



PERFORMANCE AUDIT REPORT

Community Colleges: Examining Whether There Are Ways To Share Resources To Reduce Costs

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
February 2008**

Legislative Post Audit Committee

Legislative Division of Post Audit

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February 14, 2008

To: Members, Legislative Post Audit Committee

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This report contains the findings, conclusions, and recommendations from our completed performance audit, *Community Colleges: Examining Whether There Are Ways To Share Resources To Reduce Costs*.

The report recommends that community college boards of trustees follow existing law with regard to reducing local property tax revenues and that the appropriate legislative committees consider whether the law needs to be modified to ensure that local property tax relief is realized. It also has several recommendations for ways Coffeyville and Independence and other community colleges could share resources to reduce costs.

We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials. The report also contains appendices showing the amount of State operating grants that were expected based on the Act and the amount of grants actually received by the community colleges, as well as revenue, expenditures, and property tax revenue information by community college.

Barbara J. Hinton
Legislative Post Auditor

Get the Big Picture

Read these Sections and Features:

1. **Executive Summary** - an overview of the questions we asked and the answers we found.
2. **Conclusion and Recommendations** - are referenced in the Executive Summary and appear in a box after each question in the report.
3. **Agency Response** - also referenced in the Executive Summary and is the last Appendix.

Helpful Tools for Getting to the Detail

- In most cases, an “**At a Glance**” description of the agency or department appears within the first few pages of the main report.
- **Side Headings** point out key issues and findings.
- **Charts/Tables** may be found throughout the report, and help provide a picture of what we found.
- **Narrative text boxes** can highlight interesting information, or provide detailed examples of problems we found.
- **Appendices** may include additional supporting documentation, along with the audit **Scope Statement** and **Agency Response(s)**.

EXECUTIVE SUMMARY
LEGISLATIVE DIVISION OF POST AUDIT

Overview of Kansas Community Colleges

Currently, Kansas has 19 community colleges offering a variety of degree and certificate programs. page 3
Community colleges in Kansas were authorized by the 1917 Legislature and originally meant to be an extension of high schools. By the late 1950s and 1960s, the Legislature had passed laws that allowed community colleges to be separate institutions with separate governing boards—now known as boards of trustees. Community colleges offer a wide variety of academic coursework that can lead to an associate’s degree.

Community colleges are supervised by the Board of Regents, and governed by local boards of trustees. page 4
The Higher Education Coordination Act of 1999 changed how higher education was governed in Kansas. It made the State Board of Regents responsible for supervising and coordinating community colleges beginning in fiscal year 2000. Before that, the State Board of Education had responsibility for overseeing community colleges.

During fiscal year 2007 Kansas community colleges spent nearly \$460 million, and enrolled more than 46,000 students. page 4
Average spending per student during that time period ranged from a low of \$5,400 to nearly \$14,500. The largest single source of funding for community colleges has been local property taxes.

Question 1: Have Community Colleges Used a Portion of Increased State Aid to Reduce Mill Levies, and If Not, Why Not?

Legislation passed in 1999 provided additional State funding for community colleges so they could rely less on property tax revenues. Generally, the provisions of the Act affecting community college funding were as follows:

- “Credit-hour” State aid for community colleges was replaced with operating grants.
- County out-district tuition was to be phased out, and the revenues colleges lost were to be replaced by State aid.
- Performance grants were to be implemented.

Most of the additional funding provided through the new State operating grants was intended to help provided local property tax relief. When the new operating grants became effective in 2001, community colleges were required to use at least 80% of any increase in the State page 7

operating grant over the previous year (less an adjustment for the out of district tuition they received) to reduce the amount of property taxes they levied. The remaining 20% could be used for whatever purposes the colleges wanted.

The Act didn't provide as much property tax relief as anticipated mostly because it wasn't fully funded, and also because some community colleges didn't follow the Act. *Community colleges couldn't reduce their mill levy revenues as much as expected because they didn't receive all the funding called for in the Act. Community colleges should have received about \$751 in State operating grants for fiscal years 2001 through 2007, based on the provisions in the Act. They actually got \$595 million, or about \$157 million (21%) less than anticipated. In addition, under the Act, community colleges were supposed to receive performance grants beginning in fiscal year 2003, but those grants weren't funded until fiscal year 2006.*

.....page 8

We identified three reasons why the colleges didn't receive all the funding they should have:

- *In fiscal years 2001 and 2002 the Board of Regents' request for State operating grants for community colleges somewhat underestimated the number of students who would enroll in the community colleges those years. At the time, the Board didn't estimate for any increases in enrollment. In subsequent years, the Board has used projected enrollment figures.*
- *In subsequent years, the Legislature didn't fully fund the colleges' State aid because of budget shortfalls. Like most states, Kansas experienced serious budget shortfalls because of the general economic downturn that occurred after the terrorist attacks on September 11, 2001.*
- *Overall, funding the Act also turned out to be more costly than anticipated. The fiscal note prepared at the time the Act was considered assumed enrollment at community colleges would remain flat and also underestimated the amount of State aid provided per lower-division student at Kansas' three regional Regents' institutions---which is what State aid to community colleges is based on.*

In addition, 10 community colleges didn't provide all the property tax relief they should have. Given the amounts of the operating grants they received, community colleges should have reduced their property tax levies by \$30.3 million, but overall they reduced their property tax levies by only \$25.2 million or \$5 million less than required.

Given the way the law is written, there are no assurances that local property tax revenues for community colleges will decrease, even if community colleges comply with the Act. *That's because the Act doesn't place any limits on colleges' expenditures or on the amount of local property tax revenues they can generate. Community colleges*

can get around the law by simply inflating their budgeted expenditures to offset the reduction in property tax revenues that is required when they set their mill levy rates.

Other factors have contributed to changes in the colleges' property tax revenues and mill levy rates since 2000. Our analysis showed that community colleges tended to fall into three groups:

..... page 15

- Group 1—10 colleges whose property tax revenues actually dropped as a percent of their total revenues in 2007 compared to 2000.
- Group 2—5 colleges whose property tax revenues became a larger percent of their total revenues in 2007 than in 2000.
- Group 3—4 colleges whose property tax revenues accounted for about the same percent of their total revenues in both years.

The colleges in Group 1 generally shared a number of factors that helped them rely less on property tax revenues and have lower mill levy rates in 2007 than in 2000. In general, they:

- had larger enrollment increases.
- raised their tuition rates higher.
- had larger increases in their non-property-tax sources of revenue.
- were in counties where the assessed valuations grew at a faster rate than the amount of property tax the colleges needed to generate.
- had smaller increases in their ending cash balances.

Community colleges could decrease their cash reserves to reduce their property tax revenues even more in coming years. In 2007, some colleges had cash reserves that totaled up to eight months worth of expenditures. If the colleges reduced cash reserves to only three months worth of expenditures, their total cash balances for that same time period would have been only \$110 million, or \$77 million less.

Compared to surrounding states, Kansas relies more heavily on local dollars to fund its community colleges. Except for Nebraska, Kansas depends more heavily on local property tax revenues than neighboring states. We identified a number of ways that other states have limited their reliance on property tax revenues to fund community colleges, including the following:

..... page 20

- Eliminate property tax as a revenue source for community colleges. In Colorado, property tax revenue can't be used to fund community colleges.
- Limit the amount of property tax revenue that can be levied. Nebraska recently passed legislation establishing such a limit.

- Extend community college taxing districts beyond county lines. Nebraska and Missouri each divided their states into community college taxing districts that include several counties.

Question 1 Conclusion page 21

Question 1 Recommendations page 22

Question 2: What Options Exist for Community Colleges that Are in Close Proximity, Such as Independence and Coffeyville, to Share Resources To Reduce Costs and Mill Levies?

Options for community colleges to coordinate activities or share resources exist in the areas of academics, support functions, and purchasing. page 23
Opportunities for coordinating or sharing resources in the academic area stem from making the best use of teaching resources. Support functions are the areas that support the teaching mission of community colleges and opportunities for sharing in that area could range from sharing employees or equipment to consolidating a function at one college. Finally, in the area of joint purchasing, many vendors offer price breaks for customers who can purchase in larger quantities.

OPTIONS FOR SHARING RESOURCES RELATED TO ACADEMICS

Community colleges in Kansas currently share academic resources on a limited basis. page 24
Sharing resources among community colleges hasn't been widespread. Sharing agreements related either to on-line courses or to courses taught in a traditional classroom setting.

For example, through the EduKan Program, several community colleges in southwest Kansas share on-line courses.

Independence and Coffeyville have agreements with other colleges to share resources related to specialized programs, but no agreements with each other. page 25
By entering into agreements with other community colleges, Coffeyville and Independence have avoided duplicating specialized academic programs. For example, a fire science program and an associate degree in medical laboratory technology are provided by Barton County Community College at Coffeyville Community College. Fort Scott Community College provides a wastewater management certificate program, also at Coffeyville. At Independence Community College, Neosho Community College provided a licensed practical nurse program.

Coffeyville and Independence could share academic resources in a number of ways. We identified several specific areas where the colleges could potentially share academic resources to share costs. Those areas include the following:

- Coordinate their specialized programs to eliminate some program duplication. The colleges offer several of the same certificate and Associate in Applied Science degree programs.

Although some of the programs such as the certified nurse/geriatric aid program, may have sufficient demand to warrant having them offered by two colleges in the same county, other programs could be offered at only one college.

- Eliminate the duplication that exists when one college has established a more-specialized program, and the other college offers individual elective classes in that same subject area. For example, in Spring 2007, Coffeyville had 59 students enrolled in its technical welding programs, while Independence had two welding courses with six students enrolled. Similarly, Independence offers an Associate of Science degree in criminal justice, while Coffeyville offers a single elective class in criminal justice.
- Sharing teaching resources related to higher-level math and science courses. A number of math and science courses offered in Spring 2007 at one or both colleges tended to have very small enrollments. Options currently exist to make sharing teaching resources for these courses easier, including on-line courses and interactive videoconferencing.

A number of variables can affect the amount of money that could be saved by having Independence and Coffeyville share academic resources, including the following:

- Eliminating some degree programs at one college may not result in any savings because no courses would be eliminated. That's because for some degree programs, like pre-law, the courses aren't unique only to that degree—they are general academic courses such as English composition or political science which are common to many degrees.
- If a class is taught by a full-time faculty member, eliminating it may not always save money because, under certain circumstances, the faculty member may not be getting paid extra for teaching the class.
- If courses are taught by a part-time faculty member, the savings related to single courses may be relatively small. Part time faculty are typically paid \$400-\$450 per credit hour taught.

We also noticed some opportunity for savings if Independence Community College internally merged multiple sections of the same course that have low enrollments.

..... page 29

OPTIONS FOR SHARING RESOURCES RELATED TO SUPPORT FUNCTIONS

Community colleges generally perform the same types of administrative activities. Support functions such as human resources, fiscal operations and accounting, building maintenance, information technology, and the like may be performed differently at each community college, but the functions themselves are basically the same.

..... page 30

In reality, it may be difficult to achieve large-scale savings from sharing support functions while maintaining two separate institutions. *The areas we noted that appeared to have the most potential for sharing at Coffeyville and Independence were information technology and payroll processing. Both colleges might benefit from having a standardized computer system and software, but officials from both colleges estimated that making their computer system compatible would cost about \$500,000 total.*

We found significant issues that could make it difficult to share some of the other support functions. Some of those issues include the following:

- *Sharing management positions is difficult because many managers already are shared internally with other departments or functions, or they are providing direct services.* *For example, several management staff already wear multiple hats—they have responsibilities in multiple departments in the same community college. In addition, many management staff aren't doing exclusively management work, they may be performing a significant amount of hands-on work.*
- *The potential for sharing non-management positions is relatively limited, either because there is minimal staff already or because a staff presence is required at each college.* *For example, some functions such as financial aid involve a lot of student interaction and staff has to be present to provide services.*
- *Sharing support processes creates a number of significant issues with standardizing policies and procedures and determining who would resolve conflicts in priorities.* *There are a number of significant impediments that make sharing support functions more difficult, including that:*
 - *both colleges compete for the same students.*
 - *provisions would need to be made for how conflicts would be resolved between two boards of trustees.*
 - *policies and processes would need to be standardized at both colleges.*
 - *historically, there's a strong rivalry between the two community colleges and they've been reluctant to share.*

Regardless of any issues that make sharing resources difficult, voters in Montgomery County and college officials have made some overtures toward sharing. In a February 2007 non-binding advisory election, voters were asked whether Montgomery County should have one community college—64% responded yes. In addition, Coffeyville officials suggested in a letter to Independence that the colleges meet and discuss merging.

..... page 34

OPTIONS FOR SAVINGS MONEY BY JOINTLY PURCHASING GOODS OR SERVICES

Significant cost savings are likely through joint purchasing agreements. page 35
Most goods and services that community colleges buy could be jointly purchased. We selected a sample of nine commonly purchased items and our findings are summarized below.

- **Natural Gas**—estimated savings of \$27,500 and \$36,000 are possible if Coffeyville and Independence join an existing gas purchasing consortium.
- **Software**—additional savings are possible if community colleges and universities combine their purchasing power.
- **Telephone**—if at least some of the 19 community colleges banded together to purchase telephone-related services, additional savings are possible.
- **Security Services**—savings are likely if Coffeyville and Independence negotiated for one contract with a single security provider. They both currently pay \$12 per hour for security.
- **Health Insurance**—savings may be possible if community colleges are willing to jointly purchase one health plan or join the State health plan. For example, cost for single coverage through the State health plan is \$4,400 compared to \$6,700 for single coverage at Coffeyville.
- **Property Insurance**—if Coffeyville and Independence negotiate with their common insurance provider, savings might be possible.
- **Paper**—savings may be possible if Coffeyville and Independence jointly purchase from a single provider, but currently they're receiving discounted prices.
- **Computers**—savings on computer purchases appears to be unlikely because community colleges already appear to receive low prices, and pooling purchasing power wouldn't affect cost.
- **Electricity**—savings are unlikely because of how electricity is regulated.

Question Two Conclusion page 38

Question Two Recommendations page 39

APPENDIX A: Scope Statement. page 40

APPENDIX B: Actual vs. Expected State Operating Grant by Community College. page 42

APPENDIX C: Revenue, Expenditure, and Property Tax Informationpage 43
by Community College.

APPENDIX D: Agency Response.page 45

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Community Colleges: Examining Whether There Are Ways To Share Resources To Reduce Costs

The 1999 Legislature considered and passed Senate Bill 345, which made major changes to the system for overseeing and funding postsecondary education in Kansas. Among the changes it made to the funding structure was to replace credit-hour, out-district, and general State aid programs for community colleges with an operating grant. In 2001, the first year of the operating grants, community colleges were to receive State aid per full-time equivalent student equal to 50% of the rate provided per lower-division student at the regional Regents' institutions (Emporia, Fort Hays, and Pittsburg). The operating grants were scheduled to increase in subsequent years, until they reached 65% of the State aid per FTE lower-division student at the regional universities.

Community colleges were to use 80% of any increase in State aid over the prior year to reduce their mill levies. The remaining portion of any increase either could be used for program enrichment or to further reduce mill levies.

Legislators have questioned why mill levies for community colleges in many cases have stayed the same or increased since the legislation was passed, rather than being reduced. They also want to know whether there are opportunities for community colleges to share resources in order to reduce both costs and mill levies.

This performance audit answers the following questions.

- 1. Have community colleges used a portion of increased State aid to reduce mill levies, and if not, why not?**

- 2. What options exist for community colleges that are in close proximity to each other, such as Independence and Coffeyville, to share resources to reduce costs and mill levies?**

To answer these questions, we reviewed statutory requirements placed on community colleges to use increases in State operating grants to reduce local property taxes. We gathered information from the Board of Regents to determine the amount of State operating grants provided annually to community colleges, and how much of that money should have been applied to reduce local property taxes. For each community college, we reviewed budget documents to determine whether they followed requirements to reduce property taxes. We

interviewed officials from a sample of community colleges that didn't reduce their property tax by the designated amount, to determine why those reductions weren't made. In addition, we compared the funding provided to community colleges to what was promised when the new funding formula was passed. We also analyzed financial information from all community colleges to determine what accounted for the differences between the community college that reduced their reliance on property taxes and those that didn't.

To look for ways community colleges might be able to share resources, we reviewed literature and contacted groups such as the American Association of Community Colleges to try to identify whether there are any innovative resource-sharing programs that community colleges have used to save money. We reviewed the class offerings at the Independence and Coffeyville Community Colleges looking for ways to save money by specializing in the types of classes or degree programs offered, sharing faculty or administrators, or consolidating small classes. In addition, we looked at the use of resources such as computer systems and equipment to determine whether there appeared to be any opportunities for sharing those resources to reduce costs. We talked with administrators at Independence and Coffeyville as well as other Kansas community colleges and staff at the Board of Regents to determine whether they have identified any other areas where community colleges could pool resources or services to reduce costs. Finally, we looked at opportunities for community colleges to jointly purchase goods and services to save money.

A copy of the scope statement for this audit approved by the Legislative Post Audit Committee is included in **Appendix A**. In conducting the audit, we followed all applicable auditing standards set forth by the U.S. Government Accountability Office.

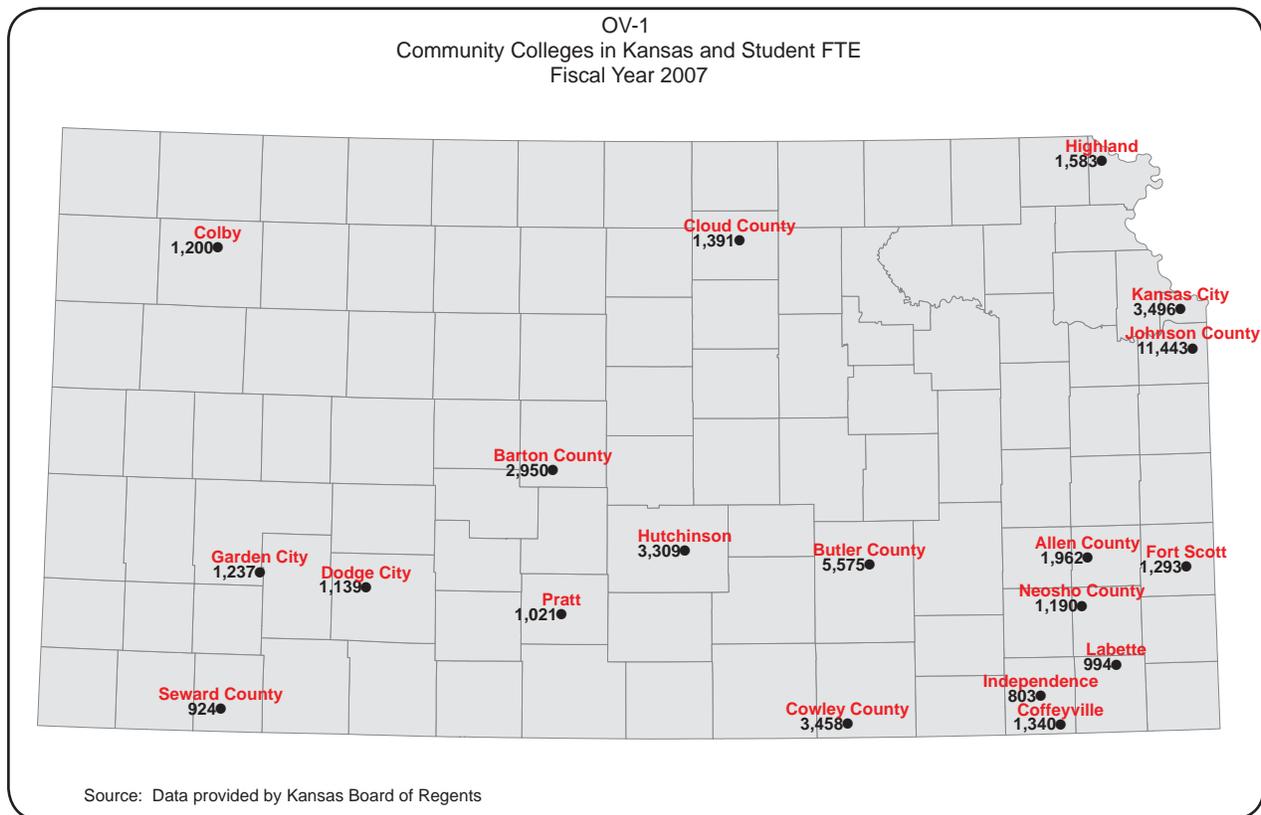
Our findings begin on page six, following a brief overview of community colleges.

Overview of Kansas Community Colleges

Currently, Kansas Has 19 Community Colleges Offering a Variety of Degree and Certificate Programs

Community colleges in Kansas were authorized by the 1917 Legislature and originally, were meant to be an extension of high schools, offering grades 13 and 14 or the equivalent of freshman and sophomore years at a regular four-year university. By the late 1950s and early 1960s, the Legislature had passed laws that allowed community colleges to be separate institutions with separate governing boards—now known as boards of trustees.

Community colleges are located throughout the State of Kansas. **Figure OV-1** shows the location of each college, and the number of FTE students for the 2006-2007 school year.



Community colleges offer a wide variety of academic coursework that can lead to an associate’s degree in disciplines such as accounting, biology, or political science. Students wanting to continue their education can transfer course credits from the community college to a 4-year university. The colleges also offer a number of specialized academic programs—typically certificate or degree programs—aimed at preparing students to directly enter the workforce upon completion of the program. These programs can be as diverse as welding or automotive repair, or be in medical fields such as emergency medical technician or certified nurse’s aide.

Community Colleges Are Supervised By the Board of Regents, and Governed By Local Boards of Trustees

The Higher Education Coordination Act of 1999 changed how higher education was governed in Kansas. It made the State Board of Regents responsible for supervising community colleges beginning in fiscal year 2000. Before that legislation was passed, the State Board of Education had responsibility for overseeing community colleges.

Each community college is still governed by a local board of trustees. These boards set the policies for the individual colleges, oversee their budgets, and have the power to levy local property taxes to help fund the colleges.

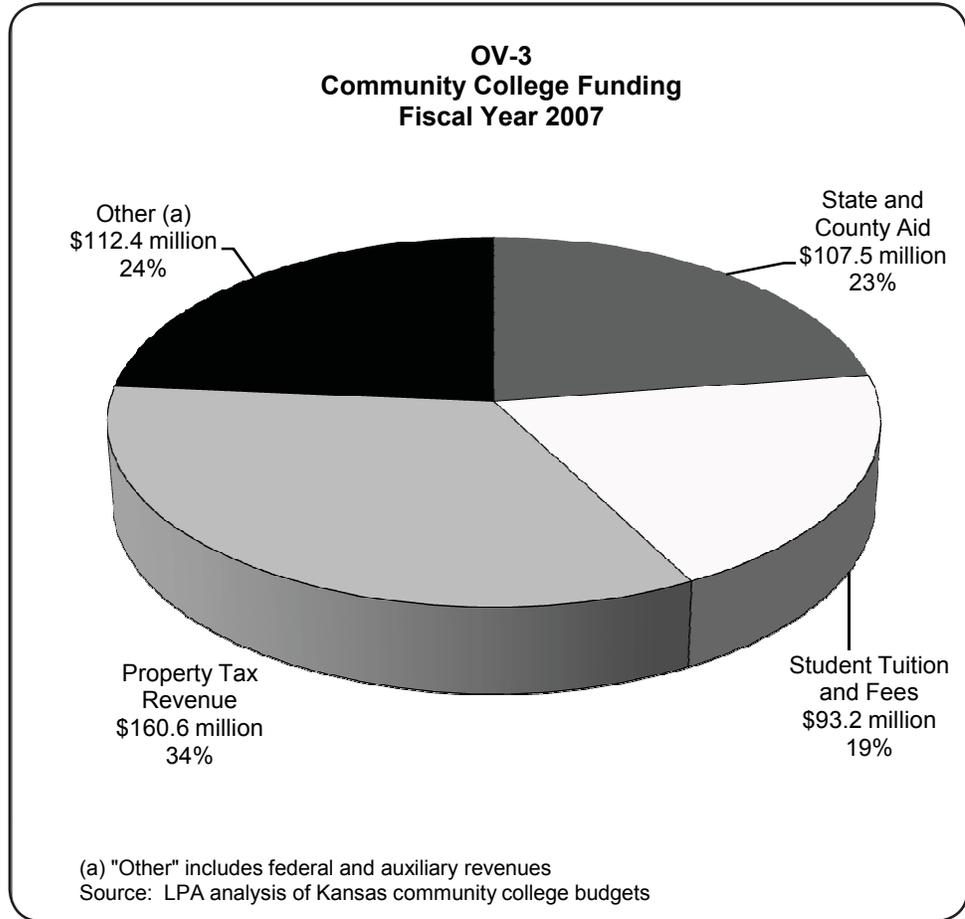
During Fiscal Year 2007 Kansas Community Colleges Spent Nearly \$460 Million, and Enrolled More Than 46,000 Students

Figure OV-2 shows the number of full-time equivalent students at each community college and the average amount spent per student for the 2006-2007 school year.

