



# Joint Subcommittee On Postsecondary Education Policy and Budget (PEPB)

## 60<sup>TH</sup> Montana Legislature

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## BITTERROOT VALLEY COMMUNITY COLLEGE

### UPDATED ANALYSIS OF PRELIMINARY 2011 BIENNIUM BUDGET

**JUNE 12, 2008**

At the March 13, 2008 meeting of the PEPB, legislative staff presented a detailed analysis of the projected start-up budget for the Bitterroot Valley Community College (BVCC) for the 2011 biennium. That report raised a number of staff concerns and issues that were summarized in a series of questions at the end of that report. Officials from the BVCC presented a report in response to those questions at the March meeting. This follow-up report is intended as a brief update to that prior 2011 biennium budget analysis to specifically address the revised BVCC fiscal and budget data presented in March.

This report and the series of PEPB reports during this biennium on the BVCC, are intended to provide the legislature with fiscal analysis on the proposed BVCC in advance of the anticipated legislative decision points on this matter. The decision points that may be anticipated at the 2009 legislative session include a decision by the legislature on the approval for the new community college district, as per Section 20-15-209, MCA, as well as a potential general fund budget appropriation in House Bill 2 (HB 2) for the BVCC.

The initial legislative decision, whether or not to approve the new community college district, would be in the form of a joint resolution of the legislature, a draft of which is attached to this report as Appendix One. PEPB charged staff with bringing this resolution forward for review and consideration at the June meeting.

#### Background Review

On May 8, 2007, voters in the Bitterroot Valley approved the creation of a community college district and elected seven members to a local board of trustees. The election results were certified by the Montana Board of Regents on July 11, 2007, and the newly elected community college trustees are holding bi-monthly meetings to move forward plans for establishing a new community college. The trustees, however, will have no formal authority to create that college unless the legislature approves the new community college district.

According to Section 20-15-209, MCA, subsequent to the local election, "approval for the organization of a new community college district shall be granted at the discretion of the legislature acting upon the recommendation of the regents," though the Regents' recommendation is not binding upon the legislature. In addition, the state budget includes an appropriation for general fund that is appropriated to the community colleges.

## Updated Budget Comparison to Peer Montana Community Colleges

In response to the LFD preliminary budget analysis, BVCC submitted a revised start-up budget. Figure 1 below provides a side-by-side comparison of the *revised* BVCC start-up budget with existing community colleges at Flathead Valley, Miles City, and Dawson in Glendive. It is important to note that this comparison is somewhat imprecise as the fiscal years differ between BVCC and the other colleges, as the existing colleges have only budgeted through FY 2008 while BVCC is submitting their start-up budget for FY 2010. Therefore, bearing that anomaly in mind, the following provides a comparison of the expenditure budgets and a number of conventional comparative benchmarks (e.g. expenditures per student, average tuition per student, mill levy revenue per student, etc.) for each institution:

Figure 1

## Bitterroot Valley Community College Budget Analysis

### Comparison to Other Community College Budgets Revised- FY2010 Comparison to FY2008

Note the difference in fiscal years for comparisons

#### Current Unrestricted Operating Fund Comparison (CUOF)

	<i>Revised</i> BVCC FY2010 (Start- up)	FVCC FY2008	Miles City FY2008	Dawson FY2008
Contract Faculty FTE	6.00	94.66	40.10	24.00
Expenditures	\$ 225,000	\$ 3,714,116	\$ 1,135,990	\$ 1,052,026
Adjunct Faculty Positions	7.00	Adjunct Faculty are part of "Contracted Services" Item Below		
Expenditures	Moved Costs to Contracted Services			
Contract Administration FTE	8.00	41.17	21.10	8.90
Expenditures	\$ 490,000	\$ 2,162,512	\$ 919,606	\$ 412,296
Support Staff FTE	3.00	28.94	12.00	15.40
Expenditures	\$ 82,500	\$ 838,302	\$ 285,134	\$ 415,670
Other (Work Study)		3.00		0.70
Expenditures		\$ 38,452		\$ 12,000
Benefits For Above (34% @ BVCC)	\$ 271,150	\$ 1,879,758	\$ 751,507	\$ 352,830
<b>TOTAL Personal Services</b>	<b>\$ 1,068,650</b>	<b>\$ 8,633,140</b>	<b>\$ 3,092,237</b>	<b>\$ 2,244,822</b>
Contracted Services	\$ 36,100	\$ 557,113	\$ 107,510	\$ 105,143
Supplies & Materials	32,400	437,711	116,565	125,069
Communications	19,800	126,099	48,600	30,000
Travel	11,359	110,482	65,000	39,218
Rent	82,920	29,319	18,700	11,900
Utilities	10,200	596,116	140,000	127,720
Repair & Maintenance		24,401	14,600	25,500
Other	24,570	247,519	727,856	94,923
<b>TOTAL Operating Exps.</b>	<b>\$ 217,349</b>	<b>\$ 2,128,760</b>	<b>\$ 1,238,831</b>	<b>\$ 559,473</b>
Equipment & Capital	\$ 203,740	305,934	143,376	
Centra Usage & Fund Transfers			81,920	
Scholarships	\$ 51,410	374,525	487,550	350,000
<b>TOTAL CUOF Expenses</b>	<b>\$ 1,541,149</b>	<b>\$ 11,442,359</b>	<b>\$ 5,043,914</b>	<b>\$ 3,154,295</b>
Budgeted Student FTE	<b>135.00</b>	<b>1,475.00</b>	<b>410.00</b>	<b>445.00</b>
Total Unrestricted Fund Expend				
Per Student FTE	\$ 11,416	\$ 7,758	\$ 12,302	\$ 7,088
Student/Contract Faculty Ratio	22.50	15.58	10.22	18.54
Average Tuition Per FTE Student	\$ 2,220	\$ 2,537	\$ 2,261	\$ 2,156
Mandatory Mill Levy Revenue	\$ 390,988	\$ 2,370,175	\$ 828,592	\$ 629,570
Mandatory Mill Revenue Per Budgeted FTE Student	\$ 2,896	\$ 1,607	\$ 2,021	\$ 1,415
<b>TOTAL Restricted/Designated     Expenses</b>	<b>\$ 227,613</b>	<b>\$ 7,431,050</b>	<b>\$ 4,331,273</b>	<b>\$ 1,917,518</b>

