

Arizona Community Colleges

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	7,488,700	7,488,700	5,572,000
Coconino	2,679,400	2,679,400	1,836,000
Gila	658,400	658,400	428,100
Graham	4,243,900	4,243,900	2,260,000
Maricopa	45,327,400	45,327,400	6,891,200
Mohave	3,682,900	3,682,900	1,792,200
Navajo	3,590,000	3,590,000	1,730,100
Pima	15,942,100	15,942,100	7,146,400
Pinal	4,935,100	4,935,100	2,086,200
Yavapai	4,196,000	4,196,000	899,200
Yuma/La Paz	4,812,900	4,812,900	2,683,000
<i>Subtotal - Operating State Aid</i>	97,556,800	97,556,800	33,324,400
Capital Outlay State Aid	0	0	0
Equalization Aid			
Cochise	7,841,800	7,841,800	8,048,900
Graham	17,465,400	17,465,400	19,345,700
Navajo	6,624,000	6,624,000	6,451,700
Yuma/La Paz	2,938,300	2,938,300	1,406,600
<i>Subtotal - Equalization Aid</i>	34,869,500	34,869,500	35,252,900
Rural County Reimbursement	3,866,300	0	0
Rural County Reimbursement Subsidy	1,000,000	1,000,000	848,800 ^{1/}
Tribal Community Colleges	1,662,900	1,918,000	1,662,900 ^{2/}
AGENCY TOTAL	138,955,500	135,344,300	71,089,000^{3/}
FUND SOURCES			
General Fund	138,955,500	135,344,300	71,089,000
SUBTOTAL - Appropriated Funds	138,955,500	135,344,300	71,089,000
Other Non-Appropriated Funds	13,688,800	14,698,700	14,698,700
TOTAL - ALL SOURCES	152,644,300	150,043,000	85,787,700

AGENCY DESCRIPTION — The Arizona community college system is comprised of 10 college districts and 2 provisional districts. 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.

Operating State Aid

The budget includes \$33,324,400 from the General Fund in FY 2012 for Operating State Aid. This amount funds the following adjustments:

Enrollment Growth

The budget includes an increase of \$8,631,800 from the General Fund in FY 2012 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for an 11,992 (9.7%) increase in Full Time Student Equivalent (FTSE) students in community colleges statewide (*see Table 1*). The 11,992 net FTSE increase consists of a 12,037 FTSE increase for non-dual enrollment students and a (45) FTSE decrease for dual enrollment students. A.R.S. § 15-1466.01 requires dual enrollment students be funded at 50% for state aid purposes. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit.

^{1/} Of the \$848,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County will receive \$466,000 and Greenlee County \$382,800. (General Appropriation Act footnote)

^{2/} A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax revenues collected from sources located on the reservation, or \$1,750,000, whichever is less.

^{3/} General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Table 1**Community College Enrollment**

<u>District</u>	<u>FY 2009 FTSE</u>	<u>FY 2010 FTSE</u>	<u>Percentage Change</u>
Cochise	7,671	8,586	11.9%
Coconino	2,127	2,361	11.0%
Gila	1,028	1,050	2.1%
Graham	2,686	3,013	12.2%
Maricopa	70,099	78,149	11.5%
Mohave	3,518	3,953	12.4%
Navajo	2,682	2,396	(10.7)%
Pima	20,889	22,021	5.4%
Pinal	4,407	5,036	14.3%
Yavapai	3,921	3,920	0.0%
Yuma/La Paz	4,769	5,304	11.2%
Total	123,797	135,789	9.7%

Operating State Aid Reduction

The budget includes a decrease of \$(72,864,200) from the General Fund in FY 2012 for a reduction to Operating State Aid. In order to implement this reduction, the Higher Education Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 30) notwithstanding the program's statutory funding formula for FY 2012 and stipulates that its funding instead shall equal the amount appropriated in the General Appropriation Act.

The budget allocates the reduction amount for Operating State Aid among the individual community colleges by the equivalent of (6.2)% of each district's estimated FY 2012 operating revenues, which are comprised of state aid, primary property tax, and tuition and fees (*see Table 2*). The (6.2)% decrease was designed to offset the districts' estimated year-over-year operating revenue growth from FY 2011 to FY 2012 of 6.2%, or \$72.9 million. Thus, estimated statewide district operating revenue is held constant from FY 2011 to FY 2012.