OV-2 Kansas Community Colleges Average Spending per Student 2006-2007 School Year			
Community College	Total Expenditures (a)	FTE Students	Spending per FTE Student
Allen	\$10,585,924	1,962	\$5,395
Barton County	\$23,812,261	2,950	\$8,072
Butler County	\$47,136,071	5,575	\$8,455
Cloud County	\$12,432,181	1,391	\$8,938
Coffeyville	\$12,777,063	1,340	\$9,535
Colby	\$10,851,216	1,200	\$9,043
Cowley County	\$22,661,349	3,458	\$6,553
Dodge City	\$14,511,875	1,139	\$12,741
Fort Scott	\$10,601,870	1,293	\$8,199
Garden City	\$16,392,138	1,237	\$13,252
Highland	\$12,757,580	1,583	\$8,059
Hutchinson	\$31,865,248	3,309	\$9,630
Independence	\$9,058,970	803	\$11,281
Johnson County	\$140,723,318	11,443	\$12,298
Kansas City	\$38,098,166	3,496	\$10,898
Labette	\$9,497,931	994	\$9,555
Neosho County	\$10,676,076	1,190	\$8,971
Pratt	\$10,303,134	1,021	\$10,091
Seward	\$13,378,975	924	\$14,479
Total/Average	\$458,121,347	46,308	\$9,893
(a) Unaudited actual expenditures Source: LPA analysis of Kansas Board of Regents data			

As shown in Figure OV-2, average spending per student ranged from a low of about \$5,400 at Allen County Community College, to nearly \$14,500 at Seward County Community College. For all community colleges, the average amount spent per student during fiscal year 2007 was \$9,893.

The largest single source of funding for community colleges has been local property taxes. During fiscal year 2007, the State's 19 community colleges took in nearly \$474 million in revenues to fund their expenditures. As shown in *Figure OV-3*, the largest single source of revenue was local property taxes, which provided just over a third of the total revenues for the colleges.



Question 1: Have Community Colleges Used a Portion of Increased State Aid to Reduce Mill Levies, and If Not, Why Not?

ANSWER IN BRIEF:

The Higher Education Coordination Act was intended to provide additional State aid to community colleges, some of which was to be used to reduce their reliance on property tax revenues. As passed, the Act should have provided about \$58.1 million in local property tax relief through fiscal year 2007. It actually provided less than half that amount of tax relief for two reasons. First, the Legislature didn't fully fund the Act largely because of budget shortfalls. The colleges received about \$157 million less in State aid than envisioned for 2001-2007. Second, 10 of the community colleges didn't reduce taxes as much as they should have, given the State funding they did receive. Overall, they reduced their property taxes by about \$25 million instead of the \$30 million they should have. College officials cited several reasons for not reducing their property tax revenues, including the Act not being fully funded. We also noted that some colleges were building up significant cash reserves. Given the way the Act is written, we identified several scenarios in which a community college could comply with it and still end up increasing local property taxes.

Several key factors contributed to some community colleges being able to reduce their reliance on property tax revenues and their mill levy rates in 2007 compared with 2000. These included having large increases in student enrollments and tuition rates (which led to much bigger increases in tuition revenues and State aid). Another factor was that some community colleges were located in counties where the assessed valuations grew at a faster rate than the colleges' property tax revenues. In addition, some colleges built up smaller cash reserves than other colleges. Three of four surrounding states rely less heavily on property tax revenues than Kansas does to fund community colleges. Some have spread the burden onto larger taxing districts, and one has attempted to provide property tax relief by capping the amount of property taxes community colleges can levy. These and related findings are discussed in more detail in the sections that follow.

Legislation Passed In 1999 Provided Additional State Funding for Community Colleges So They Could Rely Less On Property Tax Revenues

The Higher Education Coordination Act was sweeping legislation that revamped how higher education would be governed and financed in Kansas beginning in fiscal year 2001. Among other things, the Act transferred supervision of community colleges from the State Board of Education to the Board of Regents—which oversees higher education institutions—and established a new method for funding community colleges.

Generally, the provisions of the Act affecting community college funding were as follows:

- **“Credit-hour” State aid for community colleges was to be replaced with operating grants.** Before 2001, most State aid had been allocated based on a fixed dollar amount for each credit hour of coursework taken by lower-division students—freshman and sophomores—who are Kansas residents. Beginning in 2001, this credit hour aid was replaced with operating grants. Those grants were equal to 50% of the amount of State aid provided per FTE lower-division student at the three regional Regents’ institutions (Emporia, Fort Hays, and Pittsburg State Universities), multiplied by each community college’s enrollment in the current or previous year (whichever was higher). A hold-harmless provision ensured that no community college would get less aid in fiscal year 2001 than in fiscal year 2000.

For fiscal years 2002 through 2004, these operating grants were to increase by 5% each year until the grants equaled 65% of the amount of State aid provided per FTE lower-division student at the three regional Regents’ institutions.

- **County out-district tuition was to be phased out, and the revenues colleges lost were to be replaced by State aid and included in their operating grants.** Before the Act was passed, counties that didn’t have a community college had to pay “out-district” tuition for each student from their county who attended a community college in another county. The Act called for out-district tuition to be incrementally phased-out by 2004.
- **Performance grants were to be implemented.** The Act called for the Legislature to appropriate new performance-based funding to the Board of Regents, beginning in fiscal year 2003. This funding was to be granted to postsecondary education institutions based on whether they were able to meet success and excellence indicators. Each institution was eligible to receive a performance grant of up to 2% of its State General Fund appropriation from the previous year.

Most of the additional funding provided through the new State operating grants was intended to help provide local property tax relief. When community colleges set their budgets, their boards of trustees are authorized by law to levy the amount of local property taxes needed to fund any estimated expenditures that aren’t covered by other estimated sources of funds available to the colleges. Those other major sources of revenue can include State aid, federal grants, tuition and fees, investment income, and cash reserves.

After each board certifies how much local property tax will be needed to cover the college’s estimated unfunded expenditures, the county clerk determines the mill levy rate needed to raise that amount of property tax. (One mill generates \$1 of property tax for every \$1,000 in assessed property valuation in the county.)

When the new State operating grants became effective in 2001, community colleges were required to use at least 80% of any increase in the State operating grant over the previous year (less an adjustment for the out of district tuition they received) to reduce the amount of

property taxes they levied. The remaining 20% could be used for whatever purposes the colleges wanted.

Each year since the Act was passed, the Board of Regents has computed how much each community college could expect to receive from the State operating grant for the budget year, and how much of that grant must be used to reduce their local property taxes. To comply with the Act, community colleges had to subtract that amount from the amount of local property taxes they otherwise would have levied.

Figure 1-1 shows the Board of Regents' computations of the State operating grants and county out-district tuition the community colleges would have received for fiscal years 2001 through 2007, based on the provisions of the Act. It also shows the Board's estimate of the amount of property tax relief that would have resulted.

Figure 1-1 Projected State Operating Grants, County Out-District Tuition, and Reductions in Property Tax Levies for the 19 Community Colleges As a Result of the 1999 Higher Education Act Fiscal Years 2000-2007 (shown in millions)				
Fiscal Year	State Operating Grants (a)	County Out-District Tuition	Total	Projected Property Tax Relief (b)
2000	\$60.9	\$10.8	\$71.8	\$0.0
2001	\$74.8	\$8.6	\$83.4	\$8.6
2002	\$91.6	\$5.8	\$97.4	\$11.0
2003	\$112.4	\$3.1	\$115.5	\$21.4
2004	\$125.5	\$0.0	\$125.5	\$10.6
2005	\$113.0	\$0.0	\$113.0	\$ 0.5
2006	\$115.3	\$0.0	\$115.3	\$2.6
2007	\$118.5	\$0.0	\$118.5	\$3.3
Total	\$751.2	\$17.5	\$768.6	\$58.1

(a) In fiscal year 2000, the community colleges received State credit hour aid. Beginning in fiscal year 2001, State credit hour aid to community colleges was replaced with State operating grants.

(b) The Kansas Board of Regents projected the estimated property tax relief based on the requirements in the Higher Education Coordination Act.

Source: LPA review and analysis of Board of Regents records and community college budgets.

The Act Didn't Provide As Much Property Tax Relief as Anticipated Mostly Because It Wasn't Fully Funded, And also Because Some Community Colleges Didn't Follow the Act

Information provided by the Kansas Board of Regents showed that, if the Act had been implemented as passed, it would have provided local property tax relief of about \$58.1 million through fiscal year 2007.

Figures 1-2 and *1-3* show, by year and by college, the difference between the amount of property tax relief the Act should have provided, and the amount of property tax relief that actually was provided—\$25.2 million.

Figure 1-2
Expected and Actual Reductions in Property Tax Levies for the 19
Community Colleges
As a Result of the Higher Education Act
Fiscal Years 2001-2007 (shown in millions)

Fiscal Year	Property Tax Relief		
	Expected Relief	Actual Relief Provided	Difference
2001	\$8.6	\$6.9	(\$1.7)
2002	\$11.0	\$7.6	(\$3.3)
2003	\$21.4	\$1.5	(\$19.9)
2004	\$10.6	\$2.4	(\$8.3)
2005	\$0.5	\$2.5	\$2.0
2006	\$2.6	\$1.9	(\$0.7)
2007	\$3.3	\$2.3	(\$1.0)
Total	\$58.1	\$25.2	(\$32.9)

Source: LPA analysis of Kansas Board of Regent's data and community college budget data.

Figure 1-3
Expected and Actual Reductions in Local Property Taxes
As a Result of the Higher Education Act
By College, for Fiscal Years 2001-2007
2001-2007 Combined (shown in millions)

Community College	Property Tax Relief 2001-2007 Combined		
	Expected Relief	Actual Reductions Provided	Difference
Allen County	\$2.6	\$1.5	(\$1.2)
Barton County	\$5.3	\$1.9	(\$3.4)
Butler County	\$9.0	\$4.0	(\$5.0)
Cloud County	\$2.2	\$0.8	(\$1.4)
Coffeyville	\$0.9	\$0.3	(\$0.6)
Colby	\$1.3	\$0.6	(\$0.7)
Cowley County	\$6.0	\$3.0	(\$3.0)
Dodge City	\$1.4	\$0.7	(\$0.8)
Fort Scott	\$2.0	\$0.6	(\$1.5)
Garden City	\$1.6	\$1.0	(\$0.5)
Highland	\$2.2	\$1.2	(\$1.0)
Hutchinson	\$3.6	\$2.1	(\$1.5)
Independence	\$0.8	\$0.2	(\$0.6)
Johnson County	\$10.9	\$3.5	(\$7.4)
Kansas City	\$2.7	\$1.6	(\$1.1)
Labette	\$1.5	\$1.3	(\$0.3)
Neosho County	\$1.4	\$0.2	(\$1.2)
Pratt	\$1.5	\$0.2	(\$1.3)
Seward County	\$1.1	\$0.6	(\$0.4)
Total	\$58.1	\$25.2	(\$32.9)

Source: LPA analysis of Kansas Board of Regent's data and community college budget data.

Community colleges couldn't reduce their mill levy revenues as much as expected because they didn't receive all the funding called for in the Act. The Act requires them to use at least 80% of any increase in the State operating grant over the previous year to reduce the amount of property taxes levied. Their ability to provide local property tax relief was based on the assumption that they would get increasing amounts of State aid each year to help cover their operating expenditures. That didn't happen.

Figure 1-4 shows that community colleges should have received about \$751 million in State operating grants for fiscal years 2001 through 2007, based on the provisions in the Act. They actually got \$595 million, or about \$157 million (21%) less than anticipated.

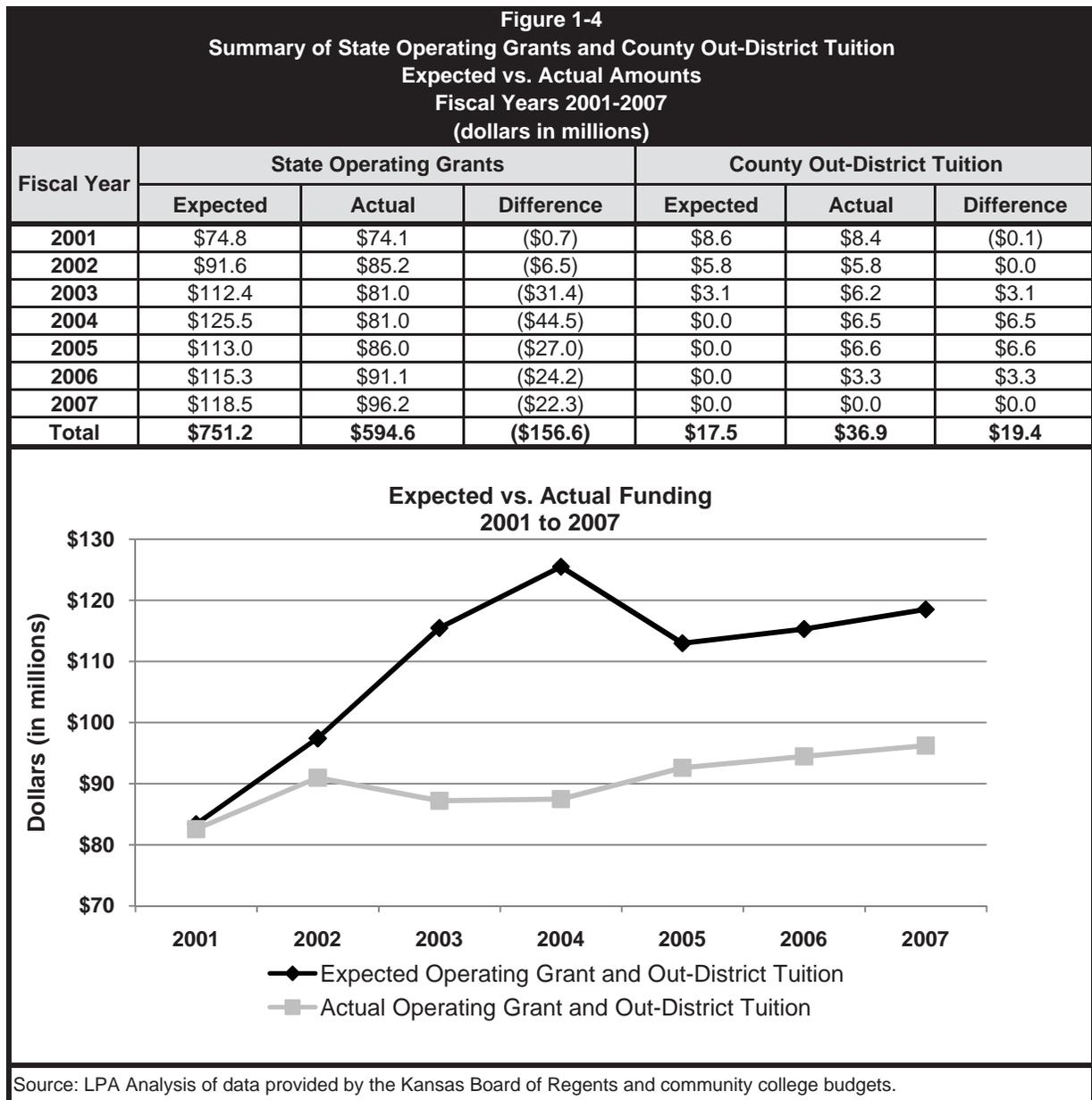


Figure 1-5 shows this same information cumulatively for fiscal years 2001 through 2007 for each community college. *Appendix B* shows the expected and actual state operating grants separately, by year, and for each college.

Figure 1-5 Summary of State Operating Grants and County Out-District Tuition Expected vs. Actual Amounts By College, for Fiscal Years 2001-2007 Combined (dollars in millions)						
Community College	State Operating Grant			County Out-District Tuition		
	Expected	Actual	Difference	Expected	Actual	Difference
Allen County	\$29.6	\$23.3	(\$6.3)	\$0.5	\$1.2	\$0.7
Barton County	\$55.8	\$44.3	(\$11.5)	\$0.8	\$1.6	\$0.8
Butler County	\$100.6	\$79.4	(\$21.2)	\$3.4	\$7.5	\$4.1
Cloud County	\$35.8	\$28.3	(\$7.5)	\$1.1	\$2.4	\$1.3
Coffeyville	\$13.3	\$10.6	(\$2.7)	\$0.2	\$0.4	\$0.2
Colby	\$23.4	\$18.6	(\$4.8)	\$0.9	\$1.7	\$0.8
Cowley County	\$62.1	\$48.8	(\$13.3)	\$1.8	\$4.4	\$2.6
Dodge City	\$20.9	\$16.6	(\$4.3)	\$0.5	\$0.8	\$0.3
Fort Scott	\$24.6	\$19.5	(\$5.1)	\$0.8	\$1.6	\$0.8
Garden City	\$22.5	\$17.9	(\$4.6)	\$0.5	\$0.9	\$0.5
Highland	\$32.6	\$25.8	(\$6.8)	\$1.1	\$2.4	\$1.2
Hutchinson	\$50.1	\$39.6	(\$10.5)	\$1.1	\$2.6	\$1.5
Independence	\$12.2	\$9.7	(\$2.5)	\$0.2	\$0.4	\$0.2
Johnson County	\$148.2	\$117.3	(\$30.9)	\$1.6	\$2.9	\$1.4
Kansas City	\$48.3	\$38.4	(\$9.9)	\$1.1	\$2.0	\$0.9
Labette	\$21.0	\$16.8	(\$4.3)	\$0.5	\$1.0	\$0.5
Neosho County	\$17.4	\$13.8	(\$3.6)	\$0.4	\$1.0	\$0.6
Pratt	\$18.9	\$14.9	(\$4.0)	\$0.5	\$1.2	\$0.6
Seward County	\$13.9	\$11.1	(\$2.8)	\$0.4	\$0.8	\$0.4
Totals	\$751.2	\$594.6	(\$156.6)	\$17.5	\$36.9	\$19.4

Source: LPA analysis of Kansas Board of Regent's data and community college budget data.

In addition, under the Act, community colleges were supposed to receive performance grants beginning in fiscal year 2003, but those grants weren't funded until fiscal year 2006. Since that time, community colleges have received a total of about \$10 million in performance funding.

Another source of State funding for community colleges, Local Ad Valorem Tax Relief (LAVTR), was reduced in fiscal year 2003 and eliminated in 2004. Had it been fully-funded in fiscal year 2003, community colleges would have received nearly \$4.3 million in additional funding that year.

To help make up for the shortfalls in State appropriations, the Legislature delayed the phase-out of county out-district tuition until after fiscal year 2006, beyond the original 2004 phase-out date. As

Figures 1-4 and 1-5 showed, in total counties paid community colleges about \$19 million more in out-district tuition than they otherwise would have. However, there was no requirement that colleges use any of that money for property tax relief.

We identified three reasons why the colleges didn't receive all the State aid they should have:

- **In fiscal years 2001 and 2002 the Board of Regents' request for State operating grants for community colleges somewhat underestimated the number of students who would enroll in the community colleges those years.** Because the State operating grant is based in part on the number of students enrolled in the colleges, the Board's request was lower than it should have been because, at that time, they didn't estimate for any increases in enrollment. The Legislature provided the full amount of funding the Board had requested. To address this issue in subsequent years, the Board has used projected enrollment figures.
- **In subsequent years, the Legislature didn't fully fund the colleges' State aid because of budget shortfalls.** Like most states, Kansas experienced serious budget shortfalls because of the general economic downturn that occurred after the terrorist attacks on September 11, 2001. As a result, the Legislature didn't provide all the increased funding called for under the Act.
- **Overall, funding the Act also turned out to be more costly than anticipated.** Under the Act, funding per student FTE at community colleges was required to be equal to a portion of the amount of State aid provided per FTE lower-division student at the three regional Regents' institutions (Emporia, Fort Hays, and Pittsburg State Universities). Board of Regents officials told us that the fiscal note prepared at the time the Act was considered, underestimated the amount of State aid needed for an FTE lower-division student at the regional Regents' institutions. In addition, the note assumed enrollments would remain flat. Therefore the State aid for students at community colleges also was affected. Because the fiscal note doesn't provide details for how costs of lower-division students at the regional Regent's institutions were projected, we weren't able to calculate how much that factor drove up the total cost of the funding package.

Also, 10 community colleges didn't provide all the property tax relief they should have, given the amount of State operating grants they actually received. Board of Regents' records show that, given the amount of operating grant funds that community colleges actually received for fiscal years 2001-2007, the colleges should have reduced their property tax levies by \$30.3 million to fully comply with the Act. As *Figure 1-6* shows, overall, their budget documents show they reduced their property tax levies by only \$25.2 million during that seven-year period, or about \$5 million less than required.

**Figure 1-6
Property Tax Levy Reductions for Community Colleges:
Amounts That Should Have Been Reduced (Given Amounts of State Aid
Colleges Received) Compared with Actual Reductions
Fiscal Years 2001-2007, Combined**

Community College	Amount Property Tax Should Have Been Reduced, Given the Operating Grants the College Received	Actual Reduction in Property Tax Levy	\$ Difference	Amount Reduced as a % of Amount Required to Reduce
Colleges that reduced their property tax levies by <u>at least as much as</u> required				
Garden City	\$645,657	\$1,035,206	\$389,549	160%
Labette	\$880,979	\$1,264,800	\$383,821	144%
Seward County	\$584,606	\$648,231	\$63,625	111%
Dodge City	\$629,061	\$690,583	\$61,522	110%
Cowley County	\$2,865,873	\$3,029,105	\$163,232	106%
Kansas City	\$1,512,455	\$1,606,921	\$94,466	106%
Butler County	\$3,944,126	\$3,999,087	\$54,961	101%
Allen County	\$1,452,013	\$1,462,796	\$10,783	101%
Highland	\$1,153,763	\$1,151,633	(\$2,130)	100%
Subtotal or Average	\$13,668,533	\$14,888,362	\$1,219,829	117%
Colleges that reduced their property tax levies by <u>less</u> than required				
Colby	\$610,132	\$580,100	(\$30,032)	95%
Cloud County	\$858,628	\$796,932	(\$61,696)	93%
Hutchinson	\$2,497,975	\$2,083,105	(\$414,870)	83%
Coffeyville	\$433,128	\$299,418	(\$133,710)	69%
Barton County	\$2,752,300	\$1,881,214	(\$871,086)	68%
Fort Scott	\$888,059	\$577,524	(\$310,535)	65%
Independence	\$332,043	\$191,801	(\$140,242)	58%
Johnson County	\$6,341,742	\$3,451,061	(\$2,890,681)	54%
Pratt	\$873,997	\$248,552	(\$625,445)	28%
Neosho County	\$1,048,223	\$209,558	(\$838,665)	20%
Subtotal or Average	\$16,636,227	\$10,319,265	(\$6,316,962)	68%
Total or Average	\$30,304,760	\$25,207,627	(\$5,097,133)	88%

Source: LPA analysis of data provided by the Kansas Board of Regents.

