



KANSAS LEGISLATIVE
DIVISION *of*
POST AUDIT

A Limited-Scope Performance Audit Report Presented to the Legislative Post Audit Committee

Financial Position of the Butler County Community College Council Grove Site

August 2021

Report Number: L-21-009

Introduction

Representative Kristey Williams requested this limited scope audit, which was authorized by the Legislative Post Audit Committee at its March 10, 2021 meeting.

Objectives, Scope, & Methodology

Our audit objective was to answer the following question:

1. Are revenues for the Butler County Community College (BCCC) Council Grove site sufficient to cover the site's expenditures?

The scope of our work was to determine the estimated revenues and expenditures for the Council Grove site of BCCC. Because this was a limited scope audit, our scope did not include an audit of BCCC's accounting procedures or internal controls.

To answer the question, we requested a Council Grove site analysis from BCCC officials and an estimate of that site's revenues and expenditures. They provided the analysis, including a supporting spreadsheet showing relevant items from the ledger and course information. We conducted data reliability work to determine if the estimates provided were reasonable and reliable. That work included interviews of BCCC and Board of Regents officials, research of publicly available documents, and requests for additional documentation or explanation from officials.

More specific details about the scope of our work and the methods we used are included throughout the report as appropriate.

Important Disclosures

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Overall, we believe the evidence obtained provides a reasonable basis for our findings and conclusions based on those audit objectives.

The estimated revenues of the Council Grove site of Butler County Community College were about \$11,000 less than its estimated expenditures.

Butler County Community College (BCCC) operates a site in Council Grove that serves about 200 students.

- Overall, Butler County Community College (BCCC) is the second largest community college in Kansas. It offers more than 90 different academic programs across 24 learning sites, including many high schools.
- One of the physical sites of the college is located on Main Street in Council Grove (Morris County). The site serves about 200 students, including many high-school students seeking college credit. Some classes are held at the Main Street building. Others are at local high school buildings in Council Grove and other high schools in the service area of BCCC.
- BCCC officials told us the site offers academic advising, registration, billing and payment, placement testing, and classes like General Psychology, College Algebra, Public Speaking, and Allied Health.

In fiscal year 2019, the estimated revenues for the Council Grove site were about \$11,000 less than its estimated expenditures.

- **Figure 1** is a detailed list of estimated revenues and expenditures attributable to that site. We provide more information about the site's revenues and expenditures in the sections that follow.
- Because of the limited scope of the audit, these amounts are estimates based on the best available information. BCCC provided amounts and supporting data and calculations. We reviewed those and compared to publicly available information and other research. We also talked with officials at the Kansas Board of Regents (Regents).
- We looked only at the Council Grove site. BCCC operates other out-of-county sites. This work cannot be projected to other sites or other community colleges.

Figure 1: In fiscal year 2019, the estimated revenues were about \$11K less than its estimated expenditures.

Expenditures	
Academic Advisor Salaries	\$22,402
Office Coordinator Salary	\$27,160
Teacher Salaries	\$63,698
Benefits	\$15,139
Automobile mileage	\$4,773
Telephone	\$3,486
Electricity	\$2,113
Gas	\$1,857
Building rental	\$14,400
Equipment	\$1,554
Miscellaneous	\$1,017
Total expenditures	\$157,598
Revenues	
Student tuition and fees	\$42,444
State aid - tiered and non-tiered	\$91,089
State aid - Excel in CTE	\$13,320
Total revenues	\$146,853
Net revenues over (under) expenditures	(\$10,745)

Source: BCCC site analysis for Council Grove.

Kansas Division of Legislative Post Audit

In fiscal year 2019, the estimated expenditures of the Council Grove site were about \$158,000.

- Expenditures include things like teacher salaries, support staff pay, benefits, supplies, equipment, and building rental.
- We focused our analysis on expenditures directly related to only Council Grove. It is possible there are fixed costs for services from the college as a whole that contribute in a small way to the Council Grove site. For example, the BCCC accounting department tracks the money for the college as a whole, including the Council Grove site. It is unlikely that this cost would be

reduced if the Council Grove site didn't exist, so we didn't consider this type of cost.

- Teacher salaries are the largest portion of the site's expenditures. None of the teachers are full-time. There were 11 teachers at the Council Grove site. We also included a portion of salaries paid to other teachers who taught high school students at Chase County, White City, and Hope High Schools. These were included because they are managed by the Council Grove location and within that service area.
- Also, BCCC rents building space on Main Street in Council Grove. This space is used for administration and some classes. The estimated expenditures include rent, electricity, and gas.

In fiscal year 2019, the Council Grove site generated about \$147,000 in revenues from state aid and student tuition and fees.

- The estimated revenues we included are revenues that are directly attributable to the site. Again, almost all revenues for the college and its various sites are ultimately comingled.

