

Arizona Community Colleges

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Subcommittee: Education

DESCRIPTION	FY 2002 ACTUAL	FY 2003 ESTIMATE	FY 2004	
			OSPB	JLBC
PROGRAM BUDGET				
State Board Support	711,800	239,500	0	0
6th SS Lump Sum Reduction SLI	0	(13,700)	(13,700)	0
Arizona Transfer Articulation Support System SLI	224,000	0	0	0
<i>Program Subtotal - State Board Support</i>	935,800	225,800	(13,700)	0
Teacher Certification	173,000	0	0	0
Operating State Aid				
Cochise SLI	5,976,700	5,540,500	5,536,200	5,467,800
Coconino SLI	3,082,300	2,905,500	2,883,200	2,796,900
Graham SLI	5,504,400	5,252,400	4,912,700	4,748,000
Maricopa SLI	47,249,000	46,613,700	47,659,900	44,340,800
Mohave SLI	3,916,200	3,630,300	3,630,300	3,608,500
Navajo SLI	4,192,800	4,210,300	4,052,400	3,893,700
Pima SLI	19,325,100	18,125,700	18,964,100	17,973,100
Pinal SLI	5,934,400	5,659,100	5,585,500	5,570,600
Yavapai SLI	4,895,200	4,589,200	4,744,500	4,571,900
Yuma/La Paz SLI	5,433,200	5,222,600	5,386,300	5,222,600
<i>Program Subtotal - Operating State Aid</i>	105,509,300	101,749,300	103,355,100	98,193,900
Capital Outlay State Aid				
Cochise SLI	743,400	681,800	740,000	666,400
Coconino SLI	336,800	319,300	324,000	314,600
Graham SLI	638,800	616,700	598,200	509,900
Maricopa SLI	8,581,300	8,309,800	9,198,000	7,943,200
Mohave SLI	499,400	440,400	474,000	440,400
Navajo SLI	439,300	466,500	473,500	399,500
Pima SLI	2,850,900	2,654,800	3,019,700	2,630,200
Pinal SLI	682,900	658,800	700,300	640,100
Yavapai SLI	605,900	567,400	649,400	563,700
Yuma/La Paz SLI	741,900	718,600	815,400	718,600
<i>Program Subtotal - Capital Outlay State Aid</i>	16,120,600	15,434,100	16,992,500	14,826,600
Equalization Aid				
Cochise SLI	2,113,500	2,006,500	2,658,500	2,006,500
Graham SLI	7,655,900	6,612,900	8,697,000	6,612,900
Navajo SLI	1,270,300	1,289,800	2,006,600	1,289,800
Pinal SLI	96,000	0	0	0
Yuma/La Paz SLI	0	250,800	202,400	202,400
<i>Program Subtotal - Equalization Aid</i>	11,135,700	10,160,000	13,564,500	10,111,600
AGENCY TOTAL	133,874,400	127,569,200	133,898,400	123,132,100

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	13.0	5.0	0.0	0.0
Personal Services	544,900	140,100	0	0
Employee Related Expenditures	97,900	27,700	0	0
Professional and Outside Services	29,500	26,200	0	0
Travel - In State	32,400	8,500	0	0
Travel - Out of State	1,300	0	0	0
Other Operating Expenditures	153,300	35,000	0	0
Equipment	25,500	2,000	0	0
OPERATING SUBTOTAL	884,800	239,500		
Special Line Items (SLI)	132,989,600	127,329,700	133,898,400	123,132,100
AGENCY TOTAL	133,874,400	127,569,200	133,898,400	123,132,100

Fund increase of \$5,053,100. This program provides the community college districts with funds for continuing operations and maintenance.

The statutory Operating State Aid formula adds to each district's current year Operating State Aid appropriation for enrollment growth only. Districts with declining enrollment are "held harmless" and funded at the current year's base amount. Growth is determined by enrollment in the fiscal year 2 years prior to the budget year.

For FY 2004, the funding formula increase is based on enrollment growth between FY 2001 and FY 2002 of 97,588 and 102,573, respectively.

It is necessary to notwithstanding A.R.S. § 15-1466 to appropriate an amount for Operating State Aid that differs from the statutory formula. (See *JLBC Recommended Statutory Changes for more information.*)

Freeze Capital Outlay State Aid GF 0

The JLBC recommends freezing the Capital Outlay State Aid to community college districts at the appropriated FY 2003 level. Fully funding the statutory formula for Capital Outlay State Aid per A.R.S. § 15-1464 would require a General Fund increase of \$2,165,900. This program provides community college districts with funds for capital land, buildings, and equipment needs.