As *Figure 1-6* shows, the story is different for different colleges. In all, the budget documents for nine community colleges showed that they reduced their property tax revenues by at least as much as required over seven years. For example, Garden City and Labette Community Colleges both reduced their property tax levies by about \$400,000 more than required.

On the other hand, the budget documents for 10 community colleges showed that they didn't reduce their property taxes by as much as required. On average, these 10 colleges only reduced their property taxes by 68% of what was required.

The story also is different for different years. Community colleges were much more likely to comply with the Act in the earlier years, and much less likely in the later years, as described on the next page.

- during fiscal years 2001-2002, when State operating grants were nearly fully funded, community colleges reduced their property tax revenues by \$14.6 million, or about \$200,000 more than required
- for fiscal years 2003-2005, when the colleges' State aid was cut back significantly, they reduced their property tax revenues by \$6.4 million, or about \$1.1 million less than they should have
- for 2006 and 2007, the colleges should have reduced property tax revenues by nearly \$8.4 million, but they reduced them by only \$4.1 million.

Again, we identified several reasons why community colleges may not have fully complied with the provisions of the Act that called for them to reduce their property tax revenues:

- Some community college officials told us they didn't reduce their property tax revenues, as required, because their boards of trustees would have had to turn right around and reinstate those revenues in order to cover estimated expenditures. That's because mill levy revenue is used to cover the remaining expenditures, after all other revenue sources have been considered.
- In addition, some community college officials told us that motor vehicle tax rates were reduced, which deprived them of several thousand dollars of revenue. Other officials reported that after the Higher Education Coordination Act was passed, their revenues decreased because the differential funding for technical programs—which provided for increased funding for such programs—was eliminated.
- Others said that because the State aid actually had decreased from what they had received before, when it went up again, they were uncertain about how to adjust their mill levy revenues because the Act hadn't addressed how to handle this issue.
- It appeared that some colleges were trying to build up their cash reserves, which could have given them an incentive not to reduce their property tax revenues. During this audit, we compared community colleges' fiscal year 2000 and 2007 sources and uses of funds. As described later in this report, we found that overall, community colleges increased their cash balances, on average by the equivalent of two months worth of expenditures.

As discussed below, the fact that the budget documents for nine community colleges showed that they did the necessary calculations to show they reduced the amount of local property tax revenues levied, doesn't necessarily mean actual property tax relief was provided.

Given the way the law is written, there are no assurances that local property tax revenues for community colleges will decrease, even if community colleges comply with the Act. That's because the Act doesn't place any limits on colleges' expenditures or on the amount of local property tax revenues they can generate. It simply requires community colleges to use 80% of any increased State operating grant funds to reduce the amount of property tax revenues levied.

However, local property tax levies are computed at the end of the budget-setting process, after the colleges already have estimated their expenditures and identified all their other available sources of funding. In other words, if a college has to reduce its property tax revenues to comply with the Act, it basically has to spend less than it planned, or bring in more non-property-tax revenues (such as tuition) than it planned.

Given the way the Act is written, we noted a number of scenarios in which a community college could comply with the Act and still end up increasing (or not decreasing) the amount of local property tax revenues levied:

- **community colleges theoretically could get around the requirements of the Act by “working backwards” in the budget process—increasing the estimated expenditures they set in their budgets by the amount by which they ultimately have to reduce their property tax levies.** There would be no way to determine whether that had happened.
- **the amount a community college budgets to spend in any year could increase at a faster rate than its other estimated non-property-tax sources of funding.** Given the impact of inflation, increases in student enrollments, and the like, community colleges’ budgeted expenditures generally increase each year. Because of the way their budgets are funded, colleges’ property tax levies will be reduced only if their other estimated sources of funding combined increase at a faster pace than their estimated expenditures for the year.
- **community colleges’ other sources of funding could shrink as a share of total funding.** Community colleges have limited sources of revenue. The main ones are student tuition and fees, State aid, local property taxes, and other miscellaneous revenues. Even if State aid increases, if the combined total of these other sources drops or doesn’t keep pace with expenditures, the amount of property taxes a college would need to levy to fund its operations could be greater than any reductions in property taxes required under the Act.

Other Factors Have Contributed to Changes In the Colleges’ Property Tax Revenues And Mill Levy Rates Since 2000

To help us understand how community college property tax revenues had changed since the Higher Education Coordination Act was implemented in 2001, we reviewed and analyzed the extent to which those revenues had changed as a percent of each community college’s total revenue streams (excluding cash reserves) for fiscal years 2000 before the Act went into effect—and 2007. For those two years, our analyses showed that community colleges tended to fall into three groups:

- **Group 1**—for 10 colleges, property tax revenues actually dropped as a percent of their total revenues in 2007 compared with 2000
- **Group 2**—for 5 colleges, property tax revenues became a larger percent of their total revenues in 2007 than in 2000

Figure 1-8
Sources of Revenue as a Percent of Total Revenues
(2000 and 2007)

Community College	As % of Total Revenues										Total Revenues					
	Property Tax Revenues			State and County Funds			Student Tuition and Fees			Other Funds (Federal, Auxiliary, etc)			2000	2007	% Growth (Uninflated)	
	2000	2007	Difference	2000	2007	Difference	2000	2007	Difference	2000	2007	Difference	2000	2007		
Group 1: Community Colleges Whose Property Tax Revenues Decreased as a % of Total Revenues (from 28% to 22%)																
Independence (a)	52%	40%	-12%	16%	15%	-1%	13%	15%	2%	20%	31%	11%	\$7,159,440	\$10,329,965	44%	
Coffeyville (a)	41%	30%	-11%	19%	22%	2%	11%	21%	10%	29%	28%	-1%	\$7,737,098	\$12,757,753	65%	
Allen County	20%	10%	-10%	41%	41%	0%	19%	26%	8%	20%	22%	2%	\$6,387,680	\$10,613,108	66%	
Pratt (a)	41%	33%	-8%	30%	23%	-6%	11%	12%	1%	18%	31%	13%	\$6,505,223	\$11,838,163	82%	
Cowley County	24%	16%	-7%	38%	40%	2%	18%	27%	9%	21%	17%	-4%	\$14,053,861	\$22,927,600	63%	
Hutchinson (a)	35%	29%	-5%	26%	24%	-1%	12%	17%	5%	28%	29%	1%	\$21,932,610	\$33,735,277	54%	
Butler County	20%	16%	-4%	34%	30%	-4%	22%	28%	6%	23%	25%	2%	\$29,037,851	\$48,622,637	67%	
Barton County (a)	27%	24%	-3%	32%	33%	1%	18%	26%	7%	23%	18%	-5%	\$16,894,575	\$24,603,166	46%	
Highland	9%	7%	-2%	47%	36%	-11%	20%	24%	4%	24%	33%	8%	\$8,701,794	\$12,541,442	44%	
Cloud County (a)	16%	15%	-2%	41%	37%	-5%	19%	19%	0%	23%	30%	6%	\$9,402,309	\$12,663,969	35%	
Group 1 Average	28%	22%	-6%	32%	30%	-2%	16%	22%	5%	23%	26%	3%	\$12,781,244	\$20,063,308	57%	
Group 2: Community Colleges Whose Property Tax Revenues Increased as a % of Total Revenues (from 38 to 44%)																
Colby (a)	20%	23%	3%	33%	27%	-6%	22%	26%	4%	26%	25%	-1%	\$8,537,542	\$11,222,048	31%	
Kansas City	43%	49%	6%	22%	16%	-7%	15%	16%	1%	20%	20%	0%	\$25,689,541	\$40,349,404	57%	
Seward County	47%	53%	7%	16%	12%	-4%	13%	12%	-1%	24%	23%	-1%	\$9,470,299	\$14,802,337	56%	
Johnson County (a)	38%	44%	7%	20%	15%	-5%	21%	18%	-3%	22%	23%	1%	\$81,221,983	\$142,654,529	76%	
Garden City	42%	50%	8%	24%	17%	-7%	15%	15%	0%	19%	18%	-1%	\$13,206,503	\$17,783,243	35%	
Group 2 Average	38%	44%	6%	23%	17%	-6%	17%	17%	0%	22%	22%	0%	\$27,625,174	\$45,362,312	51%	

(a) This community college didn't comply with the requirement in the Higher Education Coordination Act requiring that community colleges reduce local property tax revenues by an amount equal to 80% of any increase in the State operating grant over the previous year.
Source: Community college budgets

- **Group 3**—for 4 colleges, property tax revenues accounted for about the same percent of their total revenues in both years

The discussion that follows focuses just on the first two groups of colleges those whose property tax revenues had increased or decreased as a percent of their total revenues between 2000 and 2007.

Figure 1-8 shows how all sources of revenue changed for the two groups of colleges in 2000 and 2007. (Detailed information for all colleges is shown in *Appendix C*.)

When we compared changes in mill levy rates for these two groups of community colleges for 2000 and 2007, we also noted the following:

- overall for Group 1, their mill levy rates were 7% lower in 2007 than in 2000
- overall for Group 2, their mill levy rates were 14% higher in 2007 than in 2000

It's important for the reader to remember that mill levy rates can rise or fall each year based both on the amount of property tax that needs

Figure 1-9
Summary of Information That Could Have an Affect on
Community Colleges' Property Tax Levies
A Comparison of Changes from 2000 to 2007

Community College	% Change (2000 to 2007)										
	Property Tax		Revenue Information			Student Information		Expenditure Information			
	Mill Levy Rates	Assessed Valuation in County	Property Tax Revenues	Other Non-Property Tax Revenues	Total Revenues	Student Enrollment	Tuition Rates	Total Expenditures	Expenditures Per Student	Inflation Rate (a)	Ending Cash Balances (chg in months of expenditures)
Group 1: Community Colleges Whose Property Tax Revenues <u>Decreased</u> as a % of Total Revenues (from 28% to 22%)											
Independence	-1%	28%	10%	81%	44%	-3%	-4%	22%	25%	32%	3.4
Coffeyville	1%	14%	20%	96%	65%	41%	-7%	64%	16%	32%	-0.1
Allen County	-35%	33%	-14%	86%	66%	57%	38%	71%	9%	32%	2.6
Pratt	5%	41%	48%	106%	82%	25%	50%	48%	18%	32%	3.3
Cowley County	-18%	29%	12%	79%	63%	49%	66%	61%	8%	32%	0.0
Hutchinson	-3%	26%	30%	66%	54%	55%	53%	53%	-1%	32%	3.5
Butler County	-12%	54%	35%	76%	67%	28%	82%	75%	37%	32%	-0.2
Barton County	-8%	44%	27%	52%	46%	21%	75%	42%	17%	32%	1.1
Highland	-15%	36%	16%	47%	44%	3%	62%	46%	41%	32%	1.7
Cloud County	16%	33%	21%	37%	35%	-11%	70%	21%	36%	32%	1.9
Group 1 Average	-7%	34%	21%	73%	57%	27%	50%	50%	21%	32%	1.7
Group 2: Community Colleges Whose Property Tax Revenues <u>Increased</u> as a % of Total Revenues (from 38 to 44%)											
Colby	22%	27%	50%	27%	31%	-8%	50%	28%	39%	32%	-0.3
Kansas City	10%	57%	78%	41%	57%	20%	40%	43%	20%	32%	4.3
Seward County	11%	61%	78%	38%	56%	-1%	33%	39%	41%	32%	3.1
Johnson County	25%	59%	107%	57%	76%	26%	29%	54%	22%	32%	5.1
Garden City	4%	51%	59%	17%	35%	-10%	35%	27%	41%	32%	3.6
Group 2 Average	14%	51%	75%	36%	51%	5%	37%	38%	32%	32%	3.2

(a) Inflation rate from Higher Education Price Index
Source: Community college budgets and Kansas Board of Regents data.

to be generated that year **and** on the assessed valuations in the county that year. As a result, our comparisons between 2000 and 2007 should be viewed as a snap shot of what happened in those two years only.

To help understand what factors may have contributed to colleges' ability to reduce their reliance on property tax revenues and their mill levy rates in 2007 compared with 2000, we reviewed and analyzed information about changes in community colleges' revenues, expenditures, cash balances, tuition rates, enrollment levels, and assessed valuations for both fiscal years. That information is summarized in *Figure 1-9*. More complete information about each college is shown in *Appendix C*.

The colleges in Group 1 generally shared a number of factors that helped them rely less on property tax revenues and have lower mill levy rates in 2007 than in 2000. Given the patterns we saw from the information summarized in *Figures 1-8 and 1-9*, we noted that, overall, the community colleges in Group 1:

- **had larger enrollment increases (27% vs. 5% for Group 2).** As *Figure 1-9* shows, all but 2 colleges in Group 1 had fairly significant increases in their enrollment levels, while 3 of the 5 colleges in Group 2 actually had declining enrollments. Because State operating grants now are distributed based on the number of FTE students a college has, community colleges with increasing student enrollments will get bigger increases in their State operating grants. State Aid and county out-district funding (and their funding equivalents in 2000) increased by 48% for colleges in Group 1, but by only 11% for colleges in Group 2. Increasing student enrollment also means schools would have to increase expenditures to serve those students. However, schools realize more benefit from additional increases in enrollment because some of the costs are fixed regardless of how many students are enrolled—such as the cost of property insurance.
- **raised their tuition rates higher (50% vs. 37%).** With larger increases in their enrollment levels and in their tuition rates, the colleges in Group 1 were able to bring in more tuition revenues to help cover their expenses. Their tuition revenues increased by 112%, compared with only 51% for colleges in Group 2.
- **had larger increases in their non-property-tax sources of revenue (73% vs. 36%).** Overall, these 10 colleges' non-property-tax revenues increased at a faster pace than their expenditures. That meant they didn't need to raise as much in property tax revenues to fund their operations, as colleges in Group 2, which had an increase in expenditures of 38%.
- **were in counties where the assessed valuations grew at a faster rate than the amount of property tax the colleges needed to generate.** Any time a county's assessed valuation increases faster than the property taxes the college needs that year, the mill levy rate for that

college will go down, and vice-versa. As a whole, the colleges in Group 1 were in counties where the assessed valuations increased at a faster rate than the colleges' property tax revenues (34% compared with 21%). Conversely, the colleges in Group 2 were in counties where the assessed valuations increased at a much slower rate than the colleges' property tax revenues (51% compared with 75%).

- **had smaller increases in their ending cash balances.** Most community colleges built up their cash reserves between 2000 to 2007 an average of two months, but some increased by significant amounts. For example, Hutchinson increased its cash reserves from 1.7 months to 5.2 months worth of expenditures. Overall, however, the colleges in Group 1 increased their cash reserves by only 1.7 months worth of expenditures (from 2.4 months to 4.1 months), while the colleges in Group 2 increased their cash reserves by 3.2 months worth of expenditures (from 2.2 months to 5.4 months).
- **included both colleges that did and didn't fully comply with the provisions of the Act.** There seemed to be little relationship between schools reducing their reliance on mill levy revenue and whether they complied with the provisions of the Higher Education Coordination Act. Only four of the 10 community colleges that reduced their overall reliance on mill levy revenues fully complied with the Act.

**Figure 1-10
Community Colleges' Cash Reserves
Fiscal Year 2000 and 2007
(dollars shown in millions)**

Community College	Ending cash balances			# months of expenditures covered by cash balance		
	2000	2007	% Growth	2000	2007	Difference
Allen County	\$2.8	\$7.1	152%	5.4	8.0	2.6
Garden City	\$3.8	\$9.7	158%	3.5	7.1	3.6
Johnson County	\$13.8	\$80.9	487%	1.8	6.9	5.1
Seward	\$2.3	\$6.7	192%	2.9	6.0	3.1
Pratt	\$1.5	\$5.0	234%	2.6	5.9	3.3
Hutchinson	\$3.0	\$13.8	361%	1.7	5.2	3.5
Kansas City	\$1.6	\$15.9	871%	0.7	5.0	4.3
Cloud County	\$2.0	\$4.3	119%	2.3	4.2	1.9
Independence	\$0.4	\$3.0	706%	0.6	4.0	3.4
Labette County	\$0.5	\$3.2	559%	0.9	4.0	3.1
Highland	\$1.4	\$3.8	175%	1.9	3.5	1.7
Butler County	\$7.9	\$13.0	65%	3.5	3.3	-0.2
Neosho County	\$0.3	\$2.8	852%	0.5	3.1	2.6
Dodge City	\$2.6	\$3.7	42%	2.9	3.1	0.1
Cowley County	\$3.2	\$5.1	60%	2.7	2.7	0.0
Barton County	\$2.1	\$5.2	151%	1.5	2.6	1.1
Fort Scott	\$1.4	\$1.6	12%	2.2	1.8	-0.4
Colby	\$1.4	\$1.6	8%	2.0	1.7	-0.3
Coffeyville	\$0.8	\$1.2	48%	1.3	1.2	-0.1

Source: LPA analysis of community college budgets.

Community colleges could decrease their cash reserves to reduce their property tax revenues even more in coming years. As *Figure 1-10* shows, some colleges have cash reserves that total up to eight months worth of expenditures. Building up such high cash reserves means that these colleges have collected significantly more in tuition fees, property tax revenues, and other sources of revenue than they needed between 2000 and 2007.

Some colleges likely have increased their cash reserves in response to cuts in State aid in the early 2000s, when the State was experiencing budget shortfalls. Nonetheless, having cash reserves of the magnitude many community colleges currently have doesn't appear to be reasonable. By reducing those cash reserves over time, colleges could reduce the amount of property taxes they need to collect to fund their operations. Total cash balances for all community colleges for fiscal year 2007 were nearly \$188 million. While we found no guidance or regulations limiting cash balances for community colleges, if, for example, the colleges had on hand only three months worth of expenditures, their total cash balances for that same time period would have been only \$110 million, or \$77 million less.

Compared to Surrounding States, Kansas Relies More Heavily on Local Dollars To Fund Its Community Colleges

As part of our audit work, we were asked to look at other states' funding structures and identify options for reducing mill levy revenues in counties where community colleges are located. We found that except for Nebraska, Kansas depends more heavily on local property tax revenues than neighboring states. *Figure 1-11* shows the different revenue sources used to fund community colleges in Kansas and neighboring states.

**Figure 1-11
Kansas and Other States' Community College Funding by Revenue Source
Fiscal Year 2006
(dollars in millions)**

	State		Federal		Local		Tuition and Fees		Other (a)		Total
	\$	% of Total	\$	% of Total	\$	% of Total	%	% of Total	\$	% of Total	\$
KS	\$105.6	20.8%	\$52.3	10.3%	\$183.5	36.1%	\$91.9	18.1%	\$74.9	14.7%	\$508.2
MO	\$142.7	25.5%	\$97.9	17.5%	\$135.9	24.2%	\$120.4	21.5%	\$63.6	11.4%	\$560.6
CO	\$116.9	31.9%	\$92.1	25.1%	\$0.0	0%	\$129.5	35.3%	\$28.3	7.7%	\$366.8
NE	\$65.3	33.5%	(a)	(a)	\$77.8	40%	\$49.3	25.3%	\$2.3	1.2%	\$194.7
OK	\$120.5	45.8%	\$17.3	6.6%	\$32.0	12.2%	\$81.0	30.8%	\$12.4	4.7%	\$263.1

(a)Nebraska was unable to isolate its federal funding amount. It is included in the "other" category.
Source: LPA analysis of data given by other states' officials.

Based on our review of how neighboring states fund their community colleges, we identified the following ways that other states have limited their reliance on property tax revenues to fund community colleges:

- **Eliminate property tax as a revenue source for community colleges.** In Colorado, property tax revenue can't be used to fund community colleges. As shown in **Figure 1-11**, Colorado community colleges are mostly funded with state funding and student tuition and fees.
- **Limit the amount of property tax revenue that can be levied.** Nebraska recently passed legislation establishing such a limit. Nebraska officials told us that starting in fiscal year 2008, the legislature will set a standard mill levy rate for each taxing district and that each community college must set a mill levy rate that is within a certain percent below or above the set rate. Officials are expecting this to force Nebraska community colleges to rely less on property tax revenue.
- **Extend community college taxing districts beyond county lines.** Other states rely on community colleges' neighboring counties for funding by including them in a taxing district. Nebraska and Missouri each divide their states into community college taxing districts that include several counties. Kansas originally had a similar plan—county out-district tuition—that was eliminated with the passage of the Higher Education Coordination Act.

CONCLUSION:

Among other things, the Higher Education Coordination Act of 1999 was intended to increase State funding for community colleges, so that local property taxes could be reduced. So far the Act has had limited success. Because the Act hasn't been fully funded, State operating grants generally haven't become a larger share of colleges' total funding sources—a key factor in allowing them to reduce their reliance on property taxes. Further, some colleges didn't fully comply with the law, or they levied more property tax than they ultimately needed, resulting in large increases in their cash balances. For the 10 colleges whose property tax revenues actually were a smaller share of their funding sources in 2007 than in 2000, factors such as increased enrollments and tuition rates—which brought in additional funding without a commensurate increase in costs—may have contributed as much or more to property-tax-reductions than provisions in the Act. In addition, under the Act, community colleges could inflate their budgeted expenditures enough to offset any required reductions in property taxes. For all these reasons, there's no guarantee the law will provide the full amount of property tax relief that may have been envisioned when it was passed. Because tight budgets make full funding of the Act's provisions unlikely, the Legislature should consider ways it could amend the Act to help bring about additional local property tax relief.

RECOMMENDATIONS:

1. To ensure that they are in compliance with the provisions of the Higher Education Coordination Act, the boards of trustees for each of the State's 19 community colleges should take steps to ensure that their colleges reduce the amount of local property tax revenues levied by 80% of the increase in State Operating Grants they receive each year.
2. To help ensure that the provisions of the Higher Education Coordination Act will produce local property tax relief, the House or Senate Education Committees, or other appropriate committees of the Legislature, should do the following:
 - a. consider whether community college expenditures or mill levy rates should be capped to prevent community colleges from inflating their budgets enough to offset any savings brought about by increased State operating grants.
 - b. consider whether restrictions should be placed on the amount of cash balances community colleges are allowed to accumulate.

Question 2: What Options Exist for Community Colleges That Are in Close Proximity, Such as Independence and Coffeyville, To Share Resources To Reduce Costs and Mill Levies?

ANSWER IN BRIEF: *In the area of academic resources, the options we identified for Coffeyville and Independence Community Colleges included coordinating specialized programs to eliminate duplication, eliminating some individual courses when the other college has a full program in that subject area, sharing teaching resources for higher-level math and science courses, and sharing some on-line courses or participating in interactive videoconferencing. In the area of support functions, the most likely options we identified were sharing payroll processing and the future potential for sharing information technology systems. However, as long as Independence and Coffeyville remain separate institutions in competition for many of the same students, the options in this area—and the potential for savings—may be limited. Finally, in the area of joint purchasing agreements, we noted that community colleges may be able to achieve significant cost savings by taking advantage of existing joint purchasing arrangements or creating new joint purchasing agreements for such things as natural gas, software, telephone and security services, and health and property insurance. For example, we estimated that Independence and Coffeyville could achieve an annual savings of at least \$27,000 and \$36,000, respectively, on natural gas by joining an existing buying consortium for natural gas. These and other findings are discussed in the sections that follow.*

Options for Community Colleges to Coordinate Activities or Share Resources Exist in the Areas of Academics, Support Functions, And Purchasing

Whenever entities engage in the same types of activities or provide the same types of services, there can be opportunities to coordinate activities or share resources to reduce overall costs. Community colleges provide many similar activities and functions. They all hire faculty, enroll students, teach classes, purchase goods and services, and maintain physical facilities at which their courses are offered.

The following three broad areas appeared to hold the most promise for coordination or sharing of resources:

- **Academics** – The opportunities for coordinating or sharing resources in this area stem from making the best use of teaching resources. For example, rather than have two neighboring community colleges offer the same academic programs and individual courses, one community college could offer the program or course, especially if student enrollment is low at one or both community colleges. There are other ways that community colleges, regardless of their location, can share academic resources, such as offering courses on the Internet or through interactive videoconferencing.

