

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Local Assistance	6,292,234	984,185	0	7,276,419	1,346,290	0	7,638,524	14,914,943
Total Costs	\$6,292,234	\$984,185	\$0	\$7,276,419	\$1,346,290	\$0	\$7,638,524	\$14,914,943
General Fund	6,292,234	984,185	0	7,276,419	1,346,290	0	7,638,524	14,914,943
Total Funds	\$6,292,234	\$984,185	\$0	\$7,276,419	\$1,346,290	\$0	\$7,638,524	\$14,914,943

Program Description

The Community College Assistance program distributes funds appropriated by the Legislature to support Montana's three community colleges:

- Miles Community College located in Miles City
- Dawson Community College located in Glendive
- Flathead Valley Community College with campuses located in Kalispell and Libby

Each community college district has an elected board of trustees who have governance authority over the college, but the trustees are subject to the supervision of the MUS Board of Regents, as directed by Title 20, Chapter 15, MCA.

Program Highlights

Community College Assistance Program Major Budget Highlights
<ul style="list-style-type: none"> • The executive recommends an increase of \$2.3 million general fund based upon three factors: <ul style="list-style-type: none"> • Enrollment growth of 6 percent in FY 2006 and 11 percent in FY 2007 • Maintenance of the 2005 biennium cost per student, adjusted for statewide present law adjustments and projected enrollment growth • Continuation of a 53 percent factor for the state share of the cost of education

The community college appropriation is a separate line item and is not part of the lump sum appropriation to the Montana University System educational units.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the Governor. Community college assistance is completely general fund.

Program Funding Table						
Community College Assist						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000 General Fund	\$ 6,292,234	100.0%	\$ 7,276,419	100.0%	\$ 7,638,524	100.0%
Grand Total	\$ 6,292,234	100.0%	\$ 7,276,419	100.0%	\$ 7,638,524	100.0%

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5 - Resident Enrollment Growth--Community Colleges	0.00	984,185	0	0	984,185	0.00	1,346,290	0	0	1,346,290
Total Other Present Law Adjustments	0.00	\$984,185	\$0	\$0	\$984,185	0.00	\$1,346,290	\$0	\$0	\$1,346,290
Grand Total All Present Law Adjustments					\$984,185					\$1,346,290

DP 5 - Resident Enrollment Growth--Community Colleges - The executive budget annualizes the state share of the pay plan in the cost of education calculation and updates resident enrollment with growth projections for the 2007 biennium.

Figure 4 details community college enrollment projections for the 2007 biennium, translates these into the executive funding level, and breaks out the present law adjustments.

Figure 4					Annual Enrollment Growth Over Actual	
Community Colleges Present Law Adjustments						
Annual Resident Student FTE Enrollment						
	FY 2004 Budgeted	FY 2004 Actual	FY 2006 Projected	FY 2007 Projected	FY 2006	FY 2007
Dawson Community College	419	392	515	545	123	153
Miles Community College	518	489	566	600	77	111
Flathead Valley Comm. Coll.	1,385	1,604	1,550	1,625	(54)	21
Total Resident FTE	2,322	2,485	2,631	2,770	146	285
Enrollment Based Funding Level	\$6,292,234		\$7,255,219	\$7,638,524	6%	11%
		Biennial Audit Cost	\$21,200			
Total Executive Budget			\$7,276,419	\$7,638,524		
2007 Biennium Present Law Adjustments			\$984,185	\$1,346,290		

**LFD
COMMENT**

According to statute (20-15-311, MCA) Montana's community colleges are financed from a combination of the following revenue sources: student tuition/fees, a mandatory property tax mill levy, an optional adult education property tax levy in the local district, an optional voted property tax levy in the local district, revenue from a political subdivision that designates funds to the college, other unrestricted revenue such as investment interest, other restricted revenue such as federal grant funds, and state general fund.

Also according to statute (20-15-312, MCA) each community college must submit an operating budget to the MUS Board of Regents for review and approval by September 1 of each year. The starting point for building the operating budget is the general fund appropriation by the legislature, which statute requires must be stated in terms of the specific percentage share of the cost of education that the legislature agrees to fund at community colleges in HB 2. With this general fund appropriation as the foundation, community colleges determine the remaining formula for the other statutory revenue sources in order to fund their complete operating budget.

The capacity for community colleges to shift funding onto the mandatory property tax mill levy or the adult education property tax levy is strictly limited by mill rate caps set by the legislature as part of 15-10-420, MCA. Since FY 1998, the community college mill levy revenue has increased at a rate of 7 percent per year.

