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The Rundown podcast transcript for Performance Audit report titled ***Financial Position of the Butler County Community College Council Grove Site*** – Released August 2021

Brad Hoff, Host and Recruiting and Training Manager: [00:00]

Welcome to The Rundown, your source for the latest news and updates from the Kansas Legislative Division of Post Audit, featuring LPA staff talking about recently released reports and discussing the main findings, key takeaways, and why it matters. I'm Brad Hoff. In August 2021, LPA released a limited-scope performance audit determining whether the revenues for the Butler County Community College Council Grove site were sufficient to cover the site's expenditures. I'm with Meghan Flanders, who is a senior auditor at Legislative Post Audit, who supervised the audit. Welcome back to The Rundown, Meghan.

Meghan Flanders, Supervisor and Senior Auditor: [00:38]

Thank you.

Brad Hoff, Host and Recruiting and Training Manager: [00:40]

Before we dive in and discuss the audit's findings, talk a little bit about the number of students, the types of students, and what services the Council Grove site of Butler County Community College offers.

Meghan Flanders, Supervisor and Senior Auditor: [00:57]

Yeah. So, in this audit, we looked specifically at the Council Grove site for Butler County Community College. So, Council Grove is not in Butler County. So, this is an out of county site that they operate. Council Grove is in Morris county so it's a small location. They have about 200 students that they provide services to. There are adults that take classes, but also many high school students, for this particular site that are looking for college credits. Some classes are held. They have a specific building on the main street there in Council Grove. So, some classes are held there, but others are held at the actual high school buildings. There's also a couple other high schools in the service area for Butler County that also are managed by this particular Council Grove site. The services that Butler County officials told us this site offers were academic advising, registration, billing, and payments, placement testing and then obviously the courses. Some of the general ed courses were general psychology, college algebra, public speaking, and then they had more technical courses that they offered. That was allied health, which I believe is like a nursing aide related education program.

Brad Hoff, Host and Recruiting and Training Manager: [02:20]

The objective of the audit was to determine whether revenues for the Council Grove site were sufficient to cover its expenditures. What did you find?

Meghan Flanders, Supervisor and Senior Auditor: [02:33]

So, it was pretty close. So, we estimated that the revenues for the Council Grove site were about \$11,000 less than the estimated expenditures. So, because this is a limited-scope audit, the amounts that we're going to talk about in the report are estimates based on the best available information that we had. So, Butler County Community College provided amounts and supporting data and then we went through that and compared it to other publicly available information. We asked questions, made sure that we were satisfied that that was the best estimate that we could come up with. We also talked with officials at the Kansas Board of Regents, but I do want to say, because we only looked at the Council Grove site, this work cannot be projected to other sites that Butler County Community College operates or any other community college for that matter. So, this is just for Council Grove.

Brad Hoff, Host and Recruiting and Training Manager: [03:35]

Now there's a figure in the report, figure one, that shows a detailed listing of expenditures and revenues in fiscal year 2019. So, what were some of the major expenditures that you identified?

Meghan Flanders, Supervisor and Senior Auditor: [03:53]

Yeah, so the major expenditures are what you would expect to see for an educational institution, which are the actual educators and then the people that support the educators. So, the biggest expenses were salaries for those people. So, the actual teachers, all of whom were part-time and then there was an academic advisor or two part-time, I think actually, and an office coordinator that helped as well. So, the salaries were the biggest and then there were also things for mileage. Like I said, they did have a specific location on main street, so there was telephone, electric, gas, that kind of thing for and the actual building rental. So, those were the expenditures.

Brad Hoff, Host and Recruiting and Training Manager: [04:39]

The report also notes that the Council Grove site generated about \$150,000 in revenues in fiscal year 2019. What were its main revenue streams and what state aid was provided to the Council Grove site?

Meghan Flanders, Supervisor and Senior Auditor: [04:56]

The revenue streams we found for the Council Grove site for fiscal year 2019 were state aid and student tuition and fees. So, I'll talk about the student tuition and fees first. As you would expect, the college collects tuition and fees for the courses that are offered. There's a different rate that students pay depending on their residency status. So, if they live in Butler County, they pay a little bit less than if they live out of Butler County. There's also an opportunity for high school students in this case to have their tuition waived for certain general education courses. So, we accounted for that as well. So, the \$42,000 that we have estimated is our estimate of what they would have actually collected for the classes that they offered in fiscal year 2019 after

those waivers. The state aid is the other main revenue that we could tie directly to the site. So, in Kansas there's specific aid, that's given to community colleges for the courses that they offer to help supplement the costs. So, there's a statute, that allows the Board of Regents to come up with a formula that's supposed to take into account different things. So, [Board of] Regents has done that. There's a formula that they use to figure out which or how much community colleges should be getting in state aid each year. So, we estimated based on the courses at the Council Grove location, what that amount would be. And for fiscal year 2019, that was about \$91,000 for tiered and non-tiered aid, which I can talk a little bit more about later. And then there was also about \$13,000 for what's called Excel in CTE aid, which I can also give a little bit more detail later. So overall the revenues were about \$147,000. About \$42,000 for student tuition and fees and then the rest different forms of state aid.

