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FISCAL IMPACT REPORT

SPONSOR: Jennings DATE TYPED: 03/06/01 HB _____
 SHORT TITLE: Independent Community Colleges SB 476/aSEC
 ANALYST: Fernandez

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		indeterminate		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Commission on Higher Education (CHE)

SUMMARY

Synopsis of SEC Amendment

The Senate Education Committee amendment strikes language that would have allowed a branch converting to an independent community college to impose a minimum 1 mill levy for operating purposes.

According to CHE this bill would now allow the institution to increase their operating levy up to a maximum of 5 mills. This would result in additional funding for the institution for operating purposes. CHE estimates it would take up to one year for a branch to fully convert to an independent community college. In addition, according to CHE, this bill would lead to a decrease in the general fund appropriation in FY03.

Synopsis of Original Bill

Senate Bill 476 proposes to amend current statutes to no longer require legislative approval for a branch community college to become an independent community college and adds language to clarify that a vote of the existing taxing district's voters is required. In addition, a branch converting to an independent community college will be allowed to impose a minimum 1 mill levy for operating purposes.

Significant Issues

Senate Bill 476/aSEC -- Page 2

According to CHE, a review and approval process for the creation of new types of institutions is currently in place. This rule applies to situations in which an existing institution is seeking to change to another form of institution.

SB476 would not change the requirement that a branch seeking to become independent first obtain CHE approval. However, after obtaining CHE approval, the branch seeking to become independent would not have to obtain legislative approval.

Current statutory language requires that branch community colleges maintain a minimum of 1 mill. Independent community colleges and technical - vocational institutes must maintain a minimum of 2 mills. According to SB476, those institutions that were originally authorized as independent community colleges would continue to be required to maintain a minimum of 2 mills. However, those independent community colleges that were originally authorized as branches would be allowed to maintain a minimum of 1 mill.

FISCAL IMPLICATIONS

According to CHE, the higher education funding formula considers necessary expenditures taking into account the mission of the institution and the courses of study offered by the institution. The formula then “takes credit” for other revenues available to the institution. This leads to the general fund appropriation, or state subsidy for each institution. Branch community colleges receive a higher state subsidy than independent community colleges because branches are required to assess a 1 mill local tax levy while independents are required to assess a 2 mill local tax levy. The provisions in SB476 would lead to *some* independent community colleges being subsidized by the general fund at a level similar to branches while other independent community colleges would continue to receive a lower state subsidy.

In addition, in terms of student services and academic support, portions of the formula recognize the administrative support offered to branches by their parent institutions. These two portions of the formula provide slightly lower levels of general fund to branches than to independents. If a branch were to become independent, then the independent community college would have to develop its own administrative system. It would no longer be able to function as a component of the parent institution’s administrative system. Thus, the student services and academic support formulas would provide more general fund for these institutions.

CHE indicates that ultimately these two difference (the lower mill rate that other independents and the loss of administrative support from the parent campus) would lead to independent community colleges that were originally authorized as branches to be the most highly state subsidized two-year institutions in the state.

ADMINISTRATIVE IMPLICATIONS

No significant changes to CHE.

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