- **Support Functions** – Support functions are the areas that support the teaching mission of community colleges. They include human resources, information technology, the registrar, financial aid, fiscal services, and maintenance of facilities. The opportunities in these areas could range from sharing employees or equipment, to consolidating a function at one college and having it provide the needed services to both community colleges.
- **Joint Purchasing** – Many vendors offer price breaks for customers who can purchase in larger quantities. By working together to coordinate their purchases of certain items, community colleges may be able to obtain some price discounts that may not be available to them as a single institution.

We looked at each of these areas at Coffeyville and Independence Community Colleges. Our findings are discussed in the sections that follow.

OPTIONS FOR SHARING RESOURCES RELATED TO ACADEMICS

Community Colleges in Kansas Currently Share Academic Resources on A Limited Basis

Based on our review of the literature, we determined that the practice of sharing resources among community colleges wasn't widespread. Nonetheless, several college officials—mostly in western Kansas—said they had agreements to share academic resources. By eliminating the duplication involved in either preparing for or teaching certain courses or programs on multiple campuses, the colleges likely are able to provide courses more cost-effectively.

As described below, those agreements relate either to on-line courses or to courses taught in a traditional classroom setting.

- **Under a program called EduKan, Barton County, Colby, Dodge City, Garden City, Pratt, and Seward County Community Colleges each have developed and offer several on-line courses, which students at any of the other member colleges can take.** More than 40 courses currently are offered through this program. The courses tend to be general academic courses, such as accounting or psychology. By sharing courses, the program saves teaching costs for the participating community colleges, and saves the cost of developing their own on-line coursework.
- **Garden City Community College offers its paramedic program curriculum to students at Colby, Seward, and Dodge City Community Colleges.** Garden City offers this program on the other colleges' campuses and the college hires, trains, and supervises all the personnel needed for the program and receives tuition for each student enrolled. The other colleges are able to have this course of study offered at their institutions without incurring the cost of staff or other resources to offer the program.

- **Fort Scott Community College offers its truck driving program for students at Kansas City Community College.** In addition to the program that it offers on its own campus, Fort Scott offers this program on the Kansas City campus, using its own instructors and curriculum. This program allows Kansas City to meet the high demand for truck drivers in the metropolitan area without having to develop and operate a separate program.

We also learned about one example where community colleges in other states have tried to share academic resources. Although no Kansas community colleges are members, the project, called Speciality Asynchronous Industry Learning (SAIL), allows community colleges to purchase, store, or exchange teaching materials for certain on-line courses through an on-line database. It's organized by the League for Innovation in Community Colleges. The League is an international organization dedicated to improving community colleges. Example courses currently in the database include radiology technology and golf course management. To date, 300 educational institutions, including universities and community colleges, have participated in Project SAIL.

Independence and Coffeyville Have Agreements With Other Colleges To Share Resources Related To Specialized Programs, But No Agreements With Each Other

Community colleges offer both general and specialized academic programs. For a general academic program, students take the freshman and sophomore curricula required for the first two years of a four-year college or university degree, along with any electives they choose. Typically, most students taking this coursework are awarded either an associate of arts or an associate of science degree, and then transfer to a university to complete their education.

For specialized academic programs, a student can earn either a certificate or an Associate in Applied Science degree that prepares him or her for a specific type of job without having to fulfill traditional general education requirements. Examples of certificate programs include emergency medical technician or nurse's aide, and typically the course work takes less than a year to complete. Examples of an Associate in Applied Science degree include a medical office specialist degree or property appraisal and assessment degree, and typically these types of degrees are completed in two years.

By entering into agreements with other community colleges, Coffeyville and Independence have avoided duplicating the specialized academic programs that these other colleges offer, but their students can receive those degrees from the community college offering the programs. Below is a list of these agreements they each have with other community colleges and the resources shared.

Agreements Coffeyville has with other community colleges to share resources related to specialized academic programs:

- **Fire Science is provided by Barton County Community College.** Coffeyville Community College students can receive an associate degree in fire science from Barton County. Barton County is responsible for hiring and paying instructors who teach the classes in person at Coffeyville Community College. Coffeyville is responsible for scheduling courses and securing equipment.
- **An associate degree in medical laboratory technology also is provided by Barton County Community College.** Coffeyville students take their general education courses at Coffeyville, and take the specialized on-line courses for this degree through Barton County. In addition to offering the on-line courses, Barton County secures agreements with the hospitals in the Coffeyville area that allow the students to complete the clinical portion of the program.
- **A wastewater management certificate program is provided by Fort Scott Community College.** Fort Scott is responsible for hiring an instructor who teaches the certification course in person at Coffeyville Community College.

Agreements Independence has with other community colleges to share resources related to specialized academic programs:

- **A licensed practical nurse (LPN) program is provided by Neosho County Community College.** Pre-nursing students at Independence can receive their nursing degrees from Neosho County. Neosho County reserves openings in its program for qualified Independence students and it employs the instructors who teach on the Independence campus, and it also provides clinical instruction at Mercy Hospital in Independence.

Coffeyville and Independence Could Share Academic Resources in a Number of Ways

As mentioned in the previous section, there are several ways community colleges could share academic resources. One option is to offer a course or program at one college or the other. Students wanting to enroll in that course or program would need to attend the college where it is offered. Similarly, there are options for allowing the courses to be taken at both campuses without both colleges having to staff the course or operate the program. Those options include sharing a faculty member and having that instructor teach the course at both campuses, or teaching the course on-line at one or both campuses, or teaching the course at one campus and providing it through interactive videoconferencing to the other campus.

In reviewing the academic programs and course offerings at Coffeyville and Independence for the spring 2007 semester, we identified several specific areas where the colleges potentially could share academic resources to reduce costs.

- **Coffeyville and Independence could coordinate their specialized programs to eliminate some program duplication.** The two colleges

offer several of the same certificate and degree programs. **Figure 2-1** shows programs for which both colleges offered either a certificate or

Figure 2-1
Summary of Duplicate Specialized Academic Programs and Total Program Graduates During the Past Two Years

Certificate and Associate in Applied Science Programs	# Graduates 2005-06 and 2006-07	
	Coffeyville	Independence
Certified Nurse/Geriatric Aide (a)	292	116
Certified Medication Aide (a)	96	51
Emergency Medical Technology (a)	37	43
Home Health Aide/Nurse Aide (a)	35	12
Administrative Assistant	23	2
Medical Support/Office Specialist	2	4
Web Design/Development	1	0
Legal Support/Office Specialist	0	2

(a)Certificate only
Source: LPA review and summary of Coffeyville and Independence records.

an Associate in Applied Science degree. The figure also shows the number of graduates each college had in each of these programs during the two most recently completed academic years.

Although some of the programs, such as the certified nurse/geriatric aid program, may have sufficient demand to

warrant having them offered by two colleges in the same county, it appears that other programs could be offered at one college or the other.

- **The two colleges could eliminate the duplication that exists when one college has established a more-specialized program, and the other college offers individual elective classes in that same subject area.** A couple of examples we noted—Coffeyville offers technical classes at both its Coffeyville campus and its Columbus campus. As part of its technical course offerings, it provides an array of welding classes, which had a total of 59 students enrolled in Spring 2007. Independence also offered two welding classes with a total of six students enrolled that semester. It appears that the Independence students that wanted to take welding could do so at Coffeyville. Similarly, Independence offers an associate of science degree in criminal justice, while Coffeyville offers a single elective class in criminal justice. The Coffeyville students wanting to take coursework in criminal justice could take it from the Independence program. If the colleges agreed that only one college would offer welding or criminal justice classes, the other college would not have to provide teaching staff for those courses.
- **The colleges likely could benefit from sharing teaching resources related to higher-level math and science courses.** We noted a number of math and science courses offered in Spring 2007 where one or both colleges tended to have very small enrollments. Some examples are shown in **Figure 2-2**.

Figure 2-2
Examples of High-Level Math or Science Courses With Small Enrollments At One or Both Colleges Spring 2007

Class	Coffeyville	Independence	Total
Chemistry I	27	4	31
Chemistry II	11	5	16
Physics I	14	2	16
Calculus Analytic Geometry II	6	7	13
Plane Trigonometry	8	2	10

Source: LPA review and summary of Coffeyville and Independence records.

Because these courses tend to be part of the general academic program at the colleges, it may not make sense to have them taught at only one college. Officials from Independence and Coffeyville told us they have, in the past, attempted to share instructors for some higher-level science and foreign language courses. They reported that sharing was difficult because the instructors' schedules couldn't accommodate teaching at both campuses. However, other options currently exist that could solve those issues, such as teaching the course at one college and providing the course through interactive videoconferencing to students at the other college.

- **If one community college has an on-line course and another has few students in the same type of course, they could potentially share the on-line course.** For example, Coffeyville offers an early childhood education and development class on-line, and during Spring 2007 a total of 24 students were enrolled. That same semester, 4 students were enrolled in a similar class at Independence, which is offered in a traditional classroom setting. Likewise, during Spring 2007 Coffeyville offered a business math course on-line and 21 students were enrolled, while Independence offered two traditional classes with a total of 12 students. Savings likely could result if the students at Independence had enrolled in Coffeyville's on-line course. (It should be noted that Independence officials said the low enrollment in the childhood education and development class likely was due to the course being a new offering.)

The savings that could be achieved by sharing academic resources would depend on the number and types of courses or programs that could be combined or eliminated, and on the potential for eliminating teaching costs. As described below, a number of variables can affect the amount of money that could be saved by having Independence and Coffeyville share academic resources.

- **Eliminating some degree programs at one college may not result in any savings because no courses would be eliminated.** For example, although Coffeyville and Independence both offer an Associate of Arts degree in "pre-law," that degree program doesn't have any law classes that are unique only to that degree. All the classes students take for this degree are general academic courses such as English composition, economics, and political science, which are common to many Associate of Arts degrees.
- **If a class is taught by a full-time faculty member, eliminating it may not always save money because the faculty member may not be getting paid extra for teaching the class.** For example, at Independence, full-time faculty members receive \$500 per credit hour for any courses they teach above 30 credit hours per year. However, that extra compensation is capped at 42 credit hours per year. Some faculty members at Independence are teaching more than 42 credit hours a year, so eliminating some of their courses wouldn't produce savings. Likewise, at Coffeyville's technical campus faculty receive compensation for teaching more than 30 credit hours, but only if the course is taught at night or on a weekend. So eliminating additional courses they teach during the weekdays may not produce savings.

- **If a course is taught by a part-time faculty member, the savings related to a single course may be relatively small.** That’s because part-time faculty generally receive between \$400--\$450 per credit hour to teach a course. Thus, eliminating the instructor for a typical three-credit-hour course would result in savings of about \$1,200 for that course.

While these factors may limit the savings that might occur from combining or eliminating individual classes, it appears that there could be significant potential for the two community colleges to figure out ways to more effectively use their academic resources. This would involve a review of all their course offerings with an eye toward developing areas of specialization that might allow entire faculty positions to be eliminated, or allow some full-time faculty to be replaced with part-time faculty.

We also noticed some opportunity for savings if Independence Community College internally merged multiple courses that have low enrollment levels. A number of courses at Independence had few students enrolled in them. For example, although there were several sections of College Algebra with full enrollments, there were other course sections that had four or fewer students enrolled. Here’s an example of potential savings that could happen if lower-enrollment courses were merged: Two courses taught at the same outreach location (a local high school), had eight students enrolled in one course and seven in the other and were offered at different times. We estimate that if Independence were to offer one course to all 15 students, at this location, it likely would save \$1,200.

The overall savings that could result from eliminating these multiple courses with low enrollments is affected by at least two factors. First, in some instances the faculty member may not receive compensation for the course because it’s taught at the same time as another course—community colleges refer to this as a “stacked” or “co-seated” course. Second, according to college officials, Independence faculty who teach low-enrollment courses are paid on a pro-rated basis.

In addition, Independence officials told us that merging these small classes would inhibit some of their outreach efforts, because it would eliminate offering the same course in multiple locations. In addition they also said they sometimes have to offer small classes because the classroom itself is small.

**OPTIONS FOR SHARING RESOURCES RELATED TO
SUPPORT FUNCTIONS**

***Community Colleges
Generally Perform
the Same Types
of Administrative
Activities***

Support functions are activities at community colleges that aren't directly involved in student instruction, but are essential to the operation of the colleges. They include such things as human resources, fiscal operations and accounting, building maintenance, information technology, and the like.

Administrative departments at the community colleges perform basically the same functions. **Figure 2-3** shows some of the basic activities.

**Figure 2-3
Summary of Basic Activities Performed by Selected Support Functions**

Support Functions	Duties Performed
Registrar	<ul style="list-style-type: none"> • Manage student files and records (i.e. transcripts, enrollments, etc.) • Determine student eligibility • Coordinate academic advisors for students • Coordinate commencement • Prepare State and federal reports
Financial Aid	<ul style="list-style-type: none"> • Process financial aid paperwork and applications • Manage financial aid allocations • Provide student financial aid counseling • Process scholarships and veteran's benefits • Prepare State and federal reports
Human Resources	<ul style="list-style-type: none"> • Manage personnel files and records (i.e. contracts, staff information, etc.) • Process payroll—also may be done in the Business Office • Resolve personnel issues • Coordinate staff training and professional development
Fiscal Operations	<ul style="list-style-type: none"> • Manage accounting records (i.e. accounts receivable, accounts payable, etc.) • Prepare annual budget • Manage contracted services (i.e. food service, security, etc.) • Manage fund balances and spending levels • Oversee compliance reporting for State and federal programs
Information Technology	<ul style="list-style-type: none"> • Maintain information technology systems • Provide information technology support services • Oversee and advise on information technology purchases
Maintenance/Grounds/ Security	<ul style="list-style-type: none"> • Maintain all facilities including custodial care and repairs • Maintain grounds including lawns, parking lots, and athletic facilities • Manage sub-contracted services • Provide security or manage security contract

Source: LPA summary of information provided by Independence and Coffeyville.

Although community colleges may perform these functions somewhat differently, the functions themselves are basically the same. In theory, at least, almost any of these functions could be shared by having only one college perform the task or function, or by keeping these functions at both colleges and sharing staff or equipment such as computers.

In Reality, It May Be Difficult to Achieve Large-Scale Savings From Sharing Support Functions While Maintaining Two Separate Institutions

At Independence Community College and Coffeyville Community College, we reviewed the six functions listed in **Figure 2-4**, to look for ways they might be able to share resources which could allow them to save money or reduce the number of staff it takes to carry out those functions.

Figure 2-4
Expenditures and Staffing for Six Support Functions Reviewed at Coffeyville and Independence
Fiscal Year 2007

Support Function	Community College	Expenditures	Total FTE Staff
Registrar	Coffeyville	\$148,294	4.5
	Independence	\$38,250	1.0
Financial Aid	Coffeyville	\$115,196	3.0
	Independence	\$134,953	2.0
Human Resources	Coffeyville	\$92,262	2.0
	Independence	\$89,198	1.4
Fiscal Operations	Coffeyville	\$377,150	5.8
	Independence	\$168,214	3.8
Information Technology	Coffeyville	\$238,350	2.6
	Independence	\$287,663	3.0
Maintenance/ Grounds/Security	Coffeyville	\$1,261,988	19.5
	Independence	\$1,040,020	6.5
Totals These Six Functions	Coffeyville	\$2,233,240	37.4
	Independence	\$1,758,298	17.7
	Both Colleges Combined	\$3,991,538	55.0

Source: LPA review and summary of Coffeyville and Independence data.

As the figure shows, the two colleges spent nearly \$4 million and had about 55 staff providing these functions in fiscal year 2007.

The areas we noted that appeared to have the most potential for sharing were information technology and payroll processing.

What we found in each of those areas is discussed below.

- **Both colleges might benefit from having a standardized computer system and software, but there are significant costs involved in achieving that goal.** Currently, both colleges use a software product called "Jenzabar." This software runs the computer applications for many of the support functions such as financial aid, registrar, fiscal operations, and the like. However, both colleges operate on different versions of the software. Coffeyville just upgraded its version of the software in late November 2007, but Independence still uses an older version. According to Independence officials, the older version still meets their needs, and they have no plans to upgrade their software. Currently Coffeyville pays about \$75,000 in annual maintenance fees for its software and Independence pays about \$40,000.

In addition, this operating software is run on different “platforms” at the two colleges. Coffeyville runs Windows-based servers, while Independence operates on an AS400 platform. To make these two systems compatible likely would require substantial work and some new hardware. At the extreme, it could result in the need for one or the other college to abandon its existing systems and codes and change to what the other college is using. Officials from both community colleges estimated it would cost about \$500,000 to make the systems compatible and implement a shared system. If that were to be done, it likely would make the most sense to do so the next time Independence makes major upgrades to its platform and software systems.

- **One payroll system may be able to handle the payroll transactions for both colleges.** Currently, Coffeyville and Independence each have one full-time-equivalent staff involved in processing payroll transactions. Coffeyville officials told us their payroll system was capable of handling the payroll for both colleges if the two systems were made compatible. Coffeyville officials estimated it would cost about \$5,600 in software expenses and an annual support fee of about \$2,500, which Independence would need to pay.

In other areas, we found significant issues that could make it difficult to share management or other staff in some of these support functions. Some of the issues we identified are described below.

- **Sharing management positions is difficult because many managers already are shared internally with other departments or functions, or they are providing direct services.** One of the first things we considered in looking at sharing support functions was whether management could be shared between the colleges to reduce overall management salary costs. For example, we considered whether one director of fiscal operations or one director of maintenance could oversee those operations at both colleges on a half-time basis, much like what is done when two school districts share a superintendent. We found two factors that appear to limit any benefits from this type of sharing:
 - Several management staff already wear multiple hats---they have responsibilities in multiple departments within the same community college. For example, the information technology director at Coffeyville is also the dean of the school’s technology program. At Independence, the administrator responsible for information technology also is responsible for overseeing maintenance and other operations-related duties for the college. Combining Coffeyville and Independence’s management positions related to information technology wouldn’t necessarily save costs, because the other duties fulfilled by these staff would still exist.
 - Many management staff aren’t doing exclusively management work; they may be performing a significant amount of hands-on work as well. For example, Independence officials report that their director of maintenance also is responsible for actual maintenance work, such as repairs to equipment and facilities. Therefore, even if that person’s management duties were eliminated, someone would still need to be doing the day-to-day repair functions this position carries out. Therefore, sharing management in these situations seemed to be less likely to provide much of a cost benefit.

- **The potential for sharing non-management positions is relatively limited, either because there is minimal staff already or because a staff presence is required at each college.** When we looked at the non-management positions in the support functions, we noted several factors that make sharing difficult. Some of the functions require staff to be located on-campus. For example, some functions such as financial aid involve a lot of student interaction and staff has to be present to provide services. In other instances, the number of staff currently in place appears to already be the minimum required. For example, at Independence, one staff member provides registrar services. Finally, in many cases, the workload of the support functions wouldn't decrease even if support functions were shared between Independence and Coffeyville. For example, the two colleges would still require individual budgets and reports for their separate boards of trustees.
- **Sharing support processes creates a number of significant issues with standardizing policies and procedures and determining who would resolve conflicts in priorities.** As mentioned above, the computer applications and platforms at the two colleges would need to be made compatible if sharing of support functions were to occur. But there are a number of other significant impediments that make sharing these functions more difficult.
 - Both colleges compete for the same students. The two community colleges are drawing from the same area—Montgomery County and its surrounding area. Officials from both community colleges said this is a very real barrier to sharing, particularly in certain areas such as financial aid which can be used as a recruiting tool.
 - Provisions would need to be made for how conflicts would be resolved between two boards of trustees. Several times during the course of this audit, community college officials mentioned the fact that they each have a board to report to as a barrier to sharing support functions—the decision on whether to share would have to be approved by their boards of trustees. Agreements would have to be worked out for how shared functions would be overseen, so that the needs of both colleges were met on a timely basis. That may be difficult given the competition and rivalry that exists between the colleges.
 - Policies and processes would need to be standardized at both colleges. Currently each of the community colleges has its own forms, policies, and operating procedures. For broad-scale sharing to occur, all of these things would need to be standardized between the two colleges. For example, in the area of financial aid, one college disburses financial aid to students at the start of the semester, whereas the other told us they don't disburse aid until the student has completed some amount of the semester so they can avoid the need to recoup funds if the student doesn't fulfill the class-attendance requirements. For parts of any functions to be combined, both colleges would have to agree on standard forms and operating procedures.
 - Historically, there's a strong rivalry between the two community colleges and they've been reluctant to share. Officials from both

colleges expressed the concern that the other's reputation in certain areas wasn't as good as their own, and that sharing any support functions would jeopardize their reputation. For example, each had concerns about sharing the financial aid function because they were certain that the other community college's student loan default rate was higher than their own.

Regardless of any issues that make sharing resources difficult, voters in Montgomery County and colleges officials have made some overtures toward sharing. In a February 2007 non-binding advisory election, voters were asked whether Montgomery County should have one community college—64% responded yes. Also, during this audit, Coffeyville officials suggested in a letter to Independence that the colleges meet and discuss merging the two community colleges. In a reply letter, the chair of the Independence Board of Trustees told Coffeyville officials that he had concerns about whether merging would save any significant tax dollars, but that he and the Board were open to new ideas and scenarios and that they could talk about a meeting date.

In addition, many of the issues that potentially limit the sharing of resources wouldn't exist if the two community colleges were a single institution with two campuses. In that situation there would be a single board of directors to report to and a single set of operating procedures would be established. But as long as the colleges remain separate institutions, streamlining support functions will be difficult to achieve.

The potential difficulties in trying to share support functions between separate institutions may account for why we saw little evidence of community colleges sharing support functions either in Kansas or in other states. During this audit we talked with officials from various community colleges in Kansas and reviewed literature that might suggest instances of sharing support functions among institutions in other states.

- *In Kansas, we found only one instance of two community colleges sharing support services, and that arrangement has been discontinued.* It involved an agreement between Allen County Community College and Neosho Community College to share a public relations position and jointly fund the position. The arrangement lasted about one and one-half years, and an Allen County official reported that it ended because the employee never felt quite comfortable serving two institutions.
- *Nationwide, we came across only one other instance of a community college sharing support functions with another institution.* In this case, a community college in Ohio shares numerous support functions with a well-established university, including sharing admissions policies, financial aid processes, advertising, and administration. This sharing arrangement has been in place since the community college began, and the two entities are located on the same campus.

**OPTIONS FOR SAVING MONEY BY JOINTLY PURCHASING
GOODS OR SERVICES**

Significant Cost Savings Are Likely Through Joint Purchasing Arrangements

Although joint purchasing doesn't involve directly sharing resources between community colleges, it does involve combining their purchasing power to get quantity discounts that they otherwise might not be able to get on their own. In addition, joint purchasing doesn't necessarily need to be limited just to community colleges that are in close proximity, such as Independence and Coffeyville. In many instances it can occur regardless of distance.

Most goods and services that community colleges buy could be jointly purchased. To identify some potential opportunities for making joint purchases and saving costs, we selected a sample of nine commonly purchased items to review. **Figure 2-5** shows the goods and services we selected for comparison, as well as Independence and Coffeyville's average cost per unit for each.

**Figure 2-5
Items Selected for Joint Purchasing Review and
Coffeyville and Independence's Cost Per Unit
FY 2007**

Commodity	Unit of Measurement	Community College	Price Per Unit
Natural Gas	Metric Cubic Foot	Coffeyville	\$12.80
		Independence	\$10.60
Software	Software Package Cost Per Computer	Coffeyville	\$54.00
		Independence	\$1.80
Telephone	Annual Cost Per Telephone	Coffeyville	\$89.00
		Independence	\$121.00
Security Services	Per hour	Coffeyville	\$12.00
		Independence	\$13.45
Health Insurance	Single Coverage (Employer and Employee Share)	Coffeyville	\$6,679
		Independence	\$3,690
Property Insurance	Square Foot	Coffeyville	\$0.19
		Independence	\$0.18
Paper	Box of 10 Reams	Coffeyville	\$29.90
		Independence	\$27.16
Computers	Computer	Coffeyville	\$723
		Independence	\$1,117
Electricity	Kilowatt	Coffeyville	\$0.10
		Independence	\$0.06

Source: LPA summary of information provided by Coffeyville and Independence Community Colleges.

