

Arizona Community Colleges

JLBC: Amy Strauss
 OSPB: Stacey Morley

DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	6,232,700	7,828,500	8,349,000
Coconino	3,025,000	3,147,700	3,322,500
Gila	0	274,600	294,800
Graham	5,252,400	5,370,400	5,370,400
Maricopa	51,290,500	54,863,300	57,528,300
Mohave	3,710,000	3,710,000	4,196,900
Navajo	4,412,300	4,412,300	4,412,300
Pima	19,593,500	19,593,500	19,593,500
Pinal	5,659,100	5,915,800	6,014,700
Yavapai	4,724,500	4,738,700	4,738,700
Yuma/La Paz	5,447,800	5,447,800	5,657,200
<i>Subtotal - Operating State Aid</i>	109,347,800	115,302,600	119,478,300
Capital Outlay State Aid			
Cochise	912,200	965,600	1,052,300
Coconino	355,700	383,000	421,300
Gila	0	61,100	65,500
Graham	509,500	535,700	525,800
Maricopa	10,372,200	10,977,900	11,421,900
Mohave	492,000	491,000	597,500
Navajo	586,300	576,900	568,900
Pima	3,297,800	3,268,000	3,262,900
Pinal	711,100	768,200	789,800
Yavapai	683,800	686,900	678,500
Yuma/La Paz	866,500	865,400	911,200
<i>Subtotal - Capital Outlay State Aid</i>	18,787,100	19,579,700	20,295,600
Equalization Aid			
Cochise	3,151,300	3,441,800	3,857,400
Graham	9,588,000	10,417,100	11,504,000
Navajo	2,134,800	2,735,700	3,373,200
Yuma/La Paz	606,000	848,800	1,278,100
<i>Subtotal - Equalization Aid</i>	15,480,100	17,443,400	20,012,700
Tribal Community Colleges	1,750,000	1,750,000	1,750,000
Gila Provisional Community College	325,000	0	0
Rural County Reimbursement	2,049,000	0	0
AGENCY TOTAL	147,739,000	154,075,700	161,536,600

FUND SOURCES

General Fund	147,739,000	154,075,700	161,536,600
SUBTOTAL - Appropriated Funds	147,739,000	154,075,700	161,536,600
Other Non-Appropriated Funds	14,514,700	16,690,100	17,844,100
TOTAL - ALL SOURCES	162,253,700	170,765,800	179,380,700

CHANGE IN FUNDING SUMMARY

	FY 2006 to FY 2007 JLBC	
	\$ Change	% Change
General Fund	7,460,900	4.8%
Total Appropriated Funds	7,460,900	4.8%
Non Appropriated Funds	1,154,000	6.9%
Total - All Sources	8,614,900	5.0%

AGENCY DESCRIPTION — The Arizona community college system is comprised of 10 college districts and 1 provisional district. Arizona’s community colleges provide programs and training in the arts, sciences and humanities, and vocational education leading to an Associates degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

PERFORMANCE MEASURES	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2007 JLBC
<ul style="list-style-type: none"> % of students who transfer to Arizona public universities without loss of credits Comments: The community colleges did not submit information for this measure.	NA	NA	NA	96
<ul style="list-style-type: none"> No. of applied Baccalaureate programs collaboratively developed with universities Comments: The community colleges did not submit information for this measure.	NA	NA	NA	8

RECOMMENDED CHANGES FROM FY 2006

Special Line Items

Operating State Aid

The JLBC recommends \$119,478,300 from the General Fund for Operating State Aid in FY 2007. This amount includes the following adjustment:

	FY 2007
Operating State Aid Formula	GF \$4,175,700
The JLBC recommends an increase of \$4,175,700 from the General Fund in FY 2007 to fully fund the statutory formula for Operating State Aid.	

These Special Line Items provide each community college district with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466.