Table 2**Community College Operating Reduction**

<u>District</u>	<u>FY 2012 Estimated Operating Revenues^{1/}</u>	<u>Operating State Aid Reduction</u>	<u>Percentage Change</u>
Cochise	\$ 41,757,200	\$(2,571,900)	(6.16)%
Coconino	16,417,900	(1,011,200)	(6.16)%
Gila	4,292,500	(264,400)	(6.16)%
Graham	36,024,500	(2,218,800)	(6.16)%
Maricopa	717,849,400	(44,213,600)	(6.16)%
Mohave	35,480,700	(2,185,300)	(6.16)%
Navajo	27,101,000	(1,669,200)	(6.16)%
Pima	155,975,300	(9,606,800)	(6.16)%
Pinal	53,614,400	(3,302,200)	(6.16)%
Yavapai	53,662,100	(3,305,100)	(6.16)%
Yuma/La Paz	40,844,700	(2,515,700)	(6.16)%
Total	\$1,183,019,700	\$(72,864,200)	(6.16)%

^{1/} Includes state aid, tuition and fees, and primary property tax revenues as estimated by the districts in fall 2010.

Background – The Operating State Aid 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 changes in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the change 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 2012, the last actual FTSE data was from FY 2010.*)

Capital Outlay State Aid

The budget includes no funding from the General Fund in FY 2012 for Capital Outlay State Aid. This is unchanged from FY 2011.

Continue Suspension of Capital Outlay Formula

The budget continues to suspend Capital Outlay State Aid for FY 2011. This forgoes \$22,155,200 in formula costs for capital outlay state aid for FY 2012, which includes \$20,652,500 already suspended for FY 2011 plus \$1,502,700 in foregone formula growth for the formula in FY 2012. The suspension of Capital Outlay State Aid for FY 2012 is pursuant to the Higher Education BRB.

Background – The Capital Outlay 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 years 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 budget includes \$35,252,900 from the General Fund in FY 2012 for Equalization Aid. This amount funds the following adjustments:

Formula Increase

The budget includes an increase of \$383,400 from the General Fund in FY 2012 to fund the statutory funding formula for Equalization Aid.

Background – The Equalization Special Line Items provide additional state aid 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 most recent year for all rural districts with populations of less than 500,000 persons. For the FY 2012 Equalization Aid formula calculation, the minimum assessed valuation decreased (2.3)% to \$1.6 billion. (*See Table 3 for the calculation of the growth rate.*)

Table 3

**Equalization Growth Factor
for Tax Years (TY) 2009-2010**

District	TY 2009	TY 2010	TY 2009-2010
	Primary AV	Primary AV	% Growth
Cochise*	\$ 986,677,800	\$ 1,042,041,200	5.6%
Graham*	221,874,600	217,455,200	(2.0)%
Navajo*	998,764,600	1,059,004,900	6.0%
Yuma/LaPaz*	1,432,962,500	1,526,888,600	6.6%
Coconino	1,840,775,000	1,920,050,800	4.3%
Mohave	2,533,640,800	2,321,464,600	(8.4)%
Pinal	2,880,552,100	2,562,246,100	(11.1)%
Yavapai	<u>3,274,078,300</u>	<u>3,187,577,700</u>	<u>(2.6)%</u>
Total	\$14,169,325,700	\$13,836,729,100	(2.3)%

* These districts qualify to receive Equalization Aid under the state funding formula.

Equalization Aid is paid out based on the difference between the 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.

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 2010 expenditure of \$3,866,300 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 2011 and FY 2012 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.

Rural County Reimbursement Subsidy

The budget includes \$848,800 from the General Fund in FY 2012 for Rural County Reimbursement Subsidy. This amount funds the following adjustments:

Elimination of Santa Cruz Subsidy

The budget includes a decrease of \$(151,200) from the General Fund in FY 2012 to eliminate the Santa Cruz County portion of the subsidy. Santa Cruz County recently began operating a provisional community college district, so is no longer eligible for the subsidy.

This funding partially offsets the cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee Counties.