Our findings about each of the items included in our review are summarized below.

Natural Gas—savings are possible if Coffeyville and Independence join an existing purchasing consortium. The Kansas Association of School Boards manages a consortium for purchasing natural gas called the Kansas Joint Utilities Management Program (KJUMP). Membership in the consortium is available to school districts and higher education institutions. Currently, of the Kansas community colleges, only Barton County, Cloud County, Garden City, and Hutchinson are members. To be part of the consortium, members must pay an annual fee of \$2,500. Association officials told us that members of the consortium generally realize about a 20-25% savings on their gas costs. For Coffeyville and Independence, that could translate to an annual savings of about \$36,000 and \$27,500, respectively. It's possible the savings could be greater. Cloud County and Garden City Community Colleges are KJUMP members and pay \$6.12 and \$5.42 respectively per metric cubic foot of gas. If Independence and Coffeyville could pay \$6.12, they would pay about half as much as they are currently paying for natural gas.

Software—additional savings are possible if community colleges band together, and if they combine their purchasing power with State universities. Currently, all the community colleges we contacted receive price discounts on software from Microsoft through a general agreement available to all higher education institutions. The agreement provides volume discount thresholds for institutions below 3,000 full-time-equivalent staff and for those above 3,000 staff FTE. Coffeyville and Independence purchase their software through this agreement, and both receive the price discount available to institutions below 3,000 staff FTE. To reach the next discount threshold, they would need to combine the purchasing power with other community colleges in Kansas as well as some number of the universities. The Kansas Board of Regents may need to facilitate such an agreement.

Telephone—if at least some of the 19 community colleges banded together to purchase telephone-related services, additional savings are possible. According to an AT&T official, 17 of the 19 community colleges purchase some level of telephone-related services from AT&T. For example, some community colleges purchase local telephone service, some purchase Internet service or long distance services, and some may purchase all three services from AT&T. Although an AT&T official said these community colleges are eligible to receive a discount because of their higher education status, AT&T couldn't confirm whether each of the colleges receive the discounts. In addition, the AT&T official said community colleges could receive additional discounts if some number of them--they suggested 12 community colleges--banded together and purchased the same services.

Security Services—savings are likely if Coffeyville and Independence negotiated for one contract with a single security provider. Currently, Coffeyville and Independence each use a different contractor to provide security services. At the time of this audit, Coffeyville reported paying \$12 per hour, while Independence paid about \$13.45 per hour. Recently, Independence officials report the college now pays \$12 per hour.

Regardless of that recent discount, it's still likely possible for the two community colleges to pool their purchasing power and negotiate for an even lower rate from one provider.

Health Insurance—savings may be possible if community colleges are willing to jointly purchase one health plan or join the State health plan. Comparing health insurance plans between community colleges is difficult because of variations in coverage, co-pays, co-insurance, and the like. Combining insurance pools at different community colleges would increase the number of members over which to distribute insurance risk, making it possible to lower the cost of coverage for any one individual. Independence officials report they have explored this option with six other community colleges but, to date, no progress has been made toward jointly purchasing health coverage. Coffeyville officials report they are satisfied with the self-funded insurance program they currently have and are opposed to combining with other community colleges.

Another option that might generate cost savings would involve community colleges joining the State health plan. Four community colleges currently use the plan—Cloud County, Colby, Fort Scott, and Lette County. To be part of the plan, 70% participation rate is required, and the employer must pay 95% for employee-only coverage and about 55% for dependent coverage. Potential savings for Coffeyville would be about \$2,300 per employee enrolled in the plan--the college pays about \$6,700 for a single coverage healthcare, compared to the State cost of about \$4,400 for single coverage. Still another option is to form a risk management consortium. Such a system currently is used for community colleges in Florida and it's meant to help them develop a cooperative risk-management system under one comprehensive statewide plan.

Property Insurance—if Coffeyville and Independence negotiate with their common insurance provider, savings might be possible. Both Coffeyville and Independence purchase property insurance from EMC, Inc. According to officials from both colleges, many higher education institutions purchase insurance through this carrier. While many factors influence the cost of insurance—such as the age of buildings and flood plains—pooling the purchasing power of two or more community colleges may provide leverage for negotiating a lower price from either this common provider or from a new provider.

Paper—savings may be possible if Coffeyville and Independence jointly purchase from a single provider, but currently they're receiving discounted prices. Independence pays less per box of paper than the State contract rate of \$27.70. However, if Coffeyville and Independence jointly purchased paper from one provider, they may be able to negotiate an even lower price than they're paying currently. At the very least, Coffeyville could save \$2.74 (9%) per box of paper by using the same supplier and paying the same rate as Independence. In regard to paper and some other supplies in general, some community colleges officials we talked with said they'd prefer to buy from local suppliers. It's possible to continue to buy locally even through joint purchasing, if the colleges alternated suppliers.

Computers-savings on computer purchases appears to be unlikely because community colleges already appear to receive low prices, and pooling purchasing power wouldn't affect cost. Coffeyville and Independence purchase their computers from Dell, which doesn't offer discount pricing based on higher volumes. However, Dell appears to be providing competitive pricing for community colleges. For example, a recent computer purchased by Independence cost \$805; if the same computer had been purchased using the State of Kansas' contract with Dell, it would have cost \$1,006, or about \$200 more.

Electricity-savings are unlikely because electricity is a regulated utility. Coffeyville and Independence pay different rates per kilowatt to different providers. However, costs savings aren't likely because utility rates and territories are regulated by the Kansas Corporation Commission. Therefore, in this instance community colleges likely don't have the option of using a different supplier, or combining their purchases to achieve discounted rates.

CONCLUSION:

Because of the similarities between them, community colleges located in close proximity to each other could find ways to share many resources if they wanted to, or if they had to. That's generally not the case. We noted few instances of sharing between community colleges in Kansas or in other states, and almost no sharing between Independence and Coffeyville Community Colleges. On the academic front, our work identified opportunities to share academic resources related to specialized academic programs, higher-level math and science courses, and on-line courses, especially in instances where community colleges have duplicate programs and enrollment at one college is much less than at the other. Realistically, options for Independence and Coffeyville to share support functions appeared to be more limited—given that they are two separate institutions in competition with each other. At a minimum, however, the areas of payroll processing and information technology offer possibilities, either in the short term or over the long term. The greatest potential for near-term savings may be in the area of joint purchasing to obtain goods or services at a lower price through volume discounts. However, even that effort may take a significant amount of coordination and encouragement because of the colleges' desire to "buy locally" whenever possible.

RECOMMENDATIONS:

1. To help ensure that Coffeyville and Independence Community Colleges make the best use of their teaching resources, the administration of the two colleges and their boards of trustees should consider equitable ways to eliminate duplicate degree programs or course offerings with low enrollment at one or both colleges.
2. To help ensure that it is using its teaching resources efficiently, the administration and the board of trustees of Independence Community College should review its class roster to identify any small class sections that have the potential to be combined with other classes.
3. To help ensure that Coffeyville and Independence Community Colleges are carrying out their administrative functions in the most cost-effective manner, the administration of the two colleges and their boards of trustees should discuss possibilities for combining or streamlining any administrative functions such as, but not limited to, the following:
 - a. exploring whether savings could be achieved by having one of the community colleges process the payroll for both colleges.
 - b. determining specifically what it would take to operate a single information technology function, and setting forth a plan that could be implemented when it becomes necessary for the colleges to upgrade computer and information technology systems in the future.
4. To help ensure that community colleges are buying goods and services as economically as possible, officials from the Board of Regents, as the coordinating agency for the community colleges, should meet with the Kansas Association of Community College Business Officers, the Kansas Association of Community College Trustees, and others as appropriate to determine what can be done to facilitate more joint purchasing opportunities and to get more community colleges to take part in them. The Board then should provide this information to all community colleges and their boards of trustees.

APPENDIX A

Scope Statement

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on March 13, 2007. The audit was requested by Representative Edmonds.

Community Colleges: Examining Whether There Are Ways Community Colleges Could Share Resources To Reduce Costs

The 1999 Legislature considered and passed Senate Bill 345, which made major changes to the system for overseeing and funding postsecondary education in Kansas. Among the changes it made to the funding structure was to replace credit-hour, out-district, and general State aid programs for community colleges with an operating grant beginning in 2001. The first year, the operating grants were to be equal to 50% of the State aid amount per FTE lower-division student at the regional Regents' institutions (Emporia, Fort Hays, and Pittsburg). A hold harmless provision was provided so that no community college would get less money during fiscal year 2001 than it received in fiscal year 2000. For fiscal years 2002 through 2004, the operating grants were scheduled to increase by 5 percentage points each year until they equaled 65 percent of the State aid per student for an FTE lower-division student at the Regents institutions multiplied by the community college's FTE enrollment for the current or prior year, whichever was higher.

Beginning in fiscal year 2001 when the grant was implemented, community colleges were to use a specified portion of any increase in State aid over the prior year to reduce their mill levies. The remaining portion of the increase either could be used for program enrichment or to further reduce mill levies.

Legislators have noted that, since these changes were made, mill levies for community colleges in many cases have stayed the same or increased rather than being reduced. That has raised questions in legislators' minds about why, and whether there are opportunities for community colleges to share resources in order to reduce both costs and mill levies.

A performance audit of this topic would address the following questions.

- 1. Have community colleges used a portion of increased State aid to reduce mill levies, and if not, why not?** To answer this question, we would review the requirements of law regarding the use of State aid to reduce mill levies. For all community colleges, we would determine how much State aid they received before fiscal year 2001 and in later years. We would determine how much of an increase in State aid each community college received, and

whether the appropriate share of that increase went for mill levy reductions. If that did not happen, for a sample of community colleges we would interview community college officials and others as needed to determine why. In addition, we would interview officials from the Board of Regents to determine what actions they took to ensure that the community colleges complied with the provisions of the law. Finally, we would look at other states' funding structures for community colleges and interview community college officials of others as needed to identify options for reducing mill levies in counties where community colleges are located.

- 2. What options exist for community colleges that are in close proximity to each other, such as Independence and Coffeyville, to share resources to reduce costs and mill levies?** To answer this question, we would review literature about community colleges and contact groups such as the American Association of Community Colleges to try to identify whether there are any innovative resource-sharing programs that community colleges have used to save money. We would review the class offerings at the two schools to determine whether it appears that money could be saved by specializing, or only offering classes of a certain type at one school or the other, or by sharing faculty or administration. In addition, we would look at the use of resources such as vehicles, equipment, and buildings to determine whether there appear to be any opportunities for sharing of those resources to reduce costs. We would talk to the administrators of those community colleges and to staff at the Board of Regents to determine whether they have identified any other areas where community colleges could pool resources or services to reduce costs. We would conduct additional test work as needed.

Estimated time to complete: 12 weeks

APPENDIX B

Actual vs. Expected State Operating Grant by Community College

This appendix contains the amount of State operating grant that was expected based upon the Higher Education Coordination Act versus what was actually received by community colleges in each fiscal year.

Community College	2001		2002		2003		2004		2005		2006		2007		Total (2001-2007)		% of Expected
	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	Actual	Expected	
Allen	\$2.6	\$2.7	\$3.1	\$3.3	\$2.9	\$4.1	\$3.2	\$5.0	\$3.5	\$4.6	\$3.9	\$4.9	\$4.1	\$5.0	\$23.3	\$29.6	79%
Barton County	\$5.3	\$5.3	\$6.5	\$7.0	\$6.0	\$8.3	\$6.2	\$9.6	\$6.1	\$7.9	\$6.8	\$8.5	\$7.5	\$9.2	\$44.3	\$55.8	79%
Butler County	\$9.2	\$9.3	\$10.7	\$11.5	\$10.4	\$14.4	\$11.8	\$18.2	\$11.7	\$15.3	\$12.3	\$15.6	\$13.3	\$16.3	\$79.4	\$100.6	79%
Cloud County	\$3.6	\$3.7	\$4.0	\$4.3	\$4.1	\$5.6	\$3.8	\$6.0	\$4.3	\$5.6	\$4.3	\$5.5	\$4.2	\$5.2	\$28.3	\$35.8	79%
Coffeyville	\$1.4	\$1.4	\$1.7	\$1.8	\$1.5	\$2.0	\$1.4	\$2.2	\$1.5	\$1.9	\$1.6	\$2.0	\$1.6	\$1.9	\$10.6	\$13.3	80%
Colby	\$2.5	\$2.6	\$2.8	\$3.0	\$2.7	\$3.8	\$2.4	\$3.7	\$2.7	\$3.5	\$2.8	\$3.5	\$2.7	\$3.3	\$18.6	\$23.4	80%
Cowley County	\$5.1	\$5.1	\$6.7	\$7.2	\$6.6	\$9.0	\$7.2	\$11.2	\$7.5	\$9.9	\$7.5	\$9.6	\$8.2	\$10.1	\$48.8	\$62.1	79%
Dodge City	\$2.4	\$2.4	\$2.6	\$2.8	\$2.2	\$3.1	\$2.2	\$3.5	\$2.3	\$3.0	\$2.5	\$3.2	\$2.4	\$3.0	\$16.6	\$20.9	79%
Fort Scott	\$2.5	\$2.5	\$2.7	\$2.9	\$2.5	\$3.5	\$2.9	\$4.4	\$2.7	\$3.5	\$3.0	\$3.8	\$3.1	\$3.8	\$19.5	\$24.6	79%
Garden City	\$2.3	\$2.3	\$2.6	\$2.8	\$2.6	\$3.6	\$2.4	\$3.8	\$2.5	\$3.2	\$2.7	\$3.3	\$2.8	\$3.4	\$17.9	\$22.5	80%
Highland	\$3.4	\$3.4	\$3.7	\$4.0	\$3.2	\$4.5	\$3.6	\$5.5	\$3.9	\$5.1	\$3.9	\$4.9	\$4.1	\$5.1	\$25.8	\$32.6	79%
Hutchinson	\$4.9	\$4.9	\$5.6	\$6.0	\$5.4	\$7.5	\$4.8	\$7.5	\$6.0	\$8.0	\$6.2	\$7.9	\$6.7	\$8.3	\$39.6	\$50.1	79%
Independence	\$1.4	\$1.4	\$1.5	\$1.6	\$1.3	\$1.8	\$1.3	\$2.1	\$1.3	\$1.7	\$1.4	\$1.8	\$1.5	\$1.8	\$9.7	\$12.2	79%
Johnson County	\$15.3	\$15.4	\$17.5	\$18.8	\$16.3	\$22.7	\$15.2	\$23.8	\$16.5	\$21.7	\$17.7	\$22.5	\$18.9	\$23.3	\$117.3	\$148.2	79%
Kansas City	\$5.2	\$5.3	\$5.8	\$6.2	\$5.1	\$7.1	\$5.0	\$7.8	\$5.7	\$7.5	\$5.8	\$7.3	\$5.8	\$7.2	\$38.4	\$48.3	80%
Labette	\$2.1	\$2.2	\$2.6	\$2.8	\$2.6	\$3.5	\$2.2	\$3.4	\$2.3	\$3.0	\$2.5	\$3.1	\$2.6	\$3.1	\$16.8	\$21.0	80%
Neosho County	\$1.7	\$1.7	\$1.8	\$2.0	\$1.6	\$2.2	\$1.7	\$2.6	\$2.0	\$2.7	\$2.4	\$3.0	\$2.6	\$3.2	\$13.8	\$17.4	79%
Pratt	\$1.8	\$1.8	\$2.0	\$2.1	\$2.2	\$3.0	\$2.0	\$3.1	\$2.2	\$2.9	\$2.2	\$2.8	\$2.6	\$3.2	\$14.9	\$18.9	79%
Seward County	\$1.4	\$1.4	\$1.6	\$1.7	\$1.8	\$2.5	\$1.5	\$2.3	\$1.6	\$2.0	\$1.7	\$2.1	\$1.6	\$1.9	\$11.1	\$13.9	80%
Total	\$74.1	\$74.8	\$85.2	\$91.6	\$81.0	\$112.4	\$81.0	\$125.5	\$86.0	\$113.0	\$91.1	\$115.3	\$96.2	\$118.5	\$594.6	\$751.2	79%
Actual as a % of Expected	99%		93%		72%		65%		76%		79%		81%		79%		

Source: LPA analysis of data provided by the Kansas Board of Regents.

APPENDIX C

Revenue, Expenditure, and Property Tax Information by Community College

This appendix contains sources of revenues, student enrollments, expenditures, mill rates, and assessed property valuations by community colleges for fiscal years 2000 and 2007.

Sources of Revenue by Community College (a)															
Fiscal Years 2000 and 2007															
(dollars in millions)															
Community College	Total State and County Funds			Student Fees and Tuition			Local Property Tax Revenue			Other (Fed, Aux, etc)			Total Revenues Available		
	2000	2007	% Change	2000	2007	% Change	2000	2007	% Change	2000	2007	% Change	2000	2007	% Change
Allen	\$2.6	\$4.4	65%	\$1.2	\$2.8	136%	\$1.3	\$1.1	-14%	\$1.3	\$2.4	84%	\$6.4	\$10.6	66%
Barton County	\$5.3	\$8.0	51%	\$3.0	\$6.3	106%	\$4.6	\$5.8	27%	\$3.9	\$4.5	14%	\$16.9	\$24.6	46%
Butler County	\$10.0	\$14.7	47%	\$6.5	\$13.8	112%	\$5.8	\$7.8	35%	\$6.7	\$12.3	85%	\$29.0	\$48.6	67%
Cloud County	\$3.9	\$4.7	20%	\$1.8	\$2.4	35%	\$1.5	\$1.9	21%	\$2.2	\$3.8	70%	\$9.4	\$12.7	35%
Coffeyville	\$1.5	\$2.8	84%	\$0.8	\$2.6	221%	\$3.2	\$3.8	20%	\$2.3	\$3.6	58%	\$7.7	\$12.8	65%
Colby	\$2.8	\$3.0	8%	\$1.9	\$2.9	54%	\$1.7	\$2.5	50%	\$2.2	\$2.8	28%	\$8.5	\$11.2	31%
Cowley County	\$5.3	\$9.2	73%	\$2.5	\$6.1	142%	\$3.3	\$3.7	12%	\$2.9	\$3.9	35%	\$14.1	\$22.9	63%
Dodge City	\$2.6	\$2.7	4%	\$1.5	\$1.9	32%	\$4.2	\$6.1	48%	\$2.0	\$4.2	107%	\$10.2	\$15.0	46%
Fort Scott	\$2.7	\$3.5	31%	\$2.0	\$3.1	56%	\$1.3	\$1.9	45%	\$1.3	\$1.7	32%	\$7.2	\$10.2	40%
Garden City	\$3.1	\$3.0	-4%	\$2.0	\$2.7	36%	\$5.5	\$8.8	59%	\$2.5	\$3.2	28%	\$13.2	\$17.8	35%
Highland	\$4.1	\$4.5	11%	\$1.7	\$3.0	76%	\$0.8	\$0.9	16%	\$2.1	\$4.1	94%	\$8.7	\$12.5	44%
Hutchinson	\$5.6	\$8.2	47%	\$2.7	\$5.9	119%	\$7.6	\$9.9	30%	\$6.1	\$9.8	61%	\$21.9	\$33.7	54%
Independence	\$1.1	\$1.5	36%	\$0.9	\$1.6	69%	\$3.7	\$4.1	10%	\$1.4	\$3.2	123%	\$7.2	\$10.3	44%
Johnson County	\$16.2	\$21.0	29%	\$16.8	\$25.7	53%	\$30.5	\$63.2	107%	\$17.7	\$32.8	86%	\$81.2	\$142.7	76%
Kansas City	\$5.8	\$6.3	9%	\$3.7	\$6.3	69%	\$11.2	\$19.8	78%	\$5.1	\$7.9	57%	\$25.7	\$40.3	57%
Labette	\$1.9	\$2.7	41%	\$0.8	\$1.3	56%	\$2.4	\$3.7	53%	\$1.0	\$1.9	85%	\$6.2	\$9.6	55%
Neosho County	\$1.8	\$2.9	63%	\$1.0	\$1.8	73%	\$2.0	\$3.6	78%	\$1.5	\$3.3	119%	\$6.3	\$11.5	83%
Pratt	\$1.9	\$2.8	43%	\$0.7	\$1.5	102%	\$2.7	\$3.9	48%	\$1.2	\$3.6	210%	\$6.5	\$11.8	82%
Seward County	\$1.5	\$1.7	13%	\$1.2	\$1.7	43%	\$4.4	\$7.9	78%	\$2.3	\$3.5	51%	\$9.5	\$14.8	56%
Total	\$79.8	\$107.5	35%	\$52.8	\$93.2	77%	\$97.6	\$160.6	65%	\$65.6	\$112.4	71%	\$295.9	\$473.7	60%

(a) Dollar amounts and percent change are not adjusted for inflation. Inflation rate from 2000 to 2007 is 32% based upon the Higher Education Price Index. Source: Community college budgets.

Expenditure and Local Property Tax Information by Community College (a)																	
Community College	Student and Expenditure Information							Local Property Tax Information									
	Student Enrollment (FTE)			Total Expenditures (dollars in millions)				Expenditures per Student			Mill Rates			Assessed Valuation (dollars in millions)			
	2000	2007	% Change	2000	2007	% Change	2000	2007	% Change	2000	2007	% Change	2000	2007	% Change		
Allen	1,252	1,962	57%	\$6.2	\$10.6	71%	\$4,952	\$5,395	9%	20.39	13.35	-35%	\$63.7	\$84.6	32.9%		
Barton County	2,428	2,950	21%	\$16.7	\$23.8	42%	\$6,884	\$8,072	17%	33.14	30.54	-8%	\$143.4	\$206.4	43.9%		
Butler County	4,361	5,575	28%	\$26.9	\$47.1	75%	\$6,170	\$8,455	37%	19.76	17.36	-12%	\$306.9	\$471.7	53.7%		
Cloud County	1,571	1,391	-11%	\$10.3	\$12.4	21%	\$6,548	\$8,938	36%	23.91	27.72	16%	\$52.8	\$70.5	33.5%		
Coffeyville	949	1,340	41%	\$7.8	\$12.8	64%	\$8,193	\$9,535	16%	36.42	36.80	1%	\$95.8	\$109.6	14.4%		
Colby	1,304	1,200	-8%	\$8.5	\$10.9	28%	\$6,528	\$9,043	39%	27.42	33.40	22%	\$63.7	\$80.7	26.8%		
Cowley County	2,320	3,458	49%	\$14.0	\$22.7	61%	\$6,056	\$6,553	8%	22.58	18.60	-18%	\$163.1	\$210.3	29.0%		
Dodge City	1,216	1,139	-6%	\$10.7	\$14.5	36%	\$8,801	\$12,741	45%	23.55	28.32	20%	\$181.7	\$223.3	22.9%		
Fort Scott	1,336	1,293	-3%	\$7.7	\$10.6	37%	\$5,787	\$8,199	42%	22.14	22.34	1%	\$63.1	\$88.8	40.6%		
Garden City	1,377	1,237	-10%	\$12.9	\$16.4	27%	\$9,392	\$13,252	41%	17.57	18.22	4%	\$336.1	\$507.3	51.0%		
Highland	1,535	1,583	3%	\$8.8	\$12.8	46%	\$5,706	\$8,059	41%	17.26	14.62	-15%	\$49.0	\$66.8	36.3%		
Hutchinson	2,136	3,309	55%	\$20.8	\$31.9	53%	\$9,745	\$9,630	-1%	22.39	21.70	-3%	\$378.3	\$477.8	26.3%		
Independence	828	803	-3%	\$7.5	\$9.1	22%	\$8,998	\$11,281	25%	35.94	35.65	-1%	\$87.5	\$112.3	28.3%		
Johnson County	9,046	11,443	26%	\$91.4	\$140.7	54%	\$10,098	\$12,298	22%	6.67	8.35	25%	\$4,849.4	\$7,733.1	59.5%		
Kansas City	2,914	3,496	20%	\$26.6	\$38.1	43%	\$9,116	\$10,898	20%	16.64	18.23	10%	\$743.5	\$1,169.5	57.3%		
Labette	1,182	994	-16%	\$6.3	\$9.5	52%	\$5,300	\$9,555	80%	24.97	35.40	42%	\$93.0	\$119.1	28.0%		
Neosho County	974	1,190	22%	\$7.0	\$10.7	53%	\$7,181	\$8,971	25%	21.77	32.32	48%	\$69.0	\$101.6	47.2%		
Pratt	815	1,021	25%	\$6.9	\$10.3	48%	\$8,523	\$10,091	18%	37.28	39.04	5%	\$75.7	\$106.7	40.9%		
Seward County	936	924	-1%	\$9.6	\$13.4	39%	\$10,263	\$14,479	41%	23.65	26.18	11%	\$193.1	\$310.2	60.7%		
Total	38,481	46,308	20%	\$306.6	\$458.1	49%	\$7,967	\$9,893	24%				\$8,009.0	\$12,250.4	53%		

(a) Dollar amounts and percent change are not adjusted for inflation. Inflation rate from 2000 to 2007 is 32% based on the Higher Education Price Index. Source: Community college budgets.