Source: BVCC Trustees *Revised* Projected Budgets (6/5/08) and FY2008 Operating Budgets (OCHE forms)

**LFD  
COMMENT**

As figure 1 above illustrates, the BVCC revised budget data compares in an equivalent manner to the budgets of the other community colleges. In two areas BVCC is the outlier among the four colleges, including the student/faculty ratio and the mandatory mill levy revenue per budgeted FTE student. In both of these instances, however, the BVCC data is projected to equalize in comparison to the other colleges, based upon the student enrollment growth that is projected in future years.

### Projected Budget Growth from FY 2010 to FY 2011

Figure 2 below provides an illustration of the BVCC *revised* proposed budgets for each fiscal year in the 2011 biennium, showing the percentage growth from the first year to the second year. This figure also illustrates some of the changes that occur to the comparative benchmark of expenditures per student, the item listed below the TOTAL CUOF Expenses line, moving from the start-up year to the second year, when many one-time start-up costs have been covered, so that figure decreases in the second year.

Figure 2

**Bitterroot Valley Community College Budget Analysis**  
**Comparison of REVISED Projected Budget Years**  
**FY2010 and FY2011**

Current Unrestricted Operating Fund Comparison

	BVCC FY2010 (start-up)	<i>Revised</i> FY2010 Budget	BVCC FY2011	<i>Revised</i> FY2011 Budget	Percent Change to Revised Biennium Budget
Contract Faculty FTE	6.00	6.00	9.00	9.00	0.00%
Expenditures	\$ 225,000	\$ 225,000	\$ 337,500	\$ 337,500	0.00%
Adjunct Faculty Positions	7.00	7.00	19.00	19.00	0.00%
Expenditures	\$ 12,600	Moved to Contracted Services	34,200	Moved to Contracted Services	
Contract Administration FTE	8.00	8.00	9.00	9.00	0.00%
Expenditures	\$ 490,000	\$ 490,000	\$ 535,000	\$ 535,000	0.00%
Support Staff FTE	3.00	3.00	4.00	3.80	-2.86%
Expenditures	\$ 82,500	\$ 82,500	\$ 110,000	\$ 110,000	0.00%
Other (Work Study) Expenditures					
Benefits For Above (34% @ BVCC)	\$ 271,150	\$ 271,150	\$ 334,050	\$ 334,050	0.00%
<b>TOTAL Personal Services</b>	<b>\$ 1,081,250</b>	<b>\$ 1,068,650</b>	<b>\$ 1,350,750</b>	<b>\$ 1,316,550</b>	<b>-1.92%</b>
Contracted Services	\$ 15,000	\$ 36,100	\$ 15,000	\$ 57,700	212.67%
Supplies & Materials	31,200	32,400	31,200	32,400	3.85%
Communications	13,200	19,800	13,200	19,800	50.00%
Travel	11,359	11,359	11,359	11,359	0.00%
Rent	58,920	82,920	81,000	105,000	34.31%
Utilities	5,100	10,200	5,100	10,200	100.00%
Repair & Maintenance					
Other	28,070	24,570	29,170	25,670	-12.23%
<b>TOTAL Operating Exps.</b>	<b>\$ 162,849</b>	<b>\$ 217,349</b>	<b>\$ 186,029</b>	<b>\$ 262,129</b>	<b>37.43%</b>
Equipment & Capital	308,400	203,740	6,650	9,150	-32.43%
Scholarships		51,410		68,825	100.00%
<b>TOTAL CUOF Expenses</b>	<b>\$ 1,552,499</b>	<b>\$ 1,541,149</b>	<b>\$ 1,543,429</b>	<b>\$ 1,656,654</b>	<b>3.29%</b>
Budgeted Student FTE	<b>135.00</b>	<b>135.00</b>	<b>217.50</b>	<b>217.50</b>	<b>0.00%</b>
Total Unrestricted Fund Expenditures					
Per Student FTE	\$ 11,500	\$ 11,416	\$ 7,096	\$ 7,617	2.35%

**LFD  
COMMENT**

Figure 2 illustrates that the *revised* budget for BVCC increases total expenditures by 3.29 percent over the original budget submission for the 2011 biennium. This increase is almost totally attributable to the addition of scholarship expenditures to the budget, a statutory requirement that the original budget submission had omitted. The BVCC is projecting approximately \$120,000 of scholarship expenditures over the 2011 biennium.

