

Arizona Community Colleges

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	7,488,700	5,572,000	5,784,600
Coconino	2,679,400	1,836,000	1,847,900
Gila	658,400	428,100	410,000
Graham	4,243,900	2,260,000	2,373,200
Maricopa	45,327,400	6,891,200	8,315,700
Mohave	3,682,900	1,792,200	1,785,600
Navajo	3,590,000	1,730,100	1,689,700
Pima	15,942,100	7,146,400	7,353,500
Pinal	4,935,100	2,086,200	2,107,800
Santa Cruz	0	0	63,500
Yavapai	4,196,000	899,200	957,600
Yuma/La Paz	4,812,900	2,683,000	2,802,600
<i>Subtotal - Operating State Aid</i>	<u>97,556,800</u>	<u>33,324,400</u>	<u>35,491,700</u>
Capital Outlay State Aid	0	0	0
Equalization Aid			
Cochise	7,841,800	8,048,900	5,614,700
Graham	17,465,400	19,345,700	16,867,300
Navajo	6,624,000	6,451,700	5,370,100
Yuma/La Paz	2,938,300	1,406,600	0
<i>Subtotal - Equalization Aid</i>	<u>34,869,500</u>	<u>35,252,900</u>	<u>27,852,100</u>
Rural County Reimbursement	2,494,800	0	0
Rural County Reimbursement Subsidy	1,000,000	848,800	848,800
Tribal Community Colleges	1,750,000	1,750,000 ^{1/}	1,750,000 ^{1/}
AGENCY TOTAL	<u>137,671,100</u>	<u>71,176,100</u>	<u>65,942,600</u>

FUND SOURCES

General Fund	137,671,100	71,176,100	65,942,600
SUBTOTAL - Appropriated Funds	<u>137,671,100</u>	<u>71,176,100</u>	<u>65,942,600</u>
Other Non-Appropriated Funds	14,199,200	14,979,900	14,979,900
TOTAL - ALL SOURCES	<u>151,870,300</u>	<u>86,156,000</u>	<u>80,922,500</u>

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 Baseline includes \$35,491,700 from the General Fund in FY 2013 for Operating State Aid. FY 2013 adjustments would be as follows:

Enrollment Growth	FY 2013
	GF \$2,167,300

The Baseline includes an increase of \$2,167,300 from the General Fund in FY 2013 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a 9,681 (7.1%) increase in Full Time Student Equivalent (FTSE)

students in community colleges statewide (*see Table 1*). The 9,681 net FTSE increase consists of a 9,240 FTSE increase for non-dual enrollment students (including 277 FTSE for Santa Cruz for the first year this provisional district receives Operating State Aid based on statutory requirements) and a 441 FTSE increase 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.

Background – The Operating State Aid Special Line Items provide each community college district with funds for

^{1/} FY 2012 and FY 2013 estimates have been adjusted to reflect revised sales tax collection data.

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 2013, the last actual FTSE data was from FY 2011.)

<u>District</u>	<u>FY 2010 FTSE</u>	<u>FY 2011 FTSE</u>	<u>Percentage Change</u>
Cochise	8,586	9,511	10.8%
Coconino	2,361	2,399	1.6%
Gila	1,050	964	(8.2)%
Graham	3,013	3,512	16.6%
Maricopa	78,149	84,544	8.2%
Mohave	3,953	3,975	0.6%
Navajo	2,396	2,219	(7.4)%
Pima	22,021	22,907	4.0%
Pinal	5,036	5,129	1.8%
Santa Cruz	-	277	-
Yavapai	3,920	4,205	7.3%
Yuma/La Paz	<u>5,304</u>	<u>5,828</u>	<u>9.9%</u>
Total	135,789	145,470	7.1%

Capital Outlay State Aid

The Baseline includes no funding from the General Fund in FY 2013 for Capital Outlay State Aid. This amount is unchanged from FY 2012.

The Baseline continues to suspend Capital Outlay State Aid for FY 2013. This forgoes \$23,708,400 in formula costs for capital outlay state aid for FY 2013, which includes \$22,155,200 already suspended for FY 2012 plus \$1,553,200 in foregone formula growth for the formula in FY 2013.

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 Baseline includes \$27,852,100 from the General Fund in FY 2013 for Equalization Aid. FY 2013 adjustments would be as follows:

Formula Decreases GF (7,400,800)

The Baseline includes a decrease of \$(7,400,800) from the General Fund in FY 2013 to reflect reduced formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in Table 2.