The Operating State Aid formula adjusts state aid in an amount that reflects only growth in the full-time student equivalent (FTSE) enrollment count. This enrollment adjustment is calculated by multiplying the increase in the most recent year’s actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. (For FY 2007, the last actual FTSE data was from FY 2005.) The formula “holds harmless” districts with declining FTSE enrollment, as the formula does not adjust state aid downward for these districts. Audited enrollment is 120,064 FTSE and grew by 4,191 FTSE, or 3.6%. (See Table 1 for additional FTSE information.)

The FY 2006 Higher Education Budget Reconciliation Bill (Laws 2005, Chapter 330) amended the Operating State Aid formula to prohibit a district from receiving growth funding unless the district’s most recent audited FTSE count exceeds its highest audited FTSE count recorded from and after FY 2004.

Under the new formula, district funding will still be held harmless against declining enrollment; however, a district with declining enrollment in 1 year will not qualify for

growth funding in subsequent years until the district’s new enrollment total exceeds its highest enrollment total prior to any decline. This change will begin to impact Operating State Aid funding beginning in FY 2008, as some districts’ enrollment decreased from FY 2004 to FY 2005.

District	FY 2004 FTSE	FY 2005 FTSE	Percentage Change
Cochise	6,035	6,577	9.0%
Coconino	1,824	2,006	10.0%
Gila	291	312	7.2%
Graham	2,551	2,504	(1.8%)
Maricopa	68,612	71,387	4.0%
Mohave	2,338	2,845	21.7%
Navajo	2,747	2,709	(1.4%)
Pima	20,425	20,393	(0.2%)
Pinal	3,658	3,761	2.8%
Yavapai	3,271	3,231	(1.2%)
Yuma/La Paz	4,121	4,339	5.3%
Total	115,873	120,064	3.6%

Capital Outlay State Aid

The JLBC recommends \$20,295,600 from the General Fund for Capital Outlay State Aid in FY 2007. This amount includes the following adjustment:

Capital Outlay State Aid Formula	GF 715,900
The JLBC recommends an increase of \$715,900 from the General Fund in FY 2007 to fully fund the statutory formula for Capital Outlay State Aid.	

These Special Line Items provide the community college districts with funds for capital land, building, and equipment needs pursuant to A.R.S. § 15-1464.

The 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 provides \$210 per FTSE for districts with 5,000 or less FTSE or \$160 per FTSE for districts with greater than 5,000 FTSE.

Equalization Aid

The JLBC recommends \$20,012,700 from the General Fund for Equalization Aid in FY 2007. This amount includes the following adjustment:

Equalization Aid Formula GF 2,569,300

The JLBC recommends an increase of \$2,569,300 from the General Fund in FY 2007 to fully fund the statutory formula for Equalization Aid.

These Special Line Items provide additional state aid to qualifying community college districts whose tax base is insufficient to provide adequate funding for continuing operations and maintenance pursuant to A.R.S. § 15-1468.

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. For the FY 2007 Equalization Aid formula calculation, the minimum assessed valuation is \$946,293,300.

Equalization Aid is paid out based on the difference between minimum assessed valuation and the most recent 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.

Tribal Community Colleges

The JLBC recommends \$1,750,000 from the General Fund for Tribal Community Colleges in FY 2007. This amount is unchanged from FY 2006.

The Tribal Community Colleges Special Line Item provides tribal community colleges with funding for maintenance, renewal, and capital expenses. Pursuant to A.R.S. § 42-5031.01, the State Treasurer shall annually transmit to the colleges a total of up to \$1,750,000 in Transaction Privilege Tax revenues collected from sources located on Indian reservations. Diné College is currently the only college eligible to receive funds, and therefore, receives all available funding. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

Gila Provisional Community College

The Gila Provisional Community College Special Line Item was created to provide Gila with one-time funding in FY 2005. Since Gila began to receive Operating State Aid and Capital Outlay State Aid in FY 2006, Gila's funding no longer appears in this Special Line Item, and was instead transferred to the Operating State Aid and Capital Outlay State Aid Special Line Items.