Student Tuition and Fees

- In fiscal year 2019, tuition and fees were about \$20.5 million for all of BCCC. To determine the amount attributable to the Council Grove site, BCCC staff made estimates based on specific courses and credit hours.
- BCCC collects tuition and fees from students. Rates are on a per credit hour basis and depend on the residency status of the student. For example, in Fall 2021, a Butler County resident would pay \$102 per credit hour for tuition and fees. **Figure 2** shows the Fall 2021 tuition and fee rates.

Figure 2: BCCC tuition and fees per credit hour vary depending on the student's residency.

Resident Type	Tuition	Student	
		Fees	Total
In-County (Butler)	\$76.15	\$25.85	\$102.00
In-State	\$96.65	\$25.85	\$122.50
Out-of-State	\$156.65	\$25.85	\$182.50
International	\$193.65	\$25.85	\$219.50

Source: BCCC website publishing Fall 2021 rates.

- The Council Grove site collected about \$42,000 in student tuition and fees, after accounting for tuition waivers.
- More than half the potential student tuition for this site was waived because many students are in high school and are eligible to have their tuition waived. Students still pay the fees associated with the courses. Courses typically eligible for waiver include General Psychology, English Composition, US History, College Algebra, and Public Speaking.

State Aid

- In fiscal year 2019, state appropriations to BCCC totaled about \$15 million. To determine the amount attributable to the Council Grove site, BCCC staff made estimates based on specific courses offered at the site.
- The first type of state aid credited to the site is tiered (technical classes) and non-tiered (general education classes) aid:
 - The Kansas Board of Regents created a formula per its authority in state law (K.S.A. 71-1803) to calculate the amounts of tiered and non-tiered aid for colleges based on their enrollment. The formula determines a course cost for each course. In general, the aid for tiered technical courses (e.g. carpentry) is greater than for non-tiered general education classes (e.g. public speaking).
 - The Regents' funding formula for state aid does not include any local property tax funding for out-of-district students.
 - For in-district students (i.e., Butler county residents) the Regents' formula assumes 1/3 state funding, 1/3 student tuition funding, and 1/3 local property tax funding will be used to cover course costs.
 - For out-of-district students (i.e., non-Butler county residents) the Regents' formula assumes 2/3 state funding, 1/3 student tuition funding, and no local property tax will be used to cover course costs.

Figure 3: The state aid requested for each course depends on the type of course and residency of the student.



Source: Kansas Board of Regents cost model.

Kansas Legislative Division of Post Audit

- The students at the Council Grove site are out-of-district students. Thus, according to the Regents formula, 2/3 of their course cost would come from state aid (the other 1/3 would come from student tuition and fees). For fiscal year 2019, state aid for the Council Grove site was about \$91,000 in tiered and non-tiered aid.
- The second type of state aid credited to the site is Excel in Career Technical Education (CTE) funding:
 - The state also funds the Excel in CTE Initiative which provides state funding for certain technical courses taken by high school students. This funding is meant to cover 100% of the course cost as determined by the state calculated rate. BCCC cannot charge tuition to the students taking these types of courses
 - For fiscal year 2019, the CTE funding was about \$13,000 for the Council Grove site. Council Grove offered two CTE courses (Allied Health 120 and Allied Health 122) that generate this funding.

State Aid has not been paid according to Regents’ formula in recent years, which could explain why the Council Grove site operated at a deficit in fiscal year 2019.

- Officials at BCCC and Regents noted that in recent years, the state appropriations for BCCC have fallen short of the full amount determined by the Regents’ formula. Officials refer to this as “the gap”. This amount is different each year. The amount is also different for each community college.
- For example, in fiscal year 2019, the gap for BCCC was 26.5% for non-tiered funding and 14.3% for tiered funding. This means the college received only 73.5% for non-tiered and 85.7% for tiered of the full amount of funding determined by the formula. Officials at Regents said that ultimately the state aid funding amount is up to the Legislature.

- If the Legislature had funded the full amount calculated by the formula, BCCC would have received about \$122,000 in fiscal year 2019. That would have made revenues *higher* than expenditures by almost \$21,000 for that year.
- Officials at Regents said in most years there has not been a gap for Excel in CTE funding.

Because state aid hasn't been paid according to Regents' formula, it's possible that property tax may have supported the Council Grove site but we couldn't tell.

- Butler county is the only county that pays property taxes to support BCCC. Morris county (the Council Grove site) does not have a mill levy assessed for the site and therefore does not contribute to the Council Grove site's revenues. That's because the "home" county where a community college is based is the only county that has a mill levy to support the community college. In fiscal year 2019, the county property taxes collected were about \$16.3 million. This represents about 24% of total BCCC funding.
- For out-of-county students, such as Council Grove students, the Regents formula for state aid does not assume any funding through local property taxes.
- However, because the state aid was not fully funded according to this formula, BCCC had to use other funds to support its operations in Council Grove.
- Neither we nor Regents or BCCC officials could determine what type of funds made up the \$11,000 shortfall because those funds are all comingled. It could be from any of the various revenues sources for BCCC as a whole (state aid, tuition, property tax, etc.).