### Projected State General Fund Appropriation

The level of state funding appropriated to Montana community colleges is determined by a funding formula defined by statute at 20-15-312, MCA. The factors in this statutory formula include the following:

- Variable cost of education per FTE student
- Fixed cost of education
- FTE student enrollment
- State percent share

Both the fixed and variable costs of education are determined by starting with the base year expenditures of each community college, as reported to OCHE on the CHE 201 expenditure form. Given that the BVCC will have no “base year expenditures” in the 2011 biennium start-up budget, the projected *revised* expenditure budget for FY 2010 is used as the base year in the illustration, figure 3, in order to project the state general fund appropriation. The fixed/variable cost ratio is 75/25, as determined during the Legislative Finance Committee interim study that resulted in SB 12 of the 2007 regular legislative session.

Applying this statutory formula to the *revised* projected BVCC budget for the 2011 biennium results in the following projected general fund state appropriation:

Figure 3

Community College Assistance Program - HB 2 General Fund Appropriation 2011 Biennium Bitterroot Valley Community College Projected Budget Total			
Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio			
	Fiscal Year 2010	Fiscal Year 2011	<b>Total Biennial Approp.</b>
Budget Item Factors	Bitterroot Valley	Bitterroot Valley	
Projected Resident Student FTE *	135	218	<b>353</b>
Fixed Cost of Education	\$ 1,155,862	\$ 1,155,862	<b>\$ 2,311,724</b>
Variable Cost of Education per FTE	\$ 2,235	\$ 2,235	<b>\$ 2,235</b>
State % Share of Cost of Education	49.3%	49.3%	<b>49.3%</b>
Calculated Total Funding Budget	<u>\$718,566</u>	<u>\$809,454</u>	<b><u>\$1,528,019</u></b>
DP 4004 - Legislative Audit **	\$0		<b>\$0</b>
DP 4010 - Prog. Dev./Capital (OTO)	\$ -	\$0	<b>\$0</b>
HB 13 Pay Plan Allocation	\$ -	\$0	<b>\$0</b>
Total General Fund Budget	<u>\$718,566</u>	<u>\$809,454</u>	<b><u>\$1,528,019</u></b>

\* FTE Projections from BVCC Trustees  
\*\* Biennial appropriation

Therefore, based upon the *revised* expenditure budgets submitted by the BVCC board of trustees, a preliminary projection indicates that the state general fund appropriation to BVCC in the 2011 biennium would be \$718,566 in FY 2010 and \$809,454 in FY 2011, for a total of \$1.53 million over the biennium.

**LFD COMMENT** Figure 3 above, projecting the general fund appropriation that is based upon the *revised* BVCC budget, represents an increase of \$18,145 in general fund dollars from the original budget submission presented at the March PEPB meeting.

**LFD COMMENT** It is important to note that this projection is very preliminary as the statutory formula requires that the factors in this formula be averaged for all community colleges and the average for each factor drives each individual institutional budget.

Therefore, at this time the actual base year expenditures for the other three community colleges are not available as that base year is FY 2008, which does not end until June 30, 2008. For this illustration and to derive these projections, the *updated projected* expenditures for each of the three existing community colleges have been used to complete the formula. As the actual expense budgets become available for the FY 2008 base year, there will be some fluctuation of this BVCC general fund revenue projection.

These figures should be considered a preliminary estimate with the expectation that there could be a fluctuation up to 5 percent either upward or downward based upon the impact of the formula averaging.

Of course, it is important to note that the ultimate factor in this funding formula that determines the level of state funding for the community college is the state percent share level, which is a discretionary legislative decision during each budget process. In this illustration, the state percent share from the FY 2009 budget has been carried forward into the 2011 biennium, though that specific issue will be a decision point for the legislature during the HB 2 deliberations.

### Legislative Options for Bitterroot Valley Community College

According to Section 20-15-209, MCA, “approval for the organization of a new community college district shall be granted at the discretion of the legislature acting upon the recommendation of the regents.” And according to Attorney General’s Opinion 52 A.G. Op. 1 (February 15, 2007), the recommendation of the regents is nonbinding and the Montana Legislature has the final authority over the approval of a new community college district, once the proposed district has been approved by the voters.

Therefore, the PEPB may want to consider:

- Recommending to the Interim Education and Local Government Committee (ELG) that a bill draft be requested for a joint resolution of the legislature approving the Bitterroot Valley Community College District
- Doing nothing at this time

### Appendices Attached

- **Appendix One:** Bill Draft LC8888 (original dated March 28, 2008) – A Joint Resolution of the Senate and House of Representatives of the State of Montana approving the Bitterroot Valley Community College District in Ravalli County

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