The statutory formulas for Operating State Aid and Capital Outlay State Aid fund provisional districts in the same

manner as regular districts. Funding is based on the most recent year's actual FTSE. Provisional districts are not eligible to receive Equalization Aid.

A county may form a provisional community college district if the county does not meet the minimum assessed valuation and population requirements necessary to form a community college district pursuant to A.R.S. § 15-1402. Gila qualifies because its \$387,715,700 assessed valuation falls below the \$946,293,300 minimum valuation. Some community college districts also fall below the minimum valuation requirement; however, those districts have been grandfathered in as community college districts.

Voters must approve the formation of a provisional district and a primary property tax rate to fund the operations of the district. Provisional districts have the same powers and duties as existing districts, except that provisional districts must contract with existing districts to award degrees.

Rural County Reimbursement

The Rural County Reimbursement Special Line Item reimburses community college districts for students enrolled from counties that are not a part of an established community college district. The appropriation is funded from the General Fund. Pursuant to A.R.S. § 15-1469.01, the FY 2005 expenditure of \$2,049,000 was offset by a corresponding reduction in the counties' sales tax apportionment. The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution. The FY 2006 and FY 2007 dollar amounts are not yet known. Given the language of A.R.S. § 15-1469.01, these monies do not appear in the General Appropriation Act.

* * *

JLBC RECOMMENDED FORMAT — District by District Special Line Items

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Nursing Education

The FY 2006 Higher Education Budget Reconciliation Bill (Laws 2005, Chapter 330) established the Arizona Partnership for Nursing Education Demonstration Project. The purpose of the project is to enhance nursing education programs in Arizona, with the goal of doubling the current number of nursing graduates in the state by FY 2010.

The Higher Education Budget Reconciliation Bill also established the Nursing Education Demonstration Project Fund. Monies in the fund are allocated to Arizona public universities and community colleges based on a comparison of the number of nursing students graduating in FY 2005 from those institutions. Monies allocated to the universities are administered by the Arizona Board of Regents, while monies allocated to the community colleges are passed through the Department of Commerce.

Table 2**Total Estimated Community College Revenues – FY 2006**

<u>District</u>	<u>State Aid</u>	<u>Tuition/Fees</u>	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u> ^{1/}
Cochise	\$12,235,900	\$6,141,500	\$11,877,500	\$ 11,043,600	\$6,525,800	\$47,824,300
Coconino	3,530,700	4,532,800	7,230,400	4,093,900	628,900	20,016,700
Gila	335,700	448,900	2,438,000	-	200,000	3,422,600
Graham	16,323,200	3,203,400	2,206,100	4,720,900	15,167,000	41,620,600
Maricopa	65,841,200	182,580,000	322,897,500	37,136,800	178,676,000	787,131,500
Mohave	4,201,000	6,015,900	12,885,300	5,953,000	398,800	29,454,000
Navajo	7,724,900	3,450,000	10,438,600	4,070,000	5,975,600	31,659,100
Pima	22,861,500	35,000,000	77,159,000	27,500,000	8,279,000	170,799,500
Pinal	6,684,000	7,309,000	26,522,400	8,930,000	0	49,445,400
Yavapai	5,425,600	8,406,600	33,262,900	5,364,000	3,925,300	56,384,400
Yuma/La Paz	<u>7,162,000</u>	<u>5,413,900</u>	<u>20,374,800</u>	<u>8,900,000</u>	<u>2,158,800</u>	<u>44,009,500</u>
Total	\$152,325,700	\$262,502,000	\$527,292,500	\$117,712,200	\$221,935,200	\$1,281,767,600

^{1/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$1,660,230,900 for FY 2006.

The Higher Education Budget Reconciliation Bill annually appropriates \$4,000,000 from the General Fund to the Nursing Education Demonstration Project Fund from FY 2006 through FY 2010. Of the total \$4,000,000 annual appropriation, \$1,434,500 is allocated to the universities and \$2,565,500 is allocated to the community colleges. The recommended amount is an estimate based on preliminary nursing graduation information. Final allocations will be determined when the Arizona Board of Regents and Community Colleges agree on final graduation figures.