The FY 2012 budget allocates \$466,000 to Apache and \$382,800 to Greenlee.

Tribal Community Colleges

The budget includes \$1,662,900 from the General Fund in FY 2012 for Tribal Community Colleges. This amount funds the following adjustments:

Lower TPT Collections

The budget includes a decrease of \$(255,100) from the General Fund in FY 2012 to reflect lower Transaction Privilege Tax (TPT) revenue within the Navajo Nation, which will reduce program funding pursuant to A.R.S. § 42-5031.01.

Background – A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the TPT revenues collected from sources located on Indian reservations, whichever is less. These monies provide tribal community colleges with funding for maintenance, renewal, and capital expenses. Actual amounts for FY 2012 will depend on FY 2012 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

The budget assumes that \$1,662,900 will be distributed to Diné College in FY 2012. This amount represents 10% of the estimated Transaction Privilege Tax revenues collected in the Navajo reservation in FY 2012. The Tohono O'odham Community College also will potentially receive program funding in FY 2012 contingent upon completion of a compact with the Executive that has not been finalized as of this writing. On a related note, the Navajo Nation recently began operating a branch of Navajo Technical College in Chinle, Arizona. This will not entitle the Navajo Nation to additional TPT funding.

Other Issues

Community College 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. Of the total, the community colleges receive 7% of their revenues from state aid.

For FY 2011, base operating revenues from all sources are estimated to be \$1,922,149,200, an increase of 15% from FY 2010. (See Table 4 for a summary of FY 2011 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for over 38% 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

Table 4

Total Estimated Community College Revenues – FY 2011

<u>District</u>	<u>State Aid</u>	<u>Tuition/Fees</u>	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u> ^{1/}	<u>FY 2011 Total</u> ^{2/}	<u>FY 2010 Total</u> ^{3/}	<u>% Change from FY 2010</u>
Cochise	\$ 15,330,500	\$ 7,456,800	\$16,656,000	\$ 17,579,700	\$ 1,236,200	\$ 58,259,200	\$ 58,557,500	(0.5)%
Coconino	2,679,400	7,285,300	8,398,900	5,664,900	721,400	24,749,900	24,771,500	(0.1)%
Gila ^{4/}	658,400		3,398,300	35,000	450,000	4,541,700	3,798,600	19.6%
Graham	21,709,300	7,173,600	4,647,700	7,500,000	7,089,000	48,119,600	44,501,600	8.1%
Maricopa	45,327,400	241,715,300	460,758,800	189,874,400	303,196,600	1,240,872,500	1,011,807,200	22.6%
Mohave	3,682,900	12,114,100	18,260,600	18,766,500	426,100	53,250,200	46,436,800	14.7%
Navajo	10,214,000	4,635,000	11,938,600	5,150,000	1,180,000	33,117,600	33,779,100	(2.0)%
Pima	15,942,100	48,338,000	97,422,000	68,121,000	6,782,000	236,605,100	225,341,000	5.0%
Pinal	4,935,100	10,744,000	38,272,000	18,370,000	10,246,100	82,567,200	77,775,700	6.2%
Yavapai	4,196,000	9,274,700	43,633,200	10,166,300	8,843,100	76,113,300	67,703,700	12.4%
Yuma/La Paz	<u>7,751,200</u>	<u>10,360,000</u>	<u>28,018,500</u>	<u>15,000,000</u>	<u>2,823,200</u>	<u>63,952,900</u>	<u>78,013,300</u>	<u>(18.0)%</u>
Total	\$132,426,300	\$359,096,800	\$731,404,600	\$356,227,800	\$342,993,700	\$1,922,149,200	\$1,672,486,000	14.9%

1/ Includes auxiliary programs, interest incomes, workforce development funds, and transfers.

2/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,433,096,400 for FY 2011.

3/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$2,221,264,200 for FY 2010.

4/ Gila Provisional Community College contracts with Graham County’s Eastern Arizona College in order to provide degree programs. Therefore, Gila’s tuition and fee revenues are collected by Graham according to their contract agreement.

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 5 for a summary of FY 2011 property tax rates.)