APPENDIX D

Agency Response

On January 25, 2008 we provided copies of the draft audit report to the Kansas Board of Regents, Coffeyville Community College and Independence Community College. In addition, on February 4, 2008, we provided portions of the draft audit report to Barton County, Cloud County, Colby, Fort Scott, Hutchinson, Johnson County, Neosho County, and Pratt Community Colleges. These colleges were listed in **Figure 1-6** of the report as not having reduced their property tax revenues by the amount required. With the exception of Cloud County all responses are included as this Appendix. Cloud County chose not to provide a response.

In its response, Coffeyville Community College stated that the annual reports provided by the Kansas Board of Regents show that Coffeyville Community College should have provided a total of \$275,593 in local property tax relief. We checked with Kansas Board of Regents officials and the correct amount of local property tax relief is as shown in **Figure 1-6**. For Coffeyville, local property taxes should have been reduced \$433,128, in total, from 2001-2007, given the amount of State operating grants received by Coffeyville during that time period.

In its response, Johnson County Community College indicated that it believes it has been in full compliance with KSA 71-204. In support, the College included a copy of its budget projection model. However, the budget projection model provided shows budget years 2007-08 to 2012-13. Our analysis was for budget years 2001 to 2007.



KANSAS BOARD OF REGENTS

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February 8, 2008

Ms. Barbara J. Hinton
Legislative Post Auditor
Legislative Division of Post Audit
800 S.W. Jackson, Suite 1200
Topeka, KS 66612-2212

Dear Ms. Hinton:

Thank you for the opportunity to comment regarding the recommendations presented in the Legislative Division of Post Audit Report: *Community Colleges: Examining Whether There Are Ways Community Colleges Could Share Resources To Reduce Costs.*

The only specific recommendation directed to the Board of Regents related to the sharing of resources to reduce costs and mill levies (Question 2). Board of Regents staff enjoys an ongoing and productive relationship with the Association of Community College Trustees and meets at least quarterly with the Kansas Community College Business Officers. We appreciate your recommendation and we will be pleased to coordinate with the Association and the community college business officers to (1) determine what can be done to facilitate additional joint purchasing opportunities and (2) encourage more community colleges to participate in those efforts.

Regarding the performance audit question about the use of increased State aid to reduce mill levies, our sense is that, given the very particular situation existing for each of the community colleges, there is no clear, straightforward, across-the-board answer to this question. I urge the Committee to pay especially close attention to the responses of the individual community colleges.

We hope this information is responsive. As always, we enjoyed having the opportunity to work with your very professional and courteous staff. Please let me know if you have questions.

Sincerely,

A handwritten signature in blue ink that reads "Reginald L. Robinson".

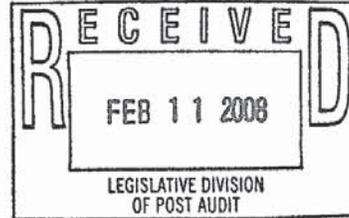
Reginald L. Robinson
President and CEO

BARTON

COUNTY COMMUNITY COLLEGE

February 8, 2008

Barbara Hinton
Legislative Post Auditor
Legislative Division of Post Audit
800 SW Jackson St., Suite 1200
Topeka, KS 66612-2212



Ms. Hinton:

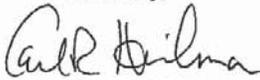
The raw numbers provided in your 02/01/08 letter of notice are confirmed to be correct. However, the statement that 10 of the community colleges didn't reduce their property taxes by as much as required cannot be applied as a blanket statement as being correct. There are a number of issues with the amount that should have been applied as tax relief.

1. When the operating grants were not funded, the information provided by the state (column #3) shows a negative amount. The post audit is not taking this amount into consideration. We received less State Aid than the year before and were unclear how to address the reduction and the 80% requirement. The 80% allocation can be posted as zero, but the college still lost money that year.
 - o Should the colleges have increased local taxes to make up for the reduction in state funding?
 - o If available, should the colleges use funds from their cash reserves to make up for the reduction in state funding?
 - o If cash reserves are used, and state funding is restored the next year, can those funds be replaced before the 80% allocation is figured?
 - o Should the colleges have cut programs, faculty, and expenses due to the reduction of state funding?
2. Barton made errors in reporting the following reductions (please see attached supplement.)
 - A. FY 2003 Barton made a mistake on figuring the 80% and reduced the tax levy by an additional \$249,682 more than what was required.
 - B. FY 2006, Barton posted a reduction of \$560, 506 as required on Form 108 but didn't to transfer the reduction to form CC-B.
 - C. FY 2007, Barton failed to make the reduction of \$560,262.
3. If the reductions would have been posted correctly, this would not have reduced property taxes. The mill levy would have increased to cover estimated expenditures for salary increases, energy costs, deferred maintenance, and other various operational costs. An additional reduction in tax levy (80%) would have been offset by an increase in the mill levy to cover the estimated expenses.
4. From 2000 to 2007, Barton saw an increase in State Aid of \$3,842,255 while at the same time seeing a reduction in revenue of approximately of \$180,000 per year due to the elimination of the Local Ad Valorem Tax Reduction funds (LAVTR). After the 80% tax reduction was applied, and figuring in the years that state aid was reduced, Barton's net increase in state aid over the entire period would have been \$1,089,955.

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5. The \$1,089,955 (minus the LAVTR revenue) that Barton received could not cover the operational increases. Our only other sources of funding, mill levies and tuition, were increased to meet the estimated expenditures.
6. If SB-345 would have been fully funded, the community college districts mill levies would have been reduced further. There were two years that the state funding to the community colleges was actually reduced while operational costs continued to increase. This is in addition to the reductions in revenue that the community colleges were previously receiving from LAVTR.

Sincerely,



Carl R. Heilman
President

Enclosure

Supplement

Barton County Community College

1	2	3	4	5	6	7
Fiscal Year	Actual State Aid	Change in State Aid	Per Operating Grant-Required tax reduction	Amount Post Audit reports Barton should have reduced	Actual Reductions	Barton's increase revenue after the 80% reduction
2000	\$4,320,563					
2001	\$5,183,557 \$95,230	\$958,224	\$627,830	\$627,830	\$551,646 \$76,184	\$330,394
2002	\$6,521,410	\$1,242,623	\$855,349	\$855,349	\$855,349	\$387,274
2003	\$5,972,544	(\$548,866)	(\$483,098)	\$0	\$249,682	\$0
2004	\$6,212,991	\$240,447	\$148,353	\$148,353	\$148,353	\$92,094
2005	\$6,059,079	(\$153,912)	(\$153,912)	\$0	\$0	\$0
2006	\$6,759,712	\$700,633	\$560,506	\$560,506	\$0	\$140,127
2007	\$7,460,040	\$700,328	\$560,262	\$560,262	\$0	\$140,066
Total		\$3,139,477	\$2,115,290	\$2,752,300	\$1,881,214	\$1,089,955

Coffeyville Community College

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COFFEYVILLE, KANSAS 67337



February 6, 2008

Ms. Laurel Murdie, Post Audit Chairman
Legislative Division of Post Audit
800 SW Jackson, Suite 1200
Topeka, KS 66612-2212



Dear Laurel:

My Administrative Staff and I have reviewed the Post Audit Document Draft, "**Community Colleges: Examining Whether There Are Ways Community Colleges Could Share Resources To Reduce Costs.**" Please consider this correspondence Coffeyville Community College's official response.

Have community colleges used a portion of increased State aid to reduce mill levies, and if not, why not?

- In figure 1-6 (page 13) the report states CCC reduced their property tax less than required by KSA 71-204. However, according to annual reports provided by the KBOR stating the dollar amount each college should provide in property relief, CCC should have provided \$275,593 in property relief. CCC actually budgeted for \$299,418 in the tax relief classification.
- CCC reduced property tax as a percent of total revenue and increased the ending cash balance well below the average (figures 1-8 and 1-10). CCC's mill levy increased by less than 0.7 mills since the inception of SB 345 and the amendment to KSA 71-204.
- CCC followed KSA 71-204 in building the budget, but the State did not meet its obligation in funding SB 345. We are puzzled that in your recommendations (page 21) no mention was made that the State should fund SB 345 at the statutory level, even though on Page 10 you state, "Community colleges couldn't reduce their mill levy revenues as much as expected because they didn't receive all the funding called for in the act." The report continues, "Their ability to provide local property tax relief was based on the assumption that they would get increasing amounts of State aid each year to help cover their operating expenditures. That didn't happen." The report continues, "...that community colleges should have received \$751 million in State operating grants for fiscal years 2001-2007, based on the provisions of the Act. They actually got \$595 million or about \$157 million (26%) less than anticipated." Additionally, the State eliminated payments of Local Ad Valorem Property Tax Relief (LAVTR) during fiscal year 2003. For CCC, this was an **additional** annual loss of approximately \$150,000.
- Also, due to funding inequities inherent to the State funding formula, it has been more difficult for some colleges to provide significant property tax relief. As an example, for fiscal year 2008 CCC will receive \$2,130 per Kansas enrolled full-time equivalent

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students (FTE). ICC, the highest funded college in the state receives \$3,280 per Kansas FTE. This translates to \$71.00 vs. \$109.33 per credit hour, \$38.33 (54 %) less for CCC. Of the 19 community colleges, 15 are funded at a per Kansas FTE rate higher than CCC. Even so, since fiscal year 2000 when CCC started being funded at a lower per FTE rate by the State, only one college reduced its property tax as a percent of total revenue more than CCC as indicated in the report (figure 1-8).

- Community colleges provide a great service to the workforce and economy of Kansas by delivering valuable training and educational opportunities that would not otherwise exist. The ever-increasing cost of new technology and the ability to compete in global markets have tasked college budgets. The **State should provide funding** at the levels that had been assured through SB 345 and subsequent legislation and do so utilizing an **equitable funding formula**.

What options exist for community colleges that are in close proximity to each other, such as Independence and Coffeyville, to share resources to reduce costs and mill levies?

- The report adequately addresses many of the concerns or issues that would prevent the sharing of support functions to include varying workloads, dissimilar job descriptions, different policies and procedures, competition and rivalry, and software differences (page 32), "...in many cases, the workload of the support functions wouldn't decrease even if the support functions were shared between Independence and Coffeyville." We believe this may also be the case for combining payroll. Although CCC's payroll software system could possibly process ICC's payroll, this would not reduce the personnel required to enter data, process changes, and administrate the human side of payroll processing. It comes as no surprise that nationwide the audit team could only find one instance of a community college sharing support functions with another institution.
- Regarding joint purchasing options, CCC continually looks for ways to reduce cost without having a negative impact on providing a high-quality product. The audit team provided a list of items from which they believe we could find savings. We are exploring options where savings exist.
 - Natural gas savings through K-Jump: Information has been requested. We will look into its implementation.
 - CCC's software pricing is quite competitive. To achieve any additional discounts would require about 2,834 more staff members. The KBOR may need to facilitate this kind of pricing consortium.
 - To achieve savings through one telephone vendor (such as AT&T) would require a large consortium of community colleges with very common needs. CCC has found better long distance rates by not using AT&T, but we also have some line charges that may be unique to our geography and needs. Our inquiries with AT&T did not indicate any additional savings.
 - Savings may be possible in security services, but the cost is based on man hours and how many special events are held on each campus. Unlike ICC with their rural setting, CCC has a downtown campus, making it easy for anyone to access by walking to our campus.
 - Regarding health insurance, CCC participates in a partially self-funded health plan with a \$25,000 deductible on each plan participant. The individual medical costs below the deductible are shared by the employee and the college. Although

employees are charged a set premium, the actual premium CCC pays is a factor of the level of use. The lower the health cost, the lower the premium. The single premium for 2007 averaged about \$359.04 per month or \$4,308 per year – almost \$100 less than the State plan.

- CCC's property insurance carrier, EMC, was contacted to explore the feasibility of pooled savings. EMC currently insures most colleges in the State, as well as school districts and municipalities. EMC's response is that they set premiums based on coverage and loss ratios; they are not interested in pooling businesses.
 - Both CCC and ICC buy large volumes of consumables, including office supplies. Although "paper" is very generic, there may be differences in what is used. Additionally, vendors who sell paper sell a large variety of office products. Additional savings may be translated into other products the vendor sells through set discount pricing. CCC will explore other pricing scenarios to determine what is most cost effective.
 - CCC agrees with the report that savings for computers and electricity would be unlikely.
- This report only touches on select areas to look for savings. CCC will continue to explore areas where joint or volume purchasing could provide benefits.
 - Regarding academic resources, CCC offers the following responses:
 - The report refers to the use of interactive television as a viable solution to offering small classes. If both sites already have the technology in place, there is a possibility of offering classes in multiple locations. However, if ICC does not currently have an IDL system in place the cost for a system would be more than \$50,000, and a dedicated T-1 line for access would need to be installed. CCC pays \$1,200 per month for T-1 line charges.
 - In a program like Paramedic where instructors are in short supply and the program is focused on training for working adults, IDL is a viable solution to reach these students due to time and travel constraints. CCC charges these students additional fees to offset the cost to deliver the program. With a traditional college student taking a 3 credit hour course via IDL, it would increase the student's cost to take the class. An instructor teaching a 3 credit hour course would receive approximately \$1,500 per semester (4 months). Depending upon the number of classes offered on IDL, the instructor cost and line charges would be comparable to the cost of offering the class at both sites separately.
 - CCC has offered its Paramedic Program via IDL to the following cities over the last ten years: Iola, Fort Scott (twice), Arma, Moscow, Protection, Ulysses (twice), Sublette, Onaga, Oskaloosa, Topeka (three times), Salina/Solomon, and Burlington.
 - CCC attempted to collaborate with Labette Community College on a Nursing Program in 2007. The LCC Board of Trustees turned down the partnership agreement. CCC is currently working on starting its own nursing program to meet industry needs.
 - Scheduling is the key in order to offer general education classes at two locations via IDL. Not all community colleges operate on the same class schedule or calendar. CCC has found this to be an obstacle in past attempts to collaborate on sharing instructors for low enrollment classes. CCC and Neosho County Community College collaborated on Psychology and Sociology classes during the summer

- several years ago. CCC taught Psychology to Neosho, and Neosho taught Sociology to CCC. Scheduling became an issue, and the summer exchange was discontinued.
- CCC would be glad to accommodate the six welding students from ICC (page 26). It is our understanding that ICC established those classes to meet a request from industry for welding training.
 - Regarding Criminal Justice (page 26), CCC offers Intro to Criminal Justice as part of the general education associate degree program (a sociology elective). The course is taught every semester and averages 15 students in each class. Since CCC does not offer a complete Criminal Justice program, a student who wants to pursue this field would need to take classes from another institution.
 - Many would question the success of offering math and science courses via IDL due to the nature of the courses (page 26). Science labs become an issue requiring additional personnel at the “receive” site to monitor the lab work to assure safety. Completion rates in math courses are traditionally low without the problems associated with IDL. We believe that an IDL system is not the answer for one-on-one assistance for a student struggling in math or science courses. Technology can get in the way of success; with IDL, this appears to be the case. We have the responsibility to be concerned about student learning and success more than cutting expenses to the bare bone.
 - Collaboration on low enrollment, online classes makes more sense, due to the lower cost for access to the Internet (page 27).

This self analysis process has been a pleasant experience for us here at Coffeyville Community College, and we have enjoyed assisting you and your staff with this post audit task. Our collective efforts providing information, brainstorming on cost savings opportunities, and meeting with you and your Post Audit Team has been both beneficial and enjoyable. I would like to compliment your staff for the high level of professionalism that was consistently demonstrated. If you have any questions or need clarification regarding any of our responses, please feel free to call me.

Very truly yours,



Don A. Woodburn, Ph.D.
President

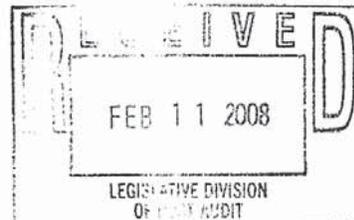
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Dr. Lynn C. Kreider
President

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February 6, 2008

Ms. Barbara J. Hinton
Legislative Post Auditor
800 Southwest Jackson Street, Suite 1200
Topeka, KS 66612-2212

Dear Ms. Hinton:

As you can see, Colby Community College (CCC) made a good faith effort to comply with the property tax reduction plan. Your records indicate we achieved 95 percent of the expected goal.

We would have achieved 100 percent if the state had fully funded the off-set for out-district tuition. That money was not fully funded and CCC enrollment has continued to decline since 1999. Although CCC's desire is to comply with the state's wishes, it is not possible at this time. In the past three years we have had to use reserves to meet expenses and the trend is continuing.

At this time CCC has no intention of further reducing the mill levy. CCC believes that the state needs to fully fund the rural community colleges that provide well-educated, hard working students who are sent all over the state. The funding system needs to change soon.

Sincerely,

Lynn C. Kreider
President



Fort Scott Community College

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February 8, 2008

Barbara J. Hinton
Legislative Post Auditor
Legislative Division of Post Audit
800 Southwest Jackson Street, Suite 1200
Topeka, KS 66612-2212

Dear Ms. Hinton:

This is in response to your request dated February 4, 2008, concerning the Legislative Post Audit of the community colleges in Kansas.

As a first year president, I need more time in our analysis of Fort Scott Community College's local property tax reduction as it relates to Senate Bill 345. The Legislative Post Audit indicated that Fort Scott Community College did not return enough funding back to the taxpayer in the form of local property tax reduction. I need more time, again in my first year, to conduct a historical review of local property tax reduction.

Sincerely,

A handwritten signature in cursive script that reads "Clayton N. Tatro".

Clayton Tatro, Ph.D.
President

CNT:

College. . . as it should be.



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February 12, 2008

Barbara J. Hinton
Legislative Post Audit
800 Southwest Jackson Street, Suite 1200
Topeka, Kansas 66612-2212

Dear Ms. Hinton:

Thank you for providing Hutchinson Community College the opportunity to respond to Post Audit's request for clarification of the reduction of local taxes by the amount of State Aid received. Based on your inquiry Hutchinson Community College reviewed prior years' budget submissions. During our investigation, reporting errors were discovered in one of the budget schedules. It is important to note that, had this been reported correctly, it would not have resulted in any lower tax burden for the local citizens because the amount of tax rate of any single college is a complex mixture of tuition, state grant, local property taxes, and necessary annual expenditures. The specific error that occurred is that the amount of tax relief that was reported by the Kansas Board of Regents to the community college is included on Form 108 page 2. The amount is then deducted from the state grant amount to be received from the Kansas Board of Regents and flows to the General Fund Budget Form CC-B. In the case of Hutchinson Community College there were discrepancies on Form 108 page 2. Based on the Legislative Post Audits findings, it appears that there was general confusion in the community colleges on how to complete this schedule. While we appreciate the Legislative Post Audit's efforts, Hutchinson Community College does not believe that the audit technique they employed demonstrates that property taxes were or were not in fact lowered, but simply that forms were filled out correctly or not filled out correctly.

The budget formula includes funding sources from the State, tuition, and local effort. The estimated expenditures drive the end result. For instance if a College received an operating grant increase of \$265,000, the approximate average increase for Hutchinson Community College from fiscal year 2001 to fiscal year 2007, \$212,000 would go to reduce the local property taxes. That leaves a net of \$53,000 to accommodate estimated expenditure increases. The cost of a three percent increase in salaries is approximately \$450,000. To pay for the salaries alone, if \$212,000 goes to reduce the mill levy and \$53,000 to enhancements, an increase in local tax dollars of \$185,000 would be required

(The methodology for calculating the local dollars is determined by Kansas Board of Regents). That example only addresses the issue of salaries. If one looks at the time frame of 2001 to 2007, the state provided a net of \$1,852,671 to Hutchinson Community College. If three percent raises were given each of those seven years the cost in salary increases alone would have been \$3,150,000. This would leave a net deficit for the local taxpayers of \$1,297,329. During this same period of time there have been dramatic increases in a variety of areas including insurance, energy, and technology among others.

Also, each college has its unique issues reflective of the community and College needs. For example, Hutchinson Community College has over 40 percent of its students in high cost technical programs. The distribution formula prior to SB345 provided Hutchinson Community College a differential funding rate of 2 for 1 funding of technical programs. SB345 eliminated that differential forcing the colleges to require local tax payers to assume those added costs. Another example of uniqueness is student population. Approximately 40 percent of Hutchinson Community College students are from Reno County, resulting in fewer out district dollars.

Additionally, there has been a need to address deferred maintenance issues at community colleges. Our campus, being one of the older community college campuses, was cited by a study done by ISES Corporation, as having the greatest deferred maintenance need in the state for community colleges at \$16 million dollars. Protecting the capital assets of the College, Hutchinson Community College trustees dedicated two mills to a capital outlay fund to address deferred maintenance. In 2004 a local levy of .5 mills was passed by Reno County Taxpayers to fund a renovation of a football facility. That is included in the general fund levy.

Significant negative pressure on the local levy occurred with the loss of LAVTR dollars. Hutchinson Community College lost approximately \$350,000 in LAVTR in 2002. This annual loss over the time frame amounts to approximately \$1,200,000. Additionally, after year two the legislature failed to follow the statute and has never funded community colleges at the level of 65 percent of the state contribution to lower division education at the regional universities as statute requires. For the last year alone, system wide, a 19 percent revenue funding short fall has been experienced by Kansas Community Colleges over the statutory requirement. That in essence is funding at 54 per cent of the

State contribution to regional universities which is less than the percentage received in 2002. If Hutchinson Community College would have been fully funded at the statutory level, cumulatively approximately nine million dollars of new money would have been

Page 3

received by the College of which 80 percent would have been used for local tax reductions.

Attached are graphics that reflect the State operating grant, including the LAVTR, and a graph that is reflective of statutory funding as compared to actual funding. Also included is an analysis of the actual tax requests by Hutchinson Community College compared to the tax requests at the 2000 mill levy level. It is Hutchinson Community Colleges opinion that this analysis clearly shows; even given the challenges of the loss of LAVTR, increased operating and deferred maintenance costs, and the under funding of Senate Bill 345; that over the period 2001-2007 Hutchinson Community College has passed along significant cumulative tax relief, well in excess of that required by statute.

Again, thank you so much for asking for clarification. Hutchinson Community College strives to be in full compliance with statutory requirements.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ed Berger', with a long horizontal flourish extending to the right.