The community college funds are distributed using a competitive grant process. Three criteria were used to determine funding: the quality of the nursing program, how the program meets the geographic and diverse needs of its community, and the program budget. The entire FY 2006 appropriation has not yet been distributed to the districts, as the money will be paid out over 3 years. (For more information see Department of Commerce.)

Other Revenue Sources

In addition to state General Fund monies, Arizona's community colleges receive revenues from a number of other sources, including student tuition and fees, local property taxes, grants, and other monies generated by the colleges. For FY 2006, total revenues from all sources are estimated to be \$1,281,767,600. Of the total, the community colleges receive 12% of their revenues from state aid. (See Table 2 for a summary of FY 2006 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for over 40% of their revenues. There are 2 types of property taxes: primary and secondary. For the community colleges, primary property taxes are levied for operating purposes and secondary property taxes are levied to pay for capital outlay expenses. Each community college district determines its primary and secondary property tax rates. (See Table 3 for a summary of FY 2006 property tax rates.)

Table 3**Community College Tax Rates – FY 2006**

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>
Cochise	\$1.79	\$0.00	\$1.79
Coconino	\$0.40	\$0.15	\$0.55
Gila	\$0.63	\$0.00	\$0.63
Graham	\$2.07	\$0.00	\$2.07
Maricopa	\$0.90	\$0.14	\$1.04
Mohave	\$0.94	\$0.00	\$0.94
Navajo	\$1.29	\$0.23	\$1.52
Pima	\$1.10	\$0.22	\$1.32
Pinal	\$2.10	\$0.00	\$2.10
Yavapai	\$1.49	\$0.26	\$1.75
Yuma/La Paz	\$1.88	\$0.47	\$2.35

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 20% of total revenues. Tuition and fees are assessed on a per credit hour basis. (See Table 4 for FY 2006 resident tuition and fee rates.)

Table 4**Community College Resident Tuition and Fees – FY 2006**

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost</u> ^{1/}
Cochise	\$45	\$1,350
Coconino	\$45	\$1,344
Gila	\$38	\$1,148
Graham	\$38	\$1,128
Maricopa	\$60	\$1,800
Mohave	\$46	\$1,380
Navajo	\$34	\$1,008
Pima	\$47	\$1,395
Pinal	\$44	\$1,332
Yavapai	\$44	\$1,320
Yuma/La Paz	<u>\$38</u>	<u>\$1,140</u>
Weighted Average	\$43	\$1,300

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

Expenditures

Table 5 shows total budgeted FY 2006 community college expenditures. In FY 2006, total budgeted expenditures are approximately \$1.6 billion. Of the total, \$1.1 billion, or 64%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$408.8 million, or 25%, for instruction and \$189.9 million, or 12%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$138.4 million, or 8% of the total. Plant Fund expenditures, which generally include capital costs, are \$372.7 million, or 23% of the total. The remaining \$84.3 million is for debt service.

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$408,781,200	24.8%
Public Service	33,202,500	2.0%
Academic Support	104,184,700	6.3%
Student Services	153,577,700	9.3%
Administration	189,937,000	11.5%
Operation & Maintenance	67,977,600	4.1%
Scholarships	57,914,100	3.5%
Contingency	<u>37,910,500</u>	<u>2.3%</u>
Subtotal	\$1,053,485,300	63.9%
Auxiliary Enterprises Fund	\$138,428,900	8.4%
Plant Fund	\$372,747,200	22.6%
Debt Service	\$84,313,900	5.1%
Total	\$1,648,975,300	

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
-------------------------	---------------------------	-----------------------------

Tribal Assistance Fund (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" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state. In FY 2005 and FY 2006 Diné College and Tohono O'odham Community College qualified for this distribution.

Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.

Funds Expended	516,600	535,400
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 has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.

Purpose of Fund: To fund workforce development and training activities at the community college districts. 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	13,998,100	16,154,700
Year-End Fund Balance	0	0