Fiscal Note 2023 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Bill #	HB0067		Title:	Generally revise community college funding laws

Primary Sponsor:	Jones, Llew		Status:	As Introduced-Revised

☐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

	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Expenditures:				
General Fund	$0	$0	$304,572	$566,889
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance:	$0	$0	($304,572)	($566,889)

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:

1. 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.
2. The base year for the 2025 biennium will utilize FY 2022 appropriation from the current statutory funding formula and there is no assumed reversion.
3. Enrollment projections for FY 2024 and FY 2025 are flat and student type (general education, CTE, concurrent enrollment and early education) is based on FY 2020 actual data for percent split.
4. Calculations utilize $3,000 and $6,000 increments as the decreased or increased FTE funding factor, respectively.
5. 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.
6. A CPI-U inflation forecast of 1.91%, 1.80%, and 1.84% were utilized in the formula for FY 2023, FY 2024, and FY 2025.

7. When calculating the current community college funding formula for the 2025 biennium to use as a baseline for comparison, an average cost of education growth across the campuses for the last four biennia was used, resulting in a 4.07% increase over the 2023 biennium results.
8. The Executive Budget will propose the FTE funding factor, as well as the FTE weights to be used each biennium.

	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
Expenditures:				
Transfers	$0	$0	$304,572	$566,889
TOTAL Expenditures	$0	$0	$304,572	$566,889
Funding of Expenditures:				
General Fund (01)	$0	$0	$304,572	$566,889
TOTAL Funding of Exp.	$0	$0	$304,572	$566,889
Revenues:				
General Fund (01)	$0	$0	$0	$0
TOTAL Revenues	$0	$0	$0	$0

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

|	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
General Fund (01)	$0	$0	($304,572)	($566,889)

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 resulting from overestimated FTE to fund shortfalls for underestimated 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.

Sponsor's Initials   2/19/21
Date

Budget Director's Initials   2/19/21
Date
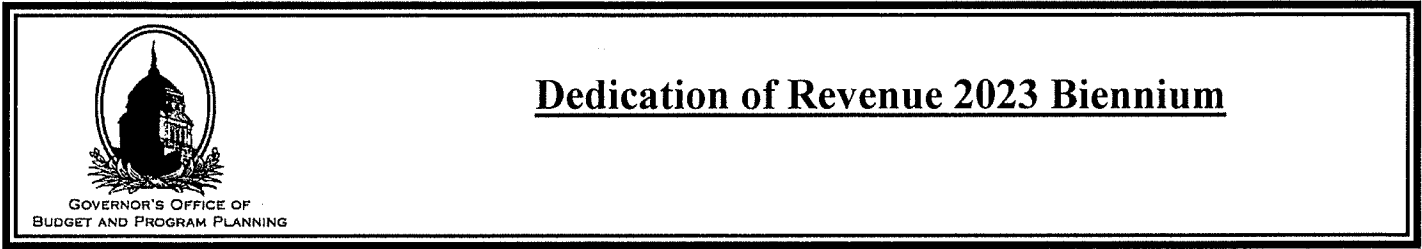
Dedication of Revenue 2023 Biennium

GOVERNOR'S OFFICE OF
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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? _X_ 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.