study. The weighted FTE are then multiplied by either a decreasing or increasing FTE funding factor. The legislature, as a matter of public policy, will also establish these factors.

The proposed bill also establishes a statutorily appropriated state special revenue account. At the end of each fiscal year, there is a reconciliation of the appropriation distributed using projected weighted FTE and actual weighted FTE. OCHE will determine the fiscal impacts that would have resulted had the actual weighted FTE been used to determine the appropriation and determine any overpayment or underpayment to each community college for the fiscal year. Any overpayment is deposited into the state special revenue account. Any underpayment will be distributed from the state special revenue account to the applicable community college.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the [glossary](#).

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	14,019,417	14,019,417	28,038,834	101.68 %	14,019,417	14,019,417	28,038,834	101.68 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	(277,602)	(184,772)	(462,374)	(1.68)%	(277,602)	(184,772)	(462,374)	(1.68)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
Total Budget	\$13,741,815	\$13,834,645	\$27,576,460		\$13,741,815	\$13,834,645	\$27,576,460	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2022-----				-----Fiscal 2023-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 401 - Community College PLA	0.00	(277,602)	0	0	(277,602)	0.00	(184,772)	0	0	(184,772)
Grand Total All Present Law Adjustments	0.00	(\$277,602)	\$0	\$0	(\$277,602)	0.00	(\$184,772)	\$0	\$0	(\$184,772)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 401 - Community College PLA -

The executive requests a decrease in general fund as a present law adjustment based on the statutory funding formula.

LFD COMMENT	The executive budget does not currently include the audit costs for the 2023 biennium. Audit costs for the biennium will total \$116,884 for the community colleges. The executive is anticipated to include a present law adjustment for these costs in its December 15th submission of the budget.
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