<u>District</u>	<u>FY 2012</u>	<u>Year-over-Year Change</u>	<u>FY 2013</u>
Cochise	\$ 8,048,900	\$(2,434,200)	\$ 5,614,700
Graham	19,345,700	\$(2,478,400)	16,867,300
Navajo	6,451,700	\$(1,081,600)	5,370,100
Yuma/LaPaz	<u>1,406,600</u>	<u>\$(1,406,600)</u>	<u>0</u>
Total	\$35,252,900	\$(7,400,800)	\$27,852,100

As noted in Table 3, the average rural district assessed value declined by (10.4)%. In comparison, Cochise grew by 0.7% and Graham grew by 5.1%. Navajo's assessed value declined by (3.1)%. By growing faster (or not declining as much) as the average districts, these 3 districts would qualify for less aid.

Yuma/La Paz no longer qualifies for any equalization aid in FY 2013 as the district's assessed valuation now exceeds the threshold that a district must be below in order to qualify for equalization funding.

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 revised by the average change in actual assessed valuation for the most recent year for all rural districts with populations of less than 500,000 persons. For the FY 2013 Equalization Aid formula calculation, the minimum assessed valuation decreased (10.4)% to \$1.46 billion. (See Table 3 for the calculation of the growth rate.)

<u>District</u>	<u>TY 2010 Primary AV</u>	<u>TY 2011 Primary AV</u>	<u>TY 2010-2011 % Growth</u>
Cochise*	\$ 1,042,041,200	\$ 1,049,827,400	0.7%
Graham*	217,455,200	228,474,100	5.1%
Navajo*	1,059,004,900	1,026,137,100	(3.1)%
Coconino	1,920,050,800	1,808,850,500	(5.8)%
Mohave	2,321,464,600	1,932,681,700	(16.7)%
Pinal	2,562,246,100	2,160,151,200	(15.7)%
Yavapai	3,187,577,700	2,712,177,900	(14.9)%
Yuma/LaPaz	<u>1,526,888,600</u>	<u>1,473,877,600</u>	<u>(3.5)%</u>
Total	\$13,836,729,100	\$12,392,177,500	(10.4)%

* 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.

Three districts – Cochise, Graham and Navajo – will generate less equalization aid for FY 2013, as their assessed value grew more quickly (or declined less rapidly) than the rural districts' average. In any one year, a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.46 billion in FY 2013) and 2) whether the district's change in assessed value was less than the rural districts' average.

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 2011 expenditure of \$2,494,800 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 2012 and FY 2013 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 Baseline includes \$848,800 from the General Fund in FY 2013 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2012.

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 2013 Baseline allocates \$466,000 to Apache and \$382,800 to Greenlee.

Tribal Community Colleges

The Baseline includes \$1,750,000 from the General Fund in FY 2013 for Tribal Community Colleges. This amount is unchanged from FY 2012.

Background – A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the Transaction Privilege Tax (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 2013 will depend on FY 2013 collections. Given the language of A.R.S. § 42-

5031.01, these monies do not appear in the General Appropriation Act.

The Baseline assumes that \$1,750,000 will be distributed to Diné College in FY 2013. This amount represents 10% of the estimated TPT revenues collected in the Navajo reservation in FY 2013. This estimate is revised each year based on the most recent actual TPT revenues. FY 2012 and FY 2013 estimates have been adjusted to \$1,750,000 because the most recent actual distribution, in FY 2011, was \$1,750,000. The Tohono O'odham Community College also will potentially receive program funding in FY 2013 contingent upon completion of a compact with the Executive that has not been finalized as of this writing.

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FORMAT — District by District Special Line Items

FOOTNOTES

Standard Footnotes

Of the \$848,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County will receive \$466,000 and Greenlee County \$382,800.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to suspend capital outlay funding for FY 2013.
- As session law, continue to notwithstanding the 20% cap to the community college districts' ability to use capital monies for operating.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

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 4% of their revenues from state aid.

For FY 2012, base operating revenues from all sources are estimated to be \$1,757,439,800, an increase of 4% from FY 2011. (*See Table 4 for a summary of FY 2012 total revenue estimates.*)

Property taxes are the single largest revenue source for the community colleges, accounting for 42% 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 5 for a summary of FY 2012 property tax rates.*)