On the other hand, the optional voted mill levy, another statutory revenue source, is governed by 15-10-425, MCA and requires that a majority of voters in the local community college district approve this additional mill levy during a regular, primary, or special election. Dawson Community College has a \$144,000 annual voted levy, Miles Community College ended their \$55,000 annual voted levy in FY 2004 but maintains a college retirement mill levy at a 24.28 mill rate in 2004, and Flathead Valley Community College has no revenue from a voted levy. The optional voted levy is an alternative that community colleges and their host communities maintain in order to fund the gap, through local property taxes, that is left between the cost of educating students and the state appropriation.

Student tuition and fee rates are then set by the community college board of trustees and approved by the Board of Regents. Since FY 1996, the average community college tuition has increased at a rate of 7 percent per year.

Therefore, the fiscal and public policy decisions that the legislature makes regarding the state appropriation to community colleges (the cost of education factor and the state share of these costs) will lay the foundation for the funding levels that will be required of these other revenue sources.

Executive Recommended Legislation

State statute requires the legislature to determine the budget amount per full-time student for the community colleges and for the appropriations act (HB 2) to state the percent of budget per student FTE that the appropriation is intended to represent. The executive recommends the following HB 2 language to comply with statute:

"The budget amount for each full-time equivalent student at the community colleges, including Summitnet, is \$5,203 each year of the 2007 biennium, before pay plan, if any. The general fund appropriation in Community College Assistance (04) provides 53% of the budget amount for each full-time equivalent student each year of the 2007 biennium. The remaining 47% of the budget amount for each full-time equivalent student must be paid from funds other than those appropriated in Community College Assistance (04)."

General Fund Subject to Reversion

The executive recommends the following HB 2 language that makes the community college appropriation, which is based upon student enrollment projections, subject to reversion if actual enrollment does not reach the projected enrollment figures.

→ Language Change - See next page for details

* "The general fund appropriation in Community College Assistance (04) is calculated to fund education in the community colleges for an estimated 2,631 resident FTE students in fiscal year 2006 and 2,770 in fiscal year 2007. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the commissioner of higher education shall revert \$2,758 in general fund money to the state for each estimated FTE student who did not enroll."

Summitnet Costs Allocation

The executive recommends the following HB 2 language to define the costs of connecting the community colleges to the state computer network system.

"Total Summitnet costs are estimated to be \$25,000 each year for the community colleges. Summitnet costs for each year may not exceed \$8,000 each for Dawson and Miles community colleges and \$9,000 for Flathead Valley community college."

Audit Costs Allocation

The executive recommends the following HB 2 language to provide for audit costs in the 2007 biennium.

"Total audit costs are estimated to be \$40,000 for the community colleges for the biennium. The general fund appropriation for each community college provides 53% of the total audit costs in the 2007 biennium. The remaining 47% of these costs must be paid from funds other than those appropriated in item (Community College Audit). Audit costs for the biennium may not exceed \$12,500 each for Dawson and Miles community colleges and \$15,000 for Flathead Valley community college."

General Fund Subject to Reversion

Per Page E-110, E-111 of the Legislative Budget Analysis 2007 Biennium:

The executive recommends the following HB 2 language that makes the community college appropriation, which is based upon student enrollment projections, subject to reversion if actual enrollment does not reach the projected enrollment figures.

“The general fund appropriation in Community College Assistance (04) is calculated to fund education in the community colleges for an estimated 2,631 resident FTE students in fiscal year 2006 and 2,770 in fiscal year 2007. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the commissioner of higher education shall revert \$2,758 in general fund money to the state for each estimated FTE student who did not enroll.

Recommendation by Mr. Peura which the Subcommittee adopted on January 27, 2005:

“The general fund appropriation in Community College Assistance (04) is calculated to fund education in the community colleges for an estimated 2,631 resident FTE students in fiscal year 2006 and 2,770 in fiscal year 2007. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the commissioner of higher education shall revert ~~\$2,758 in~~ general fund money to the state ~~for each estimated FTE student who did not enroll.~~ in accordance with MCA-17-7-142.

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Reason For the Change:

There has been a new statute adopted since the language was proposed. That statue was revised last session to create a reversion formula that the university units follow. That statue was amended last session to also include the Community Colleges. The quick thumbnail sketch is that it creates a reversion formula based on three-year averages over time, not just the snapshot of current biennia.