Recommendations

We did not make any recommendations for this audit.

Agency Response

On July 30, 2021 we provided the draft audit report to Butler County Community College. Its response is below. Agency officials generally agreed with our findings and conclusions.

BCCC Response

Butler Community College has appreciated the opportunity to work with Megan Flanders and Chris Clarke in the Kansas Division of Legislative Post Audit to compile this report on the Financial Position of Butler County Community College Council Grove Site.

In the 1970's the Board of Education established specific service areas for the community colleges. The Kansas Board of Regents continued to recognize the service areas and in 2009, this concept was introduced as part of legislation which then required the KBOR to incorporate the service area map into their policy manual. Morris County and the College's Council Grove site is located within Butler's five-county service area as designated by KBOR.

The Council Grove site provides access to the rural communities located in this area. While the College has the physical site on Main Street in Council Grove, the Council Grove "site" serves community members and students at Council Grove High School a block away as well as students at Chase County, White City, and Hope High Schools. As noted in the report, in addition to providing and facilitating the delivery of general education and Excel in CTE courses, the site serves as an access point for critical services like placement testing, enrollment, bill payment, and proctored exams for all the locations noted above.

In reviewing the expenditures for the site on page 3 of the report, the staffing at the Council Grove site includes one full-time Office Coordinator and two part-time Academic Advisors. The faculty salaries reflected on the expenditure side are the largest portion of the expenditures. Eleven adjunct (not full-time) faculty deliver the Butler courses taught to students at the Council Grove site as well as Council Grove, Chase County, White City, and Hope high schools.

On the revenue side, student tuition and fees, tiered and non-tiered state aid, and Excel in CTE state aid reflect the revenue generated from students enrolled in Butler courses from all the sites listed above. In noting the tuition waivers, it's important to understand this also includes SB 155/Excel in CTE which requires institutions to waive tuition and some fees for career and technical education courses. Institutions receive a state determined tuition reimbursement amount that may not cover the complete cost of delivery of the course. Many of the services at the Council Grove site result in revenues for the institution, such as placement testing and enrollment for other Butler locations that generate revenues which are not directly reflected in the Council Grove budget. These indirect revenues add to the value that our sites bring to Butler as a whole.

As noted in the report, for fiscal year 2019, state aid for the Council Grove site was \$91,089 in tiered and non-tiered aid. In 2011 when SB 143 was passed, it created a new postsecondary education cost model for distribution of state appropriations to the community and technical colleges. In general, the cost model calculates a course level cost rate and also recognizes the cost differential to deliver technical

courses. When discussing the cost model and reviewing funding distributions, both Regents and Technical Education Authority documents have stated on multiple occasions that while the components of the cost model are reviewed and updated annually, there has been a state funding shortfall every year since the enactment of SB 143 in 2011, thus creating what is referred to as “the gap.” The amount of the gap varies from year to year and from institution to institution. For the 2-year system of community and technical colleges, “the gap” between what the cost model indicates the state should pay and what they did pay for FY2021 was calculated to be \$8,654,823 for the tiered courses and \$18,797,439 for the non-tiered courses (\$27,452,262 combined).

The report notes that in 2019, Butler’s gap for non-tiered funding was 26.5% and 14.3% for tiered funding and if the Legislature had funded the full amount calculated by the formula, Butler’s Council Grove site (and the additional high schools it serves) would have received approximately \$30,911 in additional revenues based on the enrollments. Revenues would then have exceeded expenditures by nearly \$21,000.

While the report notes that Regents staff stated Excel in CTE has always been fully funded, Butler’s records indicate that in FY2020, Excel in CTE was underfunded by more than \$500,000. Full funding was restored in FY2021.

In Kansas, eighteen counties support the nineteen community colleges with local ad valorem taxes. In addition, the community colleges receive state aid and rely on student tuition and fees as the third leg of the “funding stool.” At Butler, these revenue sources are used to support overall college operations and with all community colleges, these three funding sources are comingled in general operational budgets. The report indicates that Morris County does not have a mill levy assessed for the Council Grove site and thus does not directly contribute to the site’s revenues through tax dollars. This is not unique within the community college system. Nearly all the community college outreach sites, such as Council Grove, which are within our service areas, are supported with funding beyond local tax revenues. In FY2019, the total of state funding and student tuition and fee revenues was more than double the amount of funding received from local tax revenues. It’s these additional funding sources that contribute to the support of the Council Grove site as well as all of Butler’s other operations.

Butler’s Council Grove site is a small part of the work being done every day to fulfill the community college mission of creating access and opportunities for student success. Butler offers academic programs of excellence and opens doors for students to reach their education and career goals at reasonable costs, in small classes, and taught by credentialed faculty who care.