



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0067

Title: Generally revise community college funding laws

Primary Sponsor: Jones, Llew

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$1,153,610	\$1,457,682
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>(\$1,153,610)</u>	<u>(\$1,457,682)</u>

Description of fiscal impact: This bill proposes a new base-plus formula to fund the community colleges beginning in the 2025 biennium.

FISCAL ANALYSIS

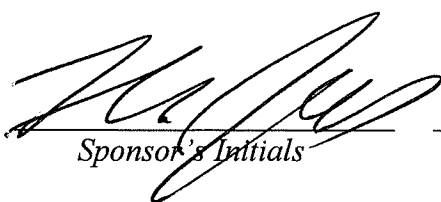
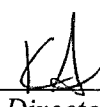
Assumptions:

- FY 2022 and FY 2023 are funded in the executive budget using the current statutory funding formula. FY 2024 and FY 2025 reflect the proposed funding formula methodology.
- The base year for the 2025 biennium will utilize FY 2022 appropriation from the current statutory funding formula and there is no assumed reversion.
- Enrollment projections for FY 2024 and FY 2025 are flat and student type based on FY 2020 actual data for percent split.
- Calculations utilize \$3,000 and \$6,000 increments as the decreased or increased FTE funding factor, respectively.
- Calculated FY 2024 and FY 2025 amounts are determined via the proposed formula with 1.50 Career & Technical Education (CTE) weight and 1.00 weight for Transfer, Dual Enrollment, and Dual Credit.
- A CPI inflation forecast of 3.0%, 2.3%, and 2.1% were utilized in for the formula for FY 2023, FY 2024, and FY 2025.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Expenditures:</u>				
Transfers	\$0	\$0	\$1,153,610	\$1,457,682
TOTAL Expenditures	\$0	\$0	\$1,153,610	\$1,457,682
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$1,153,610	\$1,457,682
TOTAL Funding of Exp.	\$0	\$0	\$1,153,610	\$1,457,682
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	(\$1,153,610)	(\$1,457,682)

Technical Notes:

1. There is potential that the Legislature would need to determine a state share amount for other funded items such as audit.
2. The bill creates a new state special revenue fund for reversions of overestimated FTE to fund shortfalls for underestimate FTE. There is no beginning fund balance in the account until reversions are transferred. If there are underestimations, a transfer from the general fund may be needed.


1-11-21

1/7/21
 Sponsor's Initials Date Budget Director's Initials Date



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Dedication of Revenue 2023 Biennium

17-1-507, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**
No, any funds that are available in this state special revenue account would only be available to the community colleges that have FTE projections that come in higher than presented in the proposed funding formula.
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**
The funds that are transferred to this state special revenue fund would be from existing community college appropriations as the result of FTE actuals reporting lower than projections that were used in determining the appropriation. In addition, the funds available in this fund could be utilized by the other community colleges if their actual FTE enrollment exceeded the FTE projections utilized in the proposed funding formula.
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**
Yes, the source of revenue is relevant to the current use of funds as it would be redirected to the other community colleges. However, there is no revenue in the fund until a community college has reverted funds into it. There is no transfer of general fund to initiate the fund.
- d) **Does the need for this state special revenue provision still exist? Yes No (Explain)**
This provision allows for a process to deal with reversions of funds or supplemental allocation of funds when actual FTE enrollment are lower or higher than projections utilized to determine appropriations.
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**
No, the community college appropriations will still be based on a statutorily required funding formula.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**
Yes, there have been years when the community colleges have projected FTE enrollment lower than actual FTE. This state special revenue fund provides for a mechanism to provide additional funding to the community colleges when this occurs. In past years, the community colleges would not receive any supplemental funds if their actual enrollment exceeded enrollment projections.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**
This provision would put more internal controls on how to manage reverted or supplemental funds as the result of the community college funding formula and appropriations.