The statutory Capital Outlay State Aid formula provides per capita funding to districts based on the district's size and the most recent year's actual audited FTSE. The statutory formula multiplies \$210/FTSE for districts with 5,000 or less FTSE or \$160/FTSE for districts with greater than 5,000 FTSE by the district's actual audited FTSE.

It is necessary to notwithstanding A.R.S. § 15-1464 to appropriate an amount for Capital Outlay State Aid that differs from the statutory formula. (See *JLBC Recommended Statutory Changes for more information.*)

Freeze Equalization Aid GF (48,400)

The JLBC recommends freezing the Equalization Aid to qualifying community college districts at the appropriated FY 2003 level or below if the formula requires a decrease. Fully funding the statutory formula for Equalization Aid per A.R.S. § 15-1468 would require a General Fund increase of \$3,404,500. This program provides additional state aid to qualifying community college districts whose tax base is insufficient to provide adequate funding for continuing operations and maintenance.

Four districts are eligible to receive Equalization Aid in FY 2004: Cochise, Graham, Navajo, and Yuma/La Paz County Community College Districts.

Equalization Aid is paid to community college districts with property tax bases that are less than the minimum assessed value specified in A.R.S. § 15-1402. Under the Equalization Aid formula, the minimum assessed valuation

is increased by the average growth in actual assessed valuation for the 2 most recent years for all rural districts with populations of less than 500,000 persons.

Equalization Aid is paid out on the basis of the difference between minimum assessed valuation and the most recent year's actual assessed valuation for the district. Equalization Aid is calculated at the lesser of \$1.37 per \$100 of the district's assessed valuation or the district's levy rate.

It is necessary to notwithstanding A.R.S. § 15-1468 to appropriate an amount for Equalization Aid that differs from the statutory formula. (See *JLBC Recommended Statutory Changes for more information.*)

Eliminate Dual Enrollment Funding GF (4,054,800)

The JLBC recommends a General Fund decrease to eliminate funding for dual enrollment students. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit. These courses are offered at the high schools during the regular school day and are taught by community college certified high school instructors. Community colleges and K-12 districts typically count the same student for both Average Daily Membership and FTSE purposes and, therefore, are receiving double state aid.

The total reduction in aid by district is as follows: Cochise (\$88,100); Coconino (\$27,000); Graham (\$611,200); Maricopa (\$2,639,500); Navajo (\$383,600); Pima (\$177,200); Pinal (\$107,200); and Yavapai (\$21,000).

In order to change the funding for dual enrollment students, A.R.S. § 15-1461 and A.R.S. § 15-1466.01 must be amended. (See *JLBC Recommended Statutory Changes for more information.*)

Eliminate "Hold Harmless" Provision GF (108,100)

The JLBC recommends a General Fund decrease for districts with declining enrollment. The decrease eliminates the "hold harmless" provision within the Operating State Aid formula. Previously, districts with declining enrollments did not experience a relative decrease in Operating State Aid appropriations. The total reduction in aid by district is as follows: Coconino (\$86,300); Mohave (\$21,800).

In order to make the elimination of the "hold harmless" provision permanent A.R.S. § 15-1466 must be amended. (See *JLBC Recommended Statutory Changes for more information.*)

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JLBC RECOMMENDED FORMAT — District-by-district Special Line Items. (In the FY 2003 budget, Arizona Community Colleges had an Operating Lump Sum

with district-by-district Special Line Items and Other Special Line Items format. As a result of changes made in Laws 2002, Chapter 330, this budget unit no longer has Other Special Line Items.)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

All community college districts shall provide articulation information to students for classes that transfer for credit to an Arizona public university, including references to advisement, counseling and appropriate Web sites, in all catalogues, course schedules and Internet course guides.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the one-time footnotes concerning the termination of Arizona Learning Systems and the elimination of the Community College Teacher Certification program in FY 2004.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends the following statutory changes:

- 1) Incorporate language to notwithstanding the formulas for Operating State Aid, Capital Outlay State Aid, and Equalization Aid and establish that the appropriations for aid to districts shall be the amounts appropriated in the General Appropriation Act. (See the “Freeze Operating State Aid”, “Freeze Capital Outlay State Aid”, and “Freeze Equalization Aid” policy issues for more information.)
- 2) Eliminate Operating and Capital Outlay State Aid funding for dual enrollment students. (See the “Eliminate Dual Enrollment Funding” policy issue for more information.)