Table 4

Total Estimated Community College Revenues – FY 2012

<u>District</u>	<u>State Aid</u>	<u>Tuition/Fees</u>	<u>Property Taxes</u>	<u>Grants</u>	<u>Other ^{1/}</u>	<u>FY 2012 Total ^{2/}</u>	<u>FY 2011 Total ^{3/}</u>	<u>% Change from FY 2011</u>
Cochise	\$13,620,900	\$ 9,057,300	\$ 17,487,000	\$ 16,099,500	\$ 6,106,400	\$ 62,371,100	\$ 61,113,500	2.1%
Coconino	1,836,000	7,995,500	8,596,400	13,267,500	847,000	32,542,400	31,730,900	2.6%
Gila ^{4/}	428,100	-	3,538,100	116,000	475,000	4,557,200	4,340,600	5.0%
Graham	21,605,700	9,025,500	4,899,600	12,000,000	8,362,100	55,892,900	47,989,400	16.5%
Maricopa	6,891,200	275,052,200	465,590,800	223,029,400	66,521,800	1,037,085,400	992,572,800	4.5%
Mohave	1,792,200	13,048,200	18,899,700	15,999,300	388,100	50,127,500	49,286,600	1.7%
Navajo	8,181,800	4,200,000	12,710,800	5,200,000	1,950,000	32,242,600	34,221,300	(5.8)%
Pima	7,146,400	53,797,000	92,226,000	93,498,000	6,127,000	252,794,400	235,866,400	7.2%
Pinal	2,086,200	12,400,000	38,059,600	22,356,000	14,879,800	89,781,600	79,556,800	12.9%
Santa Cruz ^{4/}	-	-	267,500	-	87,900	355,400	379,100	(6.3)%
Yavapai	899,200	10,889,400	43,948,800	12,638,000	2,270,200	70,645,600	75,390,200	(6.3)%
Yuma/La Paz	<u>4,089,600</u>	<u>12,916,600</u>	<u>28,944,500</u>	<u>20,000,000</u>	<u>3,093,000</u>	<u>69,043,700</u>	<u>81,249,900</u>	<u>(15.0)%</u>
Total	\$68,577,300	\$408,381,700	\$735,168,800	\$434,203,700	\$111,108,300	\$1,757,439,800	\$1,693,697,500	3.8%

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 \$2,288,942,600 for FY 2012.

3/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,946,202,900 for FY 2011.

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. Santa Cruz Provisional Community College contracts with Cochise County's Community College in order to provide degree programs. Therefore, Santa Cruz's tuition and fee revenues are collected by Cochise according to their contract agreement.

Table 5

Community College Tax Rates – FY 2012

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>	<u>% Change in Combined Rate from FY 2011</u>
Cochise	\$1.67	\$0.00	\$1.67	4.4%
Coconino	0.36	0.11	0.47	9.3%
Gila	0.68	0.00	0.68	13.3%
Graham	2.14	0.00	2.14	0.0%
Maricopa	1.01	0.20	1.21	24.7%
Mohave	0.98	0.00	0.98	24.1%
Navajo	1.24	0.00	1.24	9.7%
Pima	1.08	0.02	1.10	0.9%
Pinal	1.47	0.12	1.59	0.0%
Santa Cruz	0.07	0.00	0.07	N/A
Yavapai	1.43	0.19	1.62	18.2%
Yuma/La Paz	1.62	0.33	1.95	8.3%

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 23% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2012 weighted average tuition was \$2,167, an increase of 8% from FY 2011. Full-time annual tuition costs range from \$1,600 at Graham, to \$2,640 at Coconino. (See Table 6 for FY 2012 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 31% 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.

Table 6

Community College Resident Tuition and Fees – FY 2012

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost ^{1/}</u>	<u>% Change from FY 2011</u>
Cochise	\$66	\$1,970	16.6%
Coconino	88	2,640	3.5%
Gila	70	2,112	6.9%
Graham	53	1,600	5.3%
Maricopa	76	2,280	7.0%
Mohave	82	2,460	6.5%
Navajo	62	1,870	6.9%
Pima	64	1,910	9.1%
Pinal	70	2,100	7.7%
Santa Cruz ^{2/}			
Yavapai	67	2,010	8.1%
Yuma/La Paz	<u>70</u>	<u>2,100</u>	<u>16.7%</u>
Weighted Average	\$72	\$2,167	8.1%

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

2/ Santa Cruz did not submit tuition and fees data for FY 2012.

Total Community College Expenditures

Table 7 shows total budgeted FY 2012 community college expenditures. In FY 2012, total budgeted expenditures are \$2,238,863,000. As mentioned previously, base operating revenues for FY 2012 are \$1,757,439,800; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,288,942,600. Of the total \$2,238,863,000 in expenditures, \$1,546,894,800, or 69%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$516,882,700, or 23%, for instruction and \$237,979,900, or 11%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$115,409,800, or 5% of the total. Plant Fund expenditures, which generally include capital costs, are \$467,638,800, or 21% of the total. The remaining \$108,919,600 is for debt service.

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 516,882,700	23%
Public Service	24,897,800	1%
Academic Support	135,031,900	6%
Student Services	281,484,000	13%
Administrative Support	237,979,900	11%
Operation & Maintenance	88,071,000	4%
Scholarships/Grants	186,813,400	8%
Contingency	75,734,100	3%
Subtotal	\$1,546,894,800	69%
Auxiliary Enterprises Fund	\$ 115,409,800	5%
Plant Fund	467,638,800	21%
Debt Service	108,919,600	5%
Total	\$2,238,863,000	100%

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 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 community 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.		
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	689,500	696,100
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 \$1,000,000 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	13,509,700	14,283,800
Year-End Fund Balance	0	0