Table 5

Community College Tax Rates – FY 2011

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>	<u>% Change in Combined Rate from FY 2010</u>
Cochise	\$1.60	\$0.00	\$1.60	(0.6%)
Coconino	0.34	0.09	0.43	0.0%
Gila	0.60	0.00	0.60	13.2%
Graham	2.14	0.00	2.14	18.9%
Maricopa	0.79	0.18	0.97	10.2%
Mohave	0.79	0.00	0.79	16.2%
Navajo	1.13	0.00	1.13	(0.9%)
Pima	0.98	0.11	1.09	0.9%
Pinal	1.47	0.12	1.59	8.6%
Santa Cruz	0.07	0.00	0.07	N/A
Yavapai	1.21	0.16	1.37	7.9%
Yuma/La Paz	1.50	0.30	1.80	(1.6%)

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 19% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2011 weighted average tuition was \$2,005, an increase of 2.5% from FY 2010. Full-time annual tuition costs range from \$1,520 at Graham, to \$2,550 at Coconino. (See Table 6 for FY 2011 resident tuition and fee rates.)

Table 6

Community College Resident Tuition and Fees – FY 2011

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost</u> ^{1/}	<u>% Change from FY 2010</u>
Cochise	\$56	\$1,690	3.7%
Coconino	85	2,550	13.3%
Gila ^{2/}	-	-	-
Graham	51	1,520	0.0%
Maricopa	71	2,130	0.0%
Mohave	77	2,310	14.4%
Navajo	58	1,750	7.4%
Pima	58	1,750	4.5%
Pinal	65	1,950	12.3%
Yavapai	62	1,860	6.9%
Yuma/La Paz	60	1,800	0.0%
Weighted Average	\$67	\$2,005	2.5%

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

2/ Gila Provisional Community College contracts with Graham County’s Eastern Arizona College in order to provide degree programs. Therefore, Gila’s tuition and fee amounts are the same as Graham’s.

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they account for approximately 36% of community college revenues. Grants traditionally come from the federal government, including: the U.S. Department of Education, Small Business Administration, National Science Foundation, and Health and Human Services. Revenue listed in the “other” category includes auxiliary programs, interest incomes, workforce development funds, and transfers.

Total Community College Expenditures

Table 7 shows total budgeted FY 2011 community college expenditures. In FY 2011, total budgeted expenditures are \$2,413,755,700. As mentioned previously, base operating revenues for FY 2011 are \$1,922,149,200; however, this figure does not include allocated fund balances or bond

proceeds. Including these amounts, total available revenues are \$2,433,096,400. Of the total \$2,413,755,700 in expenditures, \$1,439,495,800, or 60%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$519,017,800, or 22%, for instruction and \$235,935,200, or 10%, for administrative support.

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 519,017,800	22%
Public Service	26,149,300	1%
Academic Support	128,335,400	5%
Student Services	216,195,300	9%
Administrative Support	235,935,200	10%
Operation & Maintenance	86,234,600	4%
Scholarships/Grants	147,987,500	6%
Auxiliary Enterprises	4,199,500	
Contingency	<u>75,441,200</u>	<u>3%</u>
Subtotal	\$1,439,495,800	60%
Auxiliary Enterprises Fund	\$ 125,873,800	5%
Plant Fund	\$ 725,416,700	30%
Debt Service	\$ 122,969,400	5%
Total	\$2,413,755,700	

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$125,873,800, or 5% of the total. Plant Fund expenditures, which generally include capital costs, are \$725,416,700, or 30% of the total. The remaining \$122,969,400 is for debt service.

Additional Legislation

Flexibility and Reduced Reporting Requirements

The Higher Education BRB continues to notwithstanding the 20% cap to the districts' ability to use capital outlay monies for operating purposes. The Higher Education BRB also permanently allows district boards to delegate the authority to execute leases exceeding \$100,000 per year. Additionally, the Higher Education BRB permanently eliminates the districts' annual reporting requirement to submit a workforce development plan to the Department of Commerce and to submit an annual report to the Center for Vocational Education.

One-Time Student Deposit

The K-12 Education BRB (Laws 2011, Chapter 29) requires each community college district, on a one-time basis, to deposit \$6 per each full-time student into the Department of Education's Education Learning and Accountability Fund by December 1, 2011.