- 3) Amend the Operating State Aid formula to eliminate the “hold harmless” provision and increase or decrease funding relative to changes in enrollment. (See the “Eliminate Hold Harmless” policy issue for more information.)
- 4) Clarify the language in A.R.S. § 15-1483 regarding community college districts submitting information on planned projects to be funded with bond proceeds for Joint Committee on Capital Review (JCCR) review. JCCR review of these projects was included as a result of the reduction in the State Board’s responsibilities in Laws 2002, Chapter 330. Statute is currently unclear as to whether community college districts must seek JCCR review only for projects that require voter approval or projects funded from all types of bond issuances.
- 5) Eliminate the budget request process for community college districts. Previously the State Board has compiled the district budget requests, however, with the changes in Laws 2002, Chapter 330 to the State Board’s responsibilities, no state agency has the authority to compile the necessary data.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

The JLBC recommends eliminating the transaction privilege tax (TPT) distribution for qualifying tribal colleges. Current statute allows qualifying Indian tribes to receive up to \$1,750,000 each year from transaction privilege tax revenues collected on its own Indian reservation for tribal community colleges’ capital needs. Diné College in Tsailé, Arizona received \$1,750,000 in FY 2003. Amending A.R.S. § 42-5031.01 to eliminate the TPT distribution to tribal colleges would result in \$1,750,000 of additional revenue to the General Fund.

SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
Community College Certification (CMA2009/A.R.S. § 15-1425)		Appropriated
Source of Revenue: Fees collected for the issuance and renewal of occupational and professional teaching certificates and monies appropriated by the Legislature.		
Purpose of Fund: To certify instructors of classes at community colleges. Laws 2002, Chapter 6 eliminated Teacher Certification as of June 30, 2002. Any unused monies remaining in the fund shall revert to the state General Fund at that time, except that \$50,000 shall remain in the Community College Teacher Certification Fund until January 1, 2003 as non-appropriated monies to be expended for reasonable and necessary costs to phase out the program.		
Funds Expended	173,000	50,000
Year-End Fund Balance	139,700	89,700
Federal Grants (CMA2000/A.R.S. § 15-1424)		Non-Appropriated
Source of Revenue: Federal grants.		
Purpose of Fund: To fund various federal programs at community colleges statewide in the areas of adult training, articulation, literacy, vocational training, and English proficiency, and to provide State Board support for administration of funds. Laws 2002, Chapter 330 transferred the responsibility for administering the benefits of the Carl D. Perkins Vocational Education Act to the State Board for Vocational and Technical Education.		
Funds Expended	3,731,900	0
Year-End Fund Balance	47,000	47,000
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SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
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Les Aries Memorial (CMA3321/A.R.S. § 15-1424) Non-Appropriated

Source of Revenue: Interest on investment of principal, the source of which is private donations.
Purpose of Fund: To provide scholarships to community college students pursuing an education in real estate.
Funds Expended 800 0
Year-End Fund Balance 40,100 41,600

State Community College Board (CMA2500/A.R.S. § 15-1424) Non-Appropriated

Source of Revenue: Fees to administer the State Community College Board Association, an informal association of community colleges.
Purpose of Fund: To aid the State Board in supporting the efforts of the Association to reduce and monitor its members in the area of worker’s compensation claims and to reimburse the agency for its efforts.
Funds Expended 100 0
Year-End Fund Balance 25,400 25,400

Tribal Assistance (No Fund Number/A.R.S. § 42-5029) Non-Appropriated

Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A “qualifying Indian tribe” means an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state. In FY 2002 and FY 2003 Diné College and Tohono O’odham Community College qualified for this distribution.
Purpose of Fund: To provide support to one or more community colleges owned, operated, or chartered by a qualifying Indian tribe and shall be used in a manner consistent with A.R.S. § 15-1472B for workforce development and job training.
Funds Expended 471,500 483,000
Year-End Fund Balance 0 0

Workforce Development Accounts (varies by account/A.R.S. § 15-1472) Non-Appropriated

Source of Revenue: Three percent of collections from the 0.6% education sales tax after debt service on state school facilities revenue bonds transferred to individual community college district workforce development accounts. These accounts were authorized by voter approval of Proposition 301 in the November 2000 General Election.
Purpose of Fund: To fund workforce development and training activities. From FY 2002 to FY 2014, the first \$1 million is to be distributed to bring the state into compliance with the matching capital requirements for new community college campuses prescribed in A.R.S. § 15-1463.
Funds Expended - Capital 1,000,000 1,000,000
Funds Expended - Operating 8,968,500 10,562,600
Year-End Fund Balance 0 0

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