



MONTANA LEGISLATIVE BRANCH

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Director
AMY CARLSON

DATE: March 6, 2012

TO: Legislative Finance Committee Members

FROM: Pamela Joehler, Senior Fiscal Analyst

RE: Community College Funding Formula Review Study

SUMMARY

The purpose of this memo is to give the Legislative Finance Committee (LFC) advance notice of an upcoming report that will review the current statutory community college funding formula that the legislature uses to establish the state appropriation for community colleges. This review was requested by the LFC when it recommended the changes to the community college funding formula that were ultimately passed by the 2007 Legislature. One of the decisions in the upcoming report will be for the Legislative Finance Committee to determine if the formula components are still reasonable to use for the state appropriation calculation.

The report will also include an analysis of the changes in the state appropriation, community college operating budgets, and student enrollment at the community colleges since the current statutory funding formula was implemented in FY 2008.

The report is scheduled for the June 2012 LFC meeting.

CURRENT STATUTORY COMMUNITY COLLEGE FUNDING FORMULA

Section 20-15-310, MCA contains the funding formula and definitions used to calculate the state appropriation for community colleges:

- Cost of Education is the actual costs incurred by community colleges during the budget base fiscal year, less any reversions or one-time-only expenditures
- Fixed Cost of Education is that portion of the cost of education, as determined by the legislature (currently 75%), that is not influenced by student enrollment fluctuations
- Variable Cost of Education per Student is that portion of the cost of education, as determined by the legislature (currently 25%) that is influenced by student enrollment fluctuations, divided by actual student enrollment during the budget base fiscal year.

The sum of the fixed and variable formula calculations equals the estimated cost of education for the upcoming biennium. The legislature then uses a state share percentage to derive the state

appropriation. Since the current formula was implemented in FY 2008, the state share percentage has ranged from 48.5% to the current 50.8%.

CHANGES SINCE FORMULA WAS REVISED

Between FY 2008 and FY 2012, ongoing state funding for the community colleges increased 25%, resident student enrollment increased 39%, and the community colleges' annual operating budgets increased 34%. The June report will examine more closely what is driving the changes in state appropriations and how the formula has impacted each community college budget.