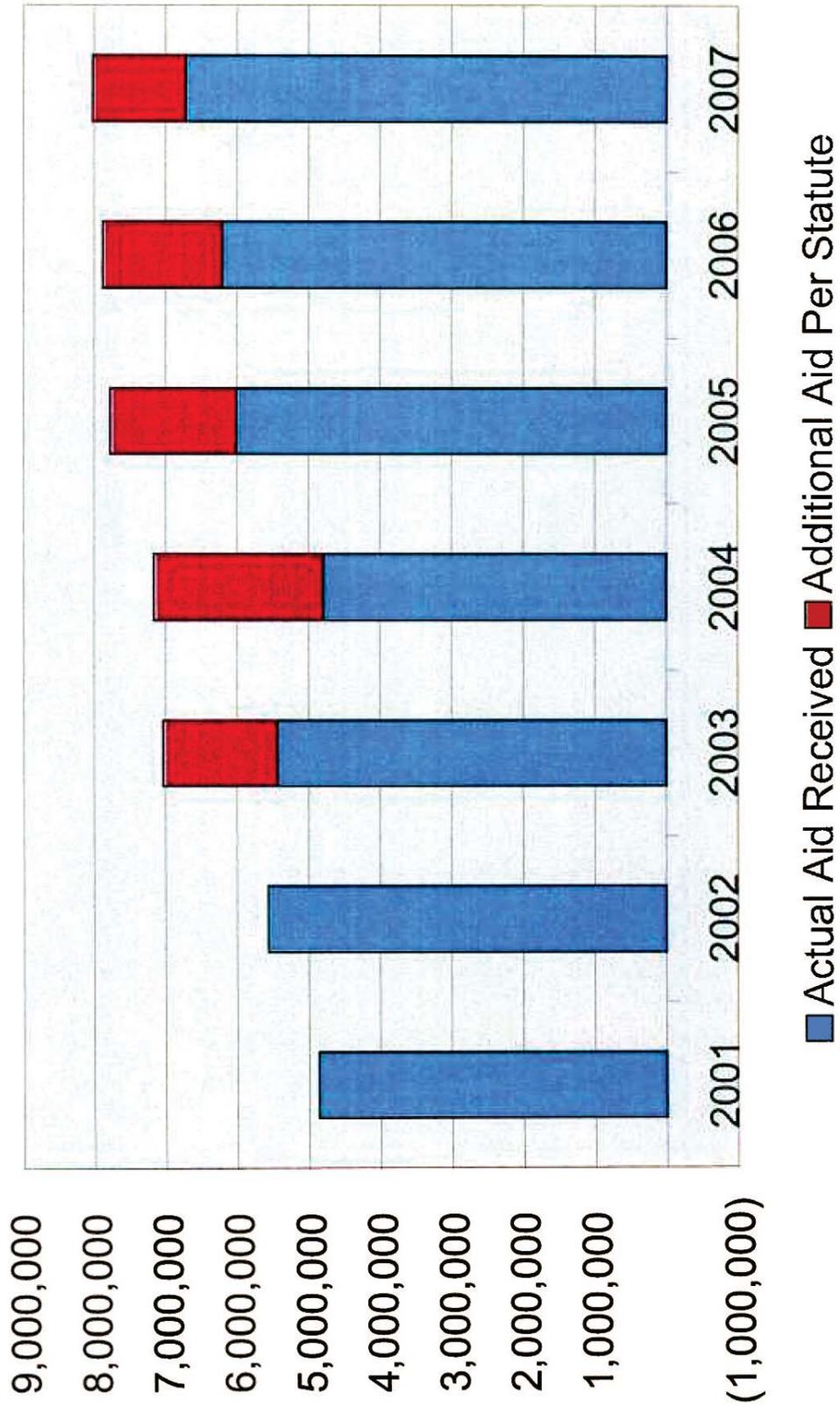
Dr. Ed Berger
President
Hutchinson Community College & Area Vocational School

A	B	C	D	Actual			Entitled			L	M	N	
				GF	CO	Valuation	GF Act	C.O. Act	Total Act				GF
Yr 7	21,704	1,993	477,812,976	10,370,453	952,281	11,322,734	10,698,233	955,626	11,653,858	331,124	327,780	411,162	(80,038)
Yr 6	21,784	2,006	462,333,676	10,071,477	927,441	10,998,918	10,351,651	924,667	11,276,318	277,400	280,174	158,189	119,211
Yr 5	20,750	2,024	449,036,165	9,317,500	908,849	10,226,350	10,053,920	898,072	10,951,992	725,642	736,419	971,863	(246,221)
Yr 4	21,592	2,000	433,874,584	9,368,220	867,749	10,235,969	9,714,452	867,749	10,582,201	346,232	346,232	-	346,232
Yr 3	20,367	1,000	421,009,348	8,574,697	421,009	8,995,707	9,426,399	421,009	9,847,409	851,702	851,702	-	851,702
Yr 2	20,021	1,000	413,475,151	8,278,186	413,475	8,691,661	9,257,709	413,475	9,671,184	979,523	979,523	422,644	556,879
Yr 1	20,488	1,000	398,435,188	8,163,140	398,435	8,561,575	8,920,964	398,435	9,319,399	757,824	757,824	534,117	223,707
Yr 0	22,390	1,000	378,330,021	8,470,809	378,330	8,849,139							
Totals				64,143,674	4,889,241	69,032,914	68,423,327	4,879,034	73,302,361	4,269,447	4,279,653	2,497,975	1,771,472

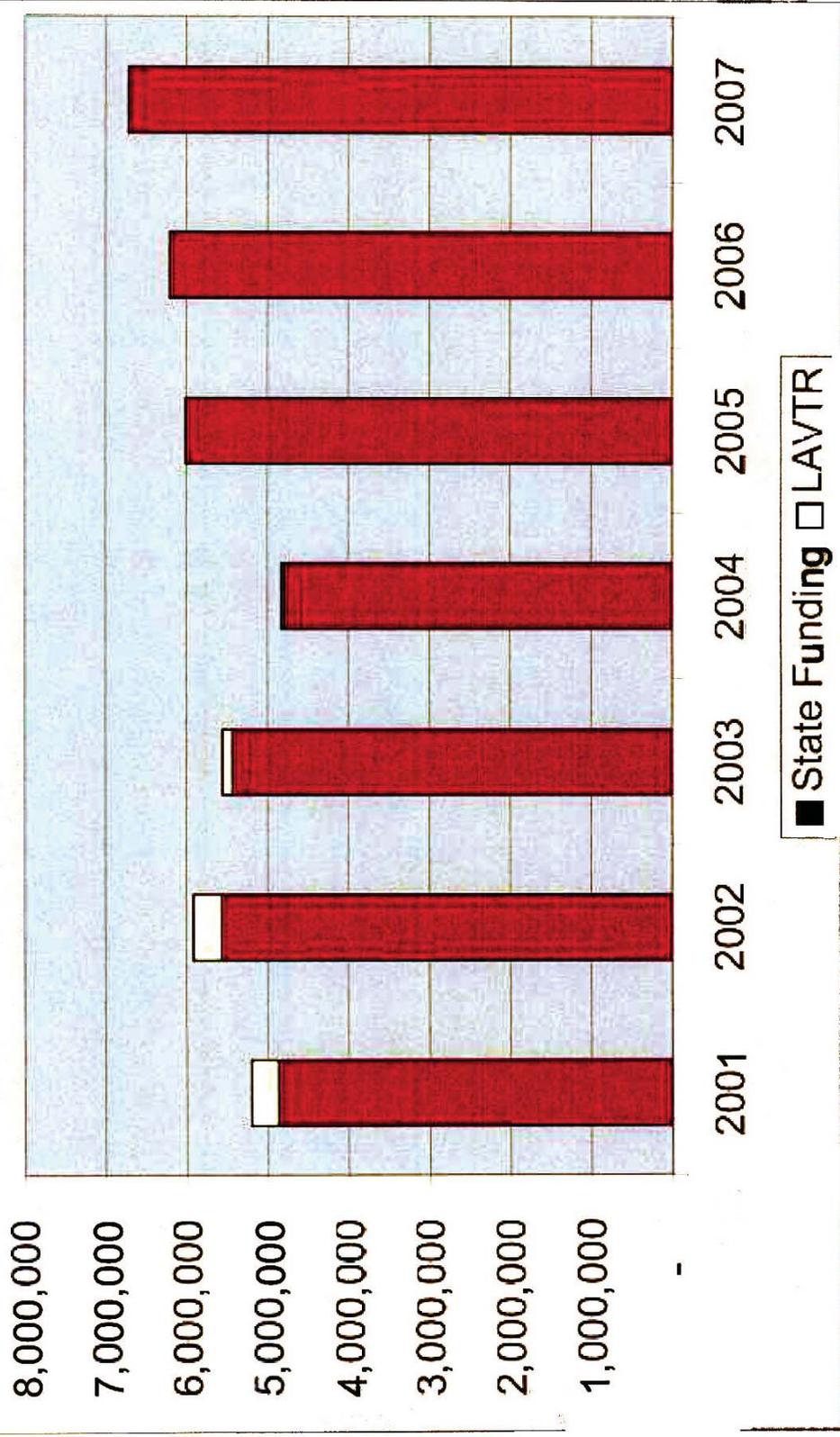
* Adjust by 1 mill for increase in Capital Outlay levy. A voter approved increase.

Column	Year
B	Actual General Fund mill levy
C	Capital outlay mill levy
D	Valuation
E	B*D/1000
F	C*D/1000
G	Sum of E+F
H	B Yr 0 * current year valuation (colD appropriate year)
J	Cyr 0 * current year valuation (colD appropriate year). C yr 4 \$ is adjusted by 1 mill to reflect the increase in capital outlay mill levy
K	Sum of H+I
L	Total Diff General Fund and Capital Outlay
M	Diff General Fund only
N	Amount of required Tax relief for KBOR
	Diff between Total Diff and amount per KBOR

HCC - Actual State Aid and Statutory State Aid



HCC - LAVTR and State Aid



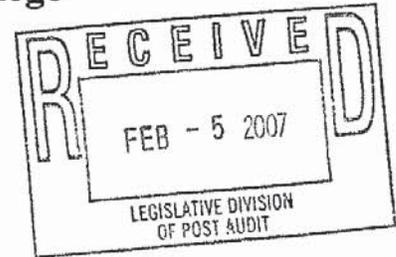


Independence Community College

Office of the President

February 4, 2008

Ms Barbara J. Hinton
Legislative Post Auditor
Legislative Division of Post Audit
800 Southwest Jackson Street
Suite 1200
Topeka, Kansas 66612-2212



Dear Ms. Hinton:

The purpose of this letter is to respond to the recommendations contained in the completed performance audit, *Community Colleges: Examining Whether There Are Ways Community Colleges Could Share Resources To Reduce Costs*.

We would first like to express our sincere appreciation to you and your staff members for the entirely professional and cordial manner in which the audit was conducted at Independence Community College. We are grateful for your patience and willingness to accept our input and suggestions.

Recommendation 1. To help ensure that Coffeyville and Independence community colleges make the best use of their teaching resources, the administration of the two schools and their boards of trustees should consider equitable ways to eliminate degree programs or course offerings with low enrollment at one or both schools.

Response. Independence Community College is committed to increasing economic efficiencies and providing the greatest possible return on investment of the resources provided by the taxpayers of Montgomery County and Kansas. Accordingly, we will consider equitable ways to eliminate degree programs or course offerings with low enrollment.

Recommendation 2. To help ensure that it is using its teaching resources efficiently, the administration and the board of trustees at Independence Community College should review its class roster to identify any small class sections that have the potential to be combined with other classes.

Response. Independence Community College will review class rosters for the purpose of identifying class sections that have the potential to be combined with other classes. Care will be taken to make sure that an adequate student enrollment in class sections is maintained, realizing the occasional necessity of conducting smaller than desired classes required for student degree completion.

P.O. Box 708 • Independence, Kansas 67301 • 620-331-4100 • FAX 620-331-8386
www.indycc.edu

Recommendation 3. To help ensure that Coffeyville and Independence community colleges are carrying out their administrative functions in the most cost-effective manner, the administration of the two colleges and their boards of trustees should discuss possibilities for combining or streamlining any administrative functions such as, but not limited to, the following:

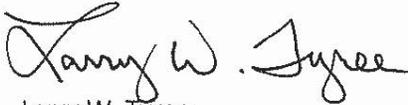
- a. exploring whether savings could be achieved by having one of the community colleges process the payroll for both colleges.
- b. determining specifically what it would take to operate a single information technology function, and setting forth a plan that could be implemented when it becomes necessary for the colleges to upgrade computer and information technology systems in the future.

Response. Independence Community College welcomes the opportunity to confer with our sister institution, Coffeyville Community College, toward the end of exploring possibilities for combining or streamlining administrative functions in payroll, information technology, and other support areas.

Recommendation 4. To help ensure that community colleges are buying goods and services as economically as possible, officials from the Board of Regents, as the coordinating agency for the community colleges, should meet with the Kansas Association of Community College Business Officers, the Kansas Association of Community College Trustees, and others as appropriate to determine what can be done to facilitate more joint purchasing opportunities and to get more community colleges to take part in them. The Board then should provide this information to all community colleges and their boards of trustees.

Response. Independence Community College enthusiastically embraces this recommendation and will pursue appropriate opportunities to participate in joint purchasing activities.

Respectfully,



Larry W. Tyree
Interim President

Cc: ICC Board of Trustees

OFFICE OF THE PRESIDENT

JCCC

Johnson County Community College
12345 College Blvd.
Overland Park, Kansas 66210-1299
913-469-8500 www.jccc.edu

February 7, 2008

Barbara J. Hinton
Legislative Post Auditor
Legislative Division of Post Audit
800 Southwest Jackson Street, Suite 1200
Topeka, Kansas 66612-2212



Dear Ms. Hinton:

This is in response to your letter dated February 4, 2008, regarding your completed performance audit of community colleges in Kansas.

We believe Johnson County Community College has been in full compliance with Kansas Statute 71-704, sections (a) and (b) regarding setting mill levies for all years noted in the legislative post audit engagement. The trustees have determined the amount of mill levy needed in each fiscal year for maintenance, operation, and growth of the college. In each year when state grant monies were increased, the net effect for the college was a reduction of the mill levy by an amount approximating the state grant increase. The trustees properly provided funding for capital projects, enrollment growth, and program enhancement.

The amount of mill levy reduction as a result of increased state grant funds is calculated in the college budget projection model each year. A copy of the budget projection model is attached with pertinent items highlighted on page seven and flowing to page one. This is reviewed throughout the budget process by the Board Finance Committee and the Board of Trustees as a whole. Their awareness of the offset and compliance with the statute is evidenced by this document.

Please do not hesitate to let me know if you have other questions.

Sincerely,


Terry Calaway
President

cc JCCC Board of Trustees
Sheila Frahm
Dick Carter



Kansas Legislature

Home > Statutes > Statute

[Previous](#)

[Next](#)

71-204**Chapter 71.--SCHOOLS--COMMUNITY COLLEGES****Article 2.--ORGANIZATION, POWERS AND FINANCES OF BOARDS OF TRUSTEES**

71-204. Tax levy authorization; determination of amount; budget. (a) For the purpose of community college maintenance and operation, the board of trustees is authorized to levy a tax on the taxable tangible property of the community college district.

Such tax levy shall be the amount determined by the board of trustees to be sufficient to finance that part of the budget of the community college which is not financed from any other source provided by law. The budget of the community college shall be prepared and adopted as provided by law, and the tax levy therefor shall be certified to the county clerk of every county a part of the territory of which is in the community college district.

(b) The tax levy authorized by subsection (a) shall be reduced (1) in the 2001 fiscal year by an amount equal to 80% of the amount of the difference between the amount of state aid received by the community college in the 2000 fiscal year less an amount equal to 25% of the amount of out-district tuition received by the community college in such fiscal year and the amount of the state grant to which the community college is entitled in the 2001 fiscal year and (2) in fiscal years 2002, 2003 and 2004 by an amount equal to 80% of the amount of the difference between the amount of the state grant received by the community college in the preceding fiscal year less an amount equal to 25% of the amount of out-district tuition received by the community college in the 2000 fiscal year and the amount of the state grant to which the community college is entitled in the current fiscal year and (3) in each fiscal year after the 2004 fiscal year by an amount equal to 80% of the amount of the difference between the amount of the state grant received by the community college in the preceding fiscal year and the amount of the state grant to which the community college is entitled in the current fiscal year.

History: L. 1965, ch. 417, § 15; L. 1967, ch. 408, § 2; L. 1976, ch. 299, § 1; L. 1980, ch. 207, § 5; L. 1999, ch. 147, § 27; July 1.

JCCC FIVE YEAR BUDGET PROJECTION
ASSUMPTIONS
YEARS ENDED JUNE 30, 2008 TO 2013

WORKING
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2/7/2008	Budget		Projected Budget				
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
<i>CONTROL OR INFLUENCE</i>							
Revenue							
1 Mill Levy							
General	8.353	8.230	8.230	8.164	8.099	8.033	7.969
Capital Outlay	0.500	0.500	0.500	0.500	0.500	0.500	0.500
Special Assessment	0.019	0.019	0.019	0.019	0.019	0.019	0.019
	8.872	8.749	8.749	8.683	8.618	8.552	8.488
Additional mill adjustment needed - included above			0.065	0.000	0.000	0.000	0.000
Net Change			0.000	-0.066	-0.066	-0.065	-0.065
2 Tuition per cr. hr. (in state)		\$49.00	\$51.00	\$51.00	\$51.00	\$51.00	\$51.00
3 Out District County Reimbursement		\$12	\$12				
4 Activity Fee per cr. hr.		\$6	\$6	\$6	\$6	\$6	\$6
5 Other Fee per cr. hr.		\$5	\$5	\$5	\$5	\$5	\$5
6 Tuition per cr. hr. (out of state)		\$130.00	\$135.00	\$135.00	\$135.00	\$135.00	\$135.00
7 Tuition per cr. hr.(out district additional assessment)		\$15	\$15	\$15	\$15	\$15	\$15
8 Credit Hours Increase		2.0%	2%	2%	2%	2%	2%
9 Adult Supplemental Revenue Increase		25%	2%	2%	2%	2%	2%
10 Campus Development Fee		\$3	\$3	\$3	\$3	\$3	\$3
Expense							
1 Annual Salary Adjustment		4.39%	4.35%	4.00%	4.00%	4.00%	4.00%
2 Staff Authorization Level - Regular & PT/General (FTE positions)		2,458,770	600,000	600,000	600,000	600,000	600,000
3 Staff Authorization Level - Regular/Adult Supplemental		118,064	0	0	0	0	0
4 Staff Authorization Level - Auxiliary		381,494	0	0	0	0	0
5 Staff Authorization Level - Student Activity		-3,423	0	0	0	0	0
6 Operating Expense Increase		3.77%	3.00%	3.00%	3.00%	3.00%	3.00%
7 Employee Benefits Expense Increase		8%	10.0%	10%	10%	10%	10%
8 Adult Supplemental Operating Expense Increase		11%	2%	2%	2%	2%	2%
9 Student Activity Operating Expense Increase		0.3%	2.0%	2%	2%	2%	2%

JCCC FIVE YEAR BUDGET PROJECTION
ASSUMPTIONS
YEARS ENDED JUNE 30, 2008 TO 2013

WORKING
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2/7/2008	Budget	Projected Budget				
<i>NO CONTROL OR INFLUENCE</i>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Revenue						
1 Assessed Valuation Increase	5.6%	2%	2%	4%	4%	4%
Portion from new construction	3%	2%	2%	2%	2%	2%
Portion used from reappraisal	2.6%	0%	0%	2%	2%	2%
2 Motor Vehicle Increase	0%	0%	0%	0%	0%	0%
3 LAVTR	0%	0%	0%	0%	0%	0%
4 State Aid Reimbursable Credit Hour Rate, General	5.62%	3.40%	3.40%	3.40%	3.40%	3.40%
5 Auxiliary Revenue Increase	7%	2%	2%	2%	2%	2%
6 Investment Interest Increase	71%	20%	0%	0%	0%	0%
7 Other Revenues Increase	-2%	2%	2%	2%	2%	2%
8 Delinquency Rate	3%	3%	3%	3%	3%	3%
9 Tuition Forfeiture (% of tuition calculated, added)	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Expense						
1 Auxiliary Operating Increase	6%	2%	2%	2%	2%	2%
2 Auxiliary Debt Retirement	0	0	0	0	0	0
3 Portion of budgeted expense actually expended						
General	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Adult Supplemental	82.0%	82.0%	82.0%	82.0%	82.0%	82.0%
Auxiliary	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Student Activity	84.0%	84.0%	84.0%	84.0%	84.0%	84.0%
Other						
1 Property, Plant, & Equipment Additions -(see schedule)						
2 Long Term Debt and Interest Expense- (see schedule)						
To Reflect Changes to 2007/08 Beginning Balances due to 2006/07 Year End Adjustments						
General	1,914,981					
Adult Supplemental	28,664					
Auxiliary	-604,198					
Student Activity	-70,540					
Capital Outlay	-18,789					
To Adjust 6-30-08 Ending Cash Based on Estimated Actuals						
General (includes Employee Benefits)						
Adult Supplemental						
Auxiliary						
Student Activity						
credit hour adjustment	0.00%					
Capital Outlay						

JCCC FIVE YEAR BUDGET PROJECTION
STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2008 TO 2013

WORKING
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2/7/2008	Budget 2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
REVENUES AND OTHER ADDITIONS						
General						
Beginning Balance	\$ 74,541,457	\$ 73,340,502	\$ 72,690,844	\$ 66,899,208	\$ 57,686,091	\$ 44,472,365
Ad Valorem Property Taxes - Note 2	72,244,302	73,544,018	74,331,048	76,458,078	78,651,192	80,912,383
Tuition and Fees	21,862,962	23,566,316	23,498,073	23,968,034	24,447,395	24,936,343
State Grant	19,915,772	20,592,908	21,293,067	22,017,031	22,765,610	23,539,641
Investments	3,494,241	4,193,089	4,193,089	4,193,089	4,193,089	4,193,089
Other	7,563,725	7,715,000	7,869,299	8,026,685	8,187,219	8,350,964
Current Year Revenues	<u>125,081,002</u>	<u>129,611,330</u>	<u>131,184,577</u>	<u>134,662,919</u>	<u>138,244,506</u>	<u>141,932,420</u>
	199,622,459	202,951,832	203,875,421	201,562,127	195,930,597	186,404,785
Adult Supplemental						
Beginning Balance	1,929,138	2,291,563	2,661,103	2,979,254	3,242,681	3,447,895
Tuition and Fees	7,180,169	7,323,772	7,470,248	7,619,653	7,772,046	7,927,487
Investments	45,000	115,000	115,000	115,000	115,000	115,000
Other	1,970,000	2,009,400	2,049,588	2,090,580	2,132,391	2,175,039
	<u>11,124,307</u>	<u>11,739,736</u>	<u>12,295,939</u>	<u>12,804,486</u>	<u>13,262,119</u>	<u>13,665,421</u>
Auxiliary						
Beginning Balance	4,109,846	3,773,080	3,987,492	4,157,458	4,279,807	4,351,214
Sales	13,801,570	14,077,601	14,359,153	14,646,336	14,939,263	15,238,048
Investments	120,000	375,000	375,000	375,000	375,000	375,000
	<u>18,031,416</u>	<u>18,225,682</u>	<u>18,721,645</u>	<u>19,178,794</u>	<u>19,594,070</u>	<u>19,964,263</u>
Student Activity						
Beginning Balance	1,543,526	1,676,342	1,856,862	2,031,027	2,198,367	2,358,385
Fees	2,088,860	2,130,635	2,173,248	2,216,713	2,261,047	2,306,268
Investments	50,000	105,000	105,000	105,000	105,000	105,000
Other	83,783	85,459	87,168	88,911	90,689	92,503
	<u>3,766,169</u>	<u>3,997,436</u>	<u>4,222,278</u>	<u>4,441,651</u>	<u>4,655,103</u>	<u>4,862,156</u>
Total Current Unrestricted	150,420,384	155,833,198	157,918,982	161,920,112	166,034,943	170,266,766
Less Beginning Balances						
Total Revenues w/ Beg. Bal.	\$ <u>232,544,351</u>	\$ <u>236,914,686</u>	\$ <u>239,115,283</u>	\$ <u>237,987,059</u>	\$ <u>233,441,889</u>	\$ <u>224,896,625</u>
Capital Outlay						
Beginning Balance	\$ 6,175,828	\$ 18,733	\$ 112,109	\$ 290,984	\$ 635,420	\$ 1,154,577
Ad Valorem Property Taxes	4,387,522	4,463,376	4,548,875	4,714,436	4,889,158	5,070,769
Investments	150,000	230,000	230,000	230,000	230,000	230,000
	<u>\$ 10,713,350</u>	<u>\$ 4,712,109</u>	<u>\$ 4,890,984</u>	<u>\$ 5,235,420</u>	<u>\$ 5,754,577</u>	<u>\$ 6,455,346</u>

Note 1: Beginning Balance = unencumbered cash

Note 2: Ad Valorem Property Taxes include a distribution in June instead of July beginning in 2004.