Brad Hoff, Host and Recruiting and Training Manager: [07:06]

Talk a little bit more about the two different types of state aid.

Meghan Flanders, Supervisor and Senior Auditor: [07:11]

We looked at two different kinds. There was, what's going to sound like three, but it's really just two, the tiered and non-tiered aid and then the Excel in CTE. So the tiered and non-tiered aid, is the kind of aid that I mentioned comes from the statute and the Board of Regents formula that was created to fulfill that statute. So, the tiered is really just another way of saying like the technical classes, so like carpentry and then the non-tiered would be more like general education, like psychology or, public speaking. So, the idea being that as part of the formula, the idea is that the technical classes would be, you would expect them to be more expensive to deliver than a general education class. So, the Regents has a funding formula that is also one of the factors is whether or not the students live in the district or in the county is another way to say that or out of the district, another way to say that is out of the county. So, we looked at Council Grove, which we talked about is out of Butler County. So, it's the kids that are taking these classes or the adults that are taking these classes are not Butler County residents. So, the Regent's formula to try to figure out, okay, how much is the state going to provide an aid for these types of courses assumes that the state will fund $\frac{2}{3}$ of the course costs and then $\frac{1}{3}$ of the course costs would come from student tuition and fees. So, when I say the course costs part of the formula is they figure out what it's going to cost to deliver each course. That's where, I was mentioning some might be more expensive than others. So, there's a different rate for every course that they come up with. and then they apply their formula and they say, okay, if it's an out of county resident, then the state aid for that course is going to be two thirds of what the courses and the other third should come from tuition. Now, if the student lives in Butler County, then the Regent's formula would assume, okay, we're going to do one third state funding, one third tuition, and then one-third local property tax. So, if they're living in Butler County, the state's formula is assuming that local property tax is going to help fund the course costs for that. They do not assume that local property tax will help fund courses for out of county students. Again, this is just the Regent's formula for trying to figure out what the state aid is going to be to help deliver these costs. So, taking all that into consideration is how we came up with the \$91,000, approximately \$91,000, that the Council Grove location received in state aid in fiscal year 2019. The other type of

funding is Excel in CTE. CTE stands for career technical education. So, these are even, probably more, I don't know if more technically is the right word to describe these, to distinguish them from the other funding, but they're very specific courses that are meant the statute is meant to, provide state aid to cover a hundred percent of these course costs and actually in these cases, the community college can't charge tuition for the students. So, the state aid really is meant to cover the course costs for these specific kinds of courses and Butler County at Council Grove offers two of those, two different allied health courses so that's where that approximately \$13,000 in state aid came from. So, those are the two different kinds that we looked at that were factored in here.

Brad Hoff, Host and Recruiting and Training Manager: [11:04]

Now, even though the Kansas Board of Regents created a formula that is in state law, you found that it hasn't been paid according to the formula in recent years. Talk about the work that went into making this determination and its impact.

Meghan Flanders, Supervisor and Senior Auditor: [11:24]

Yeah. So, officials at Butler County and Regents told us that in recent years, and this is talking about the tiered and non-tiered funding, which was a majority of the state aid for the site that we looked at. So, for that officials told us that in recent years, the state appropriations were short of the full amount determined by the formula and officials call that the gap. The amount is different year. We are just reporting on what was in fiscal year 2019. Also, the amount is different for different community colleges. So, this is just for Butler County, just for fiscal year 19. So in that year, the gap for Butler County was 26.5% for non-tiered funding and 14.3% for tiered funding. So, that meant the college received only 73.5% for non-tiered and 85.7% for tiered of that full amount of funding determined by the formula and officials at Regents told us that the reason for this is that the funding amount is ultimately up to the legislature. So, we were just pointing out the difference in what the formula said versus what was appropriated. So, if the legislature had funded the full amount calculated by the formula, then Butler County would have received about \$122,000 in fiscal year 2019 in that tiered/non-tiered funding, which would have made revenues actually higher than expenditures by about \$21,000 for that year. So, still pretty close, but it would have been higher, not lower.

Brad Hoff, Host and Recruiting and Training Manager: [13:09]

Finally, what is the main takeaway of this report?

Meghan Flanders, Supervisor and Senior Auditor: [13:13]

I think the main takeaway is just that for the Council Grove site, based on our best estimates have revenues that are almost enough to cover the expenditures and also that we can't really know which dollars are spent to make up the difference. So, if this estimate is a 100% accurate and they were \$11,000 short, we don't know where that \$11,000 came from in their budget because the various funding streams for the college in general are co-mingled. So, we can't track specific dollars, but overall it was pretty close - revenues to expenditures. And just a reminder that this is just for fiscal year 2019 and just for this particular site. So, it could be different, at different sites or in different years. It might be more or less.

Brad Hoff, Host and Recruiting and Training Manager: [14:11]

Meghan Flanders is a senior auditor at Legislative Post Audit and she recently completed a limited-scope performance audit reviewing the expenditures and revenues for the Butler County Community College Council Grove site. Meghan, thanks for joining me today.

Meghan Flanders, Supervisor and Senior Auditor: [14:25]

Thank you.

Brad Hoff, Host and Recruiting and Training Manager: [14:26]

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