



LEGISLATIVE FINANCE COMMITTEE

66th Montana Legislature

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TO: LFC Education Subcommittee (HB 657)
FROM: Pad McCracken, LSD
RE: Funding for a newly created community college
DATE: March 1, 2020 (and revised May 19, 2020)

In your review and contemplation of revising the community college (CC) funding formula, and with efforts being made in the Bitterroot Valley to initiate the "organization" (or creation) of a new community college district, questions have arisen about the overall CC organization process and about how the initial funding for a new CC works. At the direction of, and in consultation with Chairman Bedey, this memo will identify several of the main issues. At the subcommittee's direction, staff can develop a provisional bill draft(s) to address any/all of these issues for a subsequent meeting for review, stakeholder/public input, and continued discussion.

First, a refresher on how the creation of a new CC district is outlined in [20-15-201 through 209, MCA](#) (with broad timelines reflecting the current Bitterroot Valley effort):

1. Proposed district must:
 - a. have boundaries that mirror boundaries of contiguous elementary school districts;
 - b. have taxable value of at least \$10 million; and
 - c. enroll at least 700 pupils in HS within district.
2. Petition signed by at least 20% of electors in district. (Fall/Winter 2019/2020)
3. Election on proposition and CC trustees is held on school election day in May. Regents pay for election. Simple majority on proposition. No threshold for turnout or requirement for financial info on ballot.
4. If passes, the Board of Regents (REG) makes a recommendation to the next legislature (LEG). (Fall 2020)
5. LEG makes final decision on creation, so until that time, no district exists, and trustees are "trustees-elect." If LEG approves (through a joint resolution) REG order creation of district and call organizational meeting of trustees. (Winter/Spring 2021)

And, a cursory review of how CC funding works under [Title 20, chapter 15, part 3, MCA](#):

1. A CC's annual operating budget is primarily funded by:
 - a. student tuition and fees;
 - b. a mandatory mill levy;
 - c. state support as determined and appropriated by the LEG;

- d. an optional voted levy.
2. State support and the mandatory levy are calculated based on "actual costs incurred by the community colleges during the budget base fiscal year."

Issue #1: The statutes related to the petition and election process could be generally clarified.

- A. What is the REG role and what is the county election administrator's role?
- B. What are the appropriate timing requirements for the calling of the organization election and the trustee election?
- C. How should the electors of a proposed CC district be informed about the financial (property tax) implication of organizing a CC district? If so, in what manner?
- D. Upon what criteria should the REG base their recommendation to the LEG? What information is required for the REG to make a positive or negative recommendation to the LEG, who is responsible for providing this information, and what is the timeframe for this process?

Statutes for possible amendment include: [20-15-201](#), [20-15-202](#), [20-15-203](#), [20-15-204](#)

Issue #2: Because the CC funding formula is based on actual expenditures, it is unclear how a proposed new CC's budget, state support, and mandatory local levy are determined. Relatedly, it is also unclear how the mandatory levy is defined and calculated for existing CCs.

- A. What is the process for a new CC district to submit its initial budget proposal thru the REG to the LEG?
- B. How should the initial amount of state support be determined?
- C. How is the mandatory levy defined? What does it include? The retirement levy? The medical levy? How is the mandatory levy calculated and how does this align with [15-10-420](#)? What is the REG role in approving its percentage?

Statutes for possible amendment include: [15-10-420](#), [20-15-209](#), [20-15-309](#), [20-15-310](#), [20-15-311](#), [20-15-312](#)