JCCC FIVE YEAR BUDGET PROJECTION
STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 2008 TO 2013

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2/7/2008	Budget 2007/08	Projected Budget				
		2008/09	2009/10	2010/11	2011/12	2012/13
EXPENDITURES AND OTHER DEDUCTIONS						
General						
Salaries and Wages w/o Emp. Ben.	\$ 68,461,567	\$ 72,039,645	\$ 75,521,231	\$ 79,142,080	\$ 82,907,763	\$ 86,824,074
Employee Benefits Portion	25,435,528	27,979,081	30,776,989	33,854,688	37,240,157	40,964,172
Current Operating	26,736,811	27,538,915	28,365,083	29,216,035	30,092,516	30,995,292
Capital	12,294,470	9,559,188	9,522,185	9,235,656	9,189,281	9,141,331
	<u>132,928,376</u>	<u>137,116,829</u>	<u>144,185,488</u>	<u>151,448,459</u>	<u>159,429,717</u>	<u>167,924,869</u>
Adult Supplemental						
Salaries and Wages	3,367,670	3,514,164	3,654,730	3,800,919	3,952,956	4,111,074
Current Operating	5,331,716	5,438,350	5,547,117	5,658,060	5,771,221	5,886,645
Capital	53,801	45,000	45,000	45,000	45,000	45,000
	<u>8,753,187</u>	<u>8,997,514</u>	<u>9,246,848</u>	<u>9,503,979</u>	<u>9,769,177</u>	<u>10,042,720</u>
Auxiliary						
Salaries and Wages	3,216,166	3,356,069	3,490,312	3,629,924	3,775,121	3,926,126
Current Operating	9,784,220	9,979,904	10,179,502	10,383,093	10,590,754	10,802,569
Capital	1,317,379	864,379	864,379	864,379	864,379	864,379
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>14,317,765</u>	<u>14,200,353</u>	<u>14,534,193</u>	<u>14,877,396</u>	<u>15,230,255</u>	<u>15,593,075</u>
Student Activity						
Salaries and Wages	491,736	513,127	533,652	554,998	577,198	600,285
Current Operating	1,951,153	1,990,176	2,029,980	2,070,579	2,111,991	2,154,231
Capital	45,000	45,000	45,000	45,000	45,000	45,000
	<u>2,487,889</u>	<u>2,548,303</u>	<u>2,608,631</u>	<u>2,670,577</u>	<u>2,734,188</u>	<u>2,799,516</u>
Total Current Unrestricted	<u>158,487,217</u>	<u>162,862,998</u>	<u>170,575,160</u>	<u>178,500,411</u>	<u>187,163,337</u>	<u>196,360,179</u>
Revenues with Beginning Balances Over/Under Expenses	<u>\$ 74,057,134</u>	<u>\$ 74,051,687</u>	<u>\$ 68,540,123</u>	<u>\$ 59,486,648</u>	<u>\$ 46,278,551</u>	<u>\$ 28,536,445</u>
Capital Outlay Fund Payments and Expenses	<u>\$ 10,694,617</u>	<u>\$ 4,600,000</u>				
Increase/Decrease in Unencumbered Cash						
General	\$ -1,200,955	\$ -649,657	\$ -5,791,636	\$ -9,213,117	\$ -13,213,726	\$ -17,596,206
Adult Supplemental	362,425	369,540	318,150	263,428	205,213	143,341
Auxiliary	-336,766	214,411	169,966	122,349	71,407	73,228
Student Activity	132,816	180,520	174,166	167,339	160,018	152,178
Capital Outlay	-6,157,095	93,376	178,875	344,436	519,158	700,769

JCCC FIVE YEAR BUDGET PROJECTION
SCHEDULE OF CAPITAL AND ADDITIONS
YEARS ENDED JUNE 30, 2008 TO 2013

WORKING
DRAFT

2/7/2008	Budget		Projected Budget			
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
ASSET ADDITIONS						
General	\$ 11,726,131	\$ 9,026,131	\$ 9,026,131	\$ 9,026,131	\$ 9,026,131	\$ 9,026,131
Adult Supplemental	53,801	45,000	45,000	45,000	45,000	45,000
Auxiliary	1,317,379	864,379	864,379	864,379	864,379	864,379
Student Activity	45,000	45,000	45,000	45,000	45,000	45,000
	<u>\$ 13,142,311</u>	<u>\$ 9,980,510</u>				

Detail:

Remodeling and Renovation	54020	\$ 4,973,795	\$ 2,398,795	\$ 2,398,795	\$ 2,398,795	\$ 2,398,795	\$ 2,398,795
Non capital furniture and fixtures	54030	2,195,405	2,204,189	2,204,189	2,204,189	2,204,189	2,204,189
Library Book Acq.	54040	142,420	142,420	142,420	142,420	142,420	142,420
Furniture, fixtures, and equip.	54050	3,936,861	3,598,747	3,598,747	3,598,747	3,598,747	3,598,747
Audiovisual Materials	54060	22,625	22,625	22,625	22,625	22,625	22,625
Library Book Acq. - cont.	54070	62,261	62,261	62,261	62,261	62,261	62,261
Building/Land improvements	54080 54090	1,701,364	1,458,893	1,458,893	1,458,893	1,458,893	1,458,893
Mandatory Transfer	57400						
Systems Furniture	54010	54,580	39,580	39,580	39,580	39,580	39,580
Art Acquisitions/Installation	54065 54066	53,000	53,000	53,000	53,000	53,000	53,000
		<u>\$ 13,142,311</u>	<u>\$ 9,980,510</u>				

JCCC FIVE YEAR BUDGET PROJECTION
SCHEDULE OF DEBT
YEARS ENDED JUNE 30, 2008 TO 2013

WORKING
DRAFT

2/7/2008	Budget	Projected Budget				
DEBT SCHEDULE	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
TOTAL						
General Fund Payments	\$ 568,339	\$ 533,057	\$ 496,054	\$ 209,525	\$ 163,150	\$ 115,200
Adult Supplemental payments	<u>\$ 568,339</u>	<u>\$ 533,057</u>	<u>\$ 496,054</u>	<u>\$ 209,525</u>	<u>\$ 163,150</u>	<u>\$ 115,200</u>
Detail:	<u>Balance at</u> <u>6-30-07</u>					
ITEM #1 2000 COP's	\$ 641,903					
Principal		\$ 201,231	\$ 213,968	\$ 226,704	\$ 0	\$ 0
Interest		<u>38,358</u>	<u>27,089</u>	<u>15,000</u>	<u>0</u>	<u>0</u>
Total Payments		<u>239,589</u>	<u>241,057</u>	<u>241,704</u>	<u>0</u>	<u>0</u>
ITEM #2 2004 COP's	9,345,000					
Principal		1,225,000	1,255,000	1,290,000	1,325,000	1,370,000
Interest		<u>328,750</u>	<u>292,000</u>	<u>254,350</u>	<u>209,525</u>	<u>163,150</u>
Total Payments		<u>1,553,750</u>	<u>1,547,000</u>	<u>1,544,350</u>	<u>1,534,525</u>	<u>1,533,150</u>
ITEM #3 - 04 GO Bonds	6,905,000					
Principal		3,410,000	3,495,000	0	0	0
Interest		<u>130,000</u>	<u>43,687</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Payments		<u>3,540,000</u>	<u>3,538,687</u>	<u>0</u>	<u>0</u>	<u>0</u>
ITEM #4 - 02 Rev Bonds	11,585,000					
Principal		120,000	150,000	155,000	160,000	170,000
Interest		<u>569,419</u>	<u>564,694</u>	<u>559,356</u>	<u>553,644</u>	<u>547,244</u>
Total Payments		<u>689,419</u>	<u>714,694</u>	<u>714,356</u>	<u>713,644</u>	<u>717,244</u>
ITEM #6 - 04 Rev Bonds	5,185,000					
Principal		230,000	205,000	215,000	220,000	230,000
Interest		<u>181,764</u>	<u>176,055</u>	<u>170,542</u>	<u>164,833</u>	<u>158,639</u>
Total Payments		<u>411,764</u>	<u>381,055</u>	<u>385,542</u>	<u>384,833</u>	<u>388,639</u>
ITEM #7 - 06 Rev Bonds	8,185,000					
Principal		35,000	25,000	475,000	500,000	510,000
Interest		<u>336,073</u>	<u>334,873</u>	<u>322,498</u>	<u>298,123</u>	<u>275,423</u>
Total Payments		<u>371,073</u>	<u>359,873</u>	<u>797,498</u>	<u>798,123</u>	<u>785,423</u>
ITEM #8 - 98 Rev Bonds	840,000					
Principal		410,000	430,000	0	0	0
Interest		<u>27,838</u>	<u>9,460</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Payments		<u>437,838</u>	<u>439,460</u>	<u>0</u>	<u>0</u>	<u>0</u>

MEMO - does not affect current unrestricted funds.

JCCC FIVE YEAR BUDGET PROJECTION
SCHEDULE OF ADDITIONAL FINANCIAL DATA
YEARS ENDED JUNE 30, 2008 TO 2013

WORKING
DRAFT

2/7/2008	Budget		Projected Budget			
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Motor Vehicle	\$ 7,469,400	\$ 7,469,400	\$ 7,469,400	\$ 7,469,400	\$ 7,469,400	\$ 7,469,400
LAVTR	0	0	0	0	0	0
	<u>7,469,400</u>	<u>7,469,400</u>	<u>7,469,400</u>	<u>7,469,400</u>	<u>7,469,400</u>	<u>7,469,400</u>
Credit Hours	348,143	355,106	362,208	369,452	376,841	384,378
Reimbursable Credit Hours (for State Aid)						
Out of District Credit Hours	56,051	58,592	59,764	60,960	62,179	63,422
	41,548	41,548				
State Grant	19,915,772	20,592,908	21,293,067	22,017,031	22,765,610	23,539,641
Fall Headcount Enrollment	19,370	19,757	20,153	20,556	20,967	21,386
Fall FTE	10,449	10,658	10,871	11,088	11,310	11,536
Assessed Valuation	8,168,949,925	8,332,328,924	8,498,975,502	8,838,934,522	9,192,491,903	9,560,191,579
Assessed Valuation - Portion used		8,332,328,924	8,498,975,502	8,838,934,522	9,192,491,903	9,560,191,579
Authorized tax levy reduction	847,806	541,709	560,127	579,171	598,863	619,225
mil reduction	0.104	0.065	0.066	0.066	0.065	0.065
% out of state credit hours	8.00%	9.30%	9.30%	9.30%	9.30%	9.30%
% out of district credit hours	16.10%	16.50%	16.50%	16.50%	16.50%	16.50%
One Mil is equal to:	8,168,950	8,332,329	8,498,976	8,838,935	9,192,492	9,560,192
One Dollar of Tuition is equal to:	348,143	355,106	362,208	369,452	376,841	384,378
Cost per Credit Hour (Exp/credit hours)	382	386	398	410	423	437
Average Home Value	240,049	240,049	240,049	244,850	249,747	254,742
Average Tax per Home	241.52	241.52	239.70	242.65	245.63	248.65
(see page 8 for history)						
Tax per Home as % of Home Value	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%

JCCC FIVE YEAR BUDGET PROJECTION
HISTORY OF ASSUMPTION FACTORS and OTHER FINANCIAL DATA
FOR JUNE 30, 2002 TO 2009

WORKING
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2/7/2008	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	Current Budget 2007/08	Projected 2008/09
<i>CONTROL OR INFLUENCE</i>								
Revenue								
1 Mill Levy	7.743	9.428	9.432	9.438	8.960	8.872	8.749	8.749
2 Tuition per cr. hr. (in state)	\$42	\$46	\$46	\$48	\$49.50	\$49.00	\$49.00	\$51.00
3 Tuition/State Aid per cr. hr. (out district)	\$12	\$12	\$12	\$12	\$12	\$12	\$12	\$12
4 Activity Fee per cr. hr.	\$4	\$5	\$5	\$6	\$6	\$6	\$6	\$6
5 Other Fee per cr. hr.	\$4	\$7	\$7	\$8	\$8	\$8	\$8	\$8
6 Tuition per cr. hr. (out of state)	\$118	\$127	\$127	\$129	\$130.50	\$130.00	\$130.00	\$135.00
7 Tuition per cr. hr. (out district add. assessment)	\$10	\$15	\$15	\$15	\$15	\$15	\$15	\$15
8 Credit Hours Increase	5.6%	3.7%	2.8%	6.4%	1.9%	1.5%	2.0%	2.0%
9 Adult Supplemental Revenue Increase	31.99%	-12.33%	3.68%	-3.21%	73.60%	10.56%	25.00%	2.00%
Expense								
1 Annual Salary Adjustment	3.74%	3.80%	3.83%	3.35%	3.60%	4.60%	4.39%	4.35%
2 Staff Authorization Level - Regular/Gen. & Voc.	962,039	1,145,052	852,031	996,071	664,486	686,500	2,458,770	600,000
3 Staff Authorization Level - Regular/adult ed.	33,450	68,890	-657,508	32,583	90,620	-79,761	118,064	0
4 Staff Authorization Level - Regular/auxiliary	-35,366	-66,327	170,112	-118,093	-5,346	29,680	381,494	0
5 Staff Authorization Level - Regular/student act.	-17,739	-46,027	-12,741	1,197	1,997	-14,127	-3,423	0
6 Operating Expense Increase	6.24%	-0.93%	-1.09%	24.92%	14.75%	11.29%	3.77%	3.00%
7 Employee Benefits/Expense Increase	9.42%	5.96%	7.07%	10.59%	-2.13%	16.97%	7.94%	10.00%
8 Adult Supplemental Operating Expense Increase	5.07%	9.94%	0.98%	2.87%	134.87%	4.92%	11.0%	2.0%
9 Student Activity Operating Expense Increase	8.31%	-2.56%	2.95%	31.13%	4.35%	8.28%	0.3%	2.0%
10 Average Home Value	189,000	194,000	203,000	210,400	220,025	229,934	240,049	240,049
11 Average Tax per Home	168.29	210.34	220.19	228.36	226.71	234.60	241.52	241.52
12 Tax per Home as % of Home Value	0.09%	0.11%	0.11%	0.11%	0.10%	0.10%	0.10%	0.10%
<i>NO CONTROL OR INFLUENCE</i>								
Revenue								
1 Assessed Valuation Increase	8.54%	3.68%	5.05%	4.97%	5.52%	7.67%	5.63%	2.00%
2 Motor Vehicle Increase	2.02%	-4.30%	15.03%	9.00%	3.70%	-0.80%	0%	0%
3 LAVTR	8.20%	-50.00%	-100.00%	0.00%	0.00%	0.00%	0%	0%
4 State Aid	14.16%	-6.70%	-6.41%	8.01%	7.53%	6.51%	5.62%	3.40%
5 Auxiliary Revenue Increase	10.23%	10.30%	0.79%	11.63%	5.90%	4.29%	7%	2%
6 Investment Interest Increase		-61.78%	33.87%	104.74%	207.69%	30.51%	71%	20%
7 Other Revenues Increase		1.03%	11.35%	18.66%	85.64%	7.95%	-2%	2%
8 % of Total Revenue - Gen. Fund - Bgt								
Ad Valorem Property Taxes	56%	61%	63%	60%	59%	58%	58%	57%
Tuition and Fees	19%	19%	19%	18%	19%	18%	17%	18%
State Grant	21%	18%	16%	15%	16%	16%	16%	16%
Investments and Other	4%	2%	2%	7%	6%	8%	9%	9%
9 Delinquency Rate	4%	4%	4%	4%	3%	3%	3%	3%
10 Tuition Forfeiture (% of tuition calc. Add)	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
11 Portion of budgeted revenue actually rec. - Aux.	90.4%	90.0%	81.1%	87.1%	89.7%	85.1%	85.0%	85%
Expense								
1 Auxiliary Operating Increase	14.95%	-3.57%	6.62%	12.59%	19.06%	-5.40%	6.4%	2%
2 Portion of budget actually used								
General	97.7%	94.9%	95.0%	92.0%	94.0%	92.9%	95%	95%
Adult Supplemental	79.7%	84.0%	85%	83%	75%	74%	82%	82%
Auxiliary	89.3%	84.5%	80.7%	79.0%	88.9%	85.7%	85%	85%
Employee Benefits	94.1%	92.1%	87.8%	90.3%	84.4%	91.4%	95%	95%
Student Activity	94.0%	72.8%	75.9%	81.7%	82.3%	84.9%	84%	84%

**JCCC FIVE YEAR BUDGET PROJECTION
RESERVE ANALYSIS
YEARS ENDED JUNE 30, 2008 TO 2013**

WORKING
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2/7/2008 General Fund	Budget	Projected Budget				
	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Beginning Balance	74,541,457	73,340,502	72,690,844	66,899,208	57,686,091	44,472,365
Total Expenses	132,928,376	137,116,829	144,185,488	151,448,459	159,429,717	167,924,869
Reserve:						
Minimum 10%	13,292,838	13,711,683	14,418,549	15,144,846	15,942,972	16,792,487
16.5% - Note 1	21,933,182	22,624,277	23,790,605	24,988,996	26,305,903	27,707,603
Estimated Reserve at 12/31:						
Beginning Balance	74,541,457	73,340,502	72,690,844	66,899,208	57,686,091	44,472,365
June Ad Valorem Tax	-26,198,446	-26,722,415	-27,256,863	-28,347,138	-29,481,023	-30,660,264
5% of Expense Differential	-6,646,419	-6,855,841	-7,209,274	-7,572,423	-7,971,486	-8,396,243
	<u>41,696,592</u>	<u>39,762,245</u>	<u>38,224,707</u>	<u>30,979,647</u>	<u>20,233,582</u>	<u>5,415,857</u>
Amount Over:						
Minimum 10%	28,403,755	26,050,562	23,806,158	15,834,801	4,290,610	-11,376,629
16.5% - Note 1	19,763,410	17,137,969	14,434,101	5,990,652	-6,072,322	-22,291,746
Unrestricted Fund Balances as a % of Total Revenues:	55%	52%	51%	47%	41%	32%
Unrestricted Fund Balances as a % of Total Expenses:	52%	50%	48%	43%	36%	28%
Note 1 - per League of Municipalities guidelines.						
Note 2 - Other Unrestricted Cash Balances:						
Adult Supplemental	1,929,138	2,291,563	2,661,103	2,979,254	3,242,681	3,447,895
Auxiliary	4,109,846	3,773,080	3,987,492	4,157,458	4,279,807	4,351,214
Student Activity	1,543,526	1,676,342	1,856,862	2,031,027	2,198,367	2,358,385

February 8, 2008

Barbara J. Hinton, Legislative Post Auditor
Legislative Division of Post Audit
800 Southwest Jackson Street, Suite 1200
Topeka, KS 66612-2212

Dear Ms. Hinton:

Neosho County Community College has reviewed your letter and its attachment concerning the Legislative Post Audit: *Community Colleges' Examining Whether There Are Ways to Share Resources to Reduce Costs*. You have asked that the College "... indicate what actions your community college has taken, or plans to take, to implement the attached recommendation. If you don't plan to implement the recommendation, Please indicate the reasons why."

Part of the draft document you provided in your letter was a chart providing data on the amount of property tax levy reductions that should have occurred as a result of the passage of SB345. The chart also outlines the actual reductions in property tax levy that occurred at each college. Since Neosho County Community College is among the 10 community colleges that you indicate did not reduce their property taxes as much as required, I would like to provide insights as to why that may have occurred.

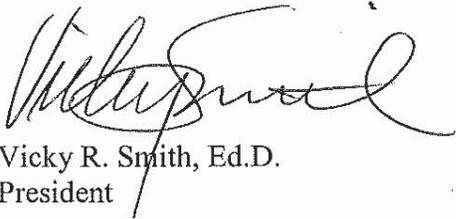
- The Higher Education Coordination Act (SB 345) has not been fully funded to the 65% regional university undergraduate cost; therefore, NCCC has not received all the additional funding they were expecting, creating funding shortfalls due to the loss of out-district tuition revenue.
- I arrived at the College in January 2003. The College had had to issue "no-fund warrants" in the summer of 2002. The College levied 3.040 mills in Fiscal Year 2003 to repay the No Fund Warrants of \$225,000.
- The College was not able to implement the property tax levy reduction since Fiscal Year 2003 for the following reasons:
 - The College had no cash reserves when I arrived. The Board passed a policy in the spring of 2003 to build up a cash reserve to 10% of the general fund budget. (We have not yet reached that point and continue to put cash into the reserves.)
 - The Higher Learning Commission, the regional accreditation agency overseeing NCCC, had removed our "accredited, on probation" status and changed it to "accredited" in 2004. One of their actions was to require a financial monitoring report due by January 1, 2007. In that report the College had to show how we had improved the financial stability of the college. The College was not able to reduce the mill levy until we could establish that our finances were stable.

- The College's infrastructure was in horrendous shape with significantly leaking roofs, failing heating/ cooling systems, and a wasteful energy management system. In the spring of 2005, we needed funds to pay for an energy performance contract that addressed these critical infrastructure needs to the benefit of the taxpayers investment.
- No new academic programs had been implemented in the five years before I arrived. Funds were needed to implement academic programs demanded by the community and to increase retention of students.
- To include the reduction in our budget documents, it would have meant we would not have had enough revenues to properly fund college operations.
- The College was very "leanly" staffed in 2003, and as the enrollment has grown we have needed to budget expenditures to cover the enrollment growth.
- NCCC has been the fastest growing community college in Kansas over the last five years. We have grown 29% in credit hours, to the benefit of the taxpayers.

Neosho County Community College has retained the same mill rate as we had in 2003, which is 32.4, give or take a tenth of a point.

As a result of all the progress we have made, Neosho County Community College is now able to take the necessary actions to ensure that its future budgets will comply with the provisions of the Higher Education Coordination Act as it relates to the reduction of local property tax revenues.

Sincerely,



Vicky R. Smith, Ed.D.
President



348 NE SR 61 Pratt, MS 67124 www.prattcc.edu 620-672-5641

Date: February 12, 2008

To: Legislative Division of Post Audit

Ref: Performance Audit – Community Colleges: Examining Whether There Are Ways to Share Resources to Reduce Costs

- 1. The Board of Trustees has approved the following response to your February 4 letter concerning the recommendation in the audit report:

The college can and will comply with the recommendation if the Higher Education Price Index remains stable, the assessed valuation remains stable or grows and/or state funding keeps pace with the rate of inflation. The college has taken the first step in implementing the recommendation by reducing its mill level by a half mill for FY 2008. What the audit failed to point out is that in addition to the period funding authorized by the Act was suspended, the local ad valorem tax return was phased out over two of those years, county out-district tuition was only partially funded and the motor vehicle tax rates were also being reduced thus depriving the college of several hundred thousand dollars of revenue.

- 2. We appreciate your providing the extension of time to allow the Board to discuss this issue. If you have any questions, please contact me directly at (620) 672-2700, email: williamw@prattcc.edu

Sincerely,


 William A. Wojciechowski, Ed. D.
 President

The right college for the right reasons!