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 CONT.**

The figure below illustrates the proposed executive budget allocations for each of the community colleges:

Figure 6
 Proposed Executive Budget General Fund Appropriation Per Community College Unit

Budget Item	Fiscal Year 2006				Fiscal Year 2007			
	Flathead			TOTAL	Flathead			TOTAL
	Dawson	Valley	Miles		Dawson	Valley	Miles	
Projected Resident Student FTE	515	1,550	566	2,631	545	1,625	600	2,770
Total \$ per FTE (Cost of Education)	\$5,203	\$5,203	\$5,203	\$5,203	\$5,203	\$5,203	\$5,203	\$5,203
State % of Cost of Education	53%	53%	53%	53%	53%	53%	53%	53%
State \$ per FTE	\$2,758	\$2,758	\$2,758	\$2,758	\$2,758	\$2,758	\$2,758	\$2,758
Calculated Budget Cost	\$1,420,159	\$4,274,265	\$1,560,796	\$7,255,219	\$1,502,887	\$4,481,084	\$1,654,554	\$7,638,524
Plus State share of Audit**	6,360	8,480	6,360	21,200	0	0	0	0
Total Executive Budget	\$1,426,519	\$4,282,745	\$1,567,156	\$7,276,419	\$1,502,887	\$4,481,084	\$1,654,554	\$7,638,524

** Biennial appropriation

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The Community College Assistance budget has historically been built upon three formula factors:

- Projected student enrollment
- The cost of education for resident FTE students
- The state percentage share of this cost of education to be funded in HB 2

Student enrollment projections are the responsibility of the community colleges and OCHE, as they consider historical enrollment and other trends, though the legislature can substitute its own projections.

The cost of education figure represents the ratio between college current unrestricted fund expenditures and student FTE enrollment. Each biennium the cost of education is typically adjusted to reflect pay plan changes in order that this figure remains consistent with inflation and with actual cost fluctuations.

Finally, the state percentage share of this cost is a matter of public policy, with the legislature making the decision about the portion of community colleges costs that state government should support and that percentage share is stated in the HB 2 appropriation.

In order for true public policy to be determined by the percent of funding contribution, the cost of education must be meaningful. The issue for the legislature is whether the cost of education factor is a meaningful number that reasonably reflects actual costs from which the public policy of the state's obligation can be gauged. As shown in the previous issue, the cost of education used by the legislature and proposed by the Governor does not keep pace with rudimentary indicators of changes in costs.

The legislature may want to consider a study during the 2007 interim that would examine community college costs to determine not only a meaningful cost of education, but also a mechanism by which that cost of education can be kept current and meaningful over time.

Option A – Request that the Post-secondary Education and Budget Policy (PEPB) sub-committee examine the cost of education at the community colleges and recommend to the 2007 Legislature both a baseline cost and a methodology for adjusting the cost in future years.

Option B – Take no action.