

Arizona Community Colleges

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 BASELINE
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	5,572,000	5,784,600	5,710,100
Coconino	1,836,000	1,847,900	1,840,400
Gila	428,100	410,000	370,700
Graham	2,260,000	2,373,200	2,345,700
Maricopa	6,891,200	8,315,700	7,913,300
Mohave	1,792,200	1,785,600	1,659,400
Navajo	1,730,100	1,689,700	1,646,600
Pima	7,146,400	7,353,500	7,136,600
Pinal	2,086,200	2,107,800	2,135,000
Santa Cruz	0	63,500	58,700
Yavapai	899,200	957,600	893,900
Yuma/La Paz	2,683,000	2,802,600	2,754,400
<i>Subtotal - Operating State Aid</i>	<u>33,324,400</u>	<u>35,491,700</u>	<u>34,464,800</u>
Capital Outlay State Aid	0	0	0
Equalization Aid			
Cochise	8,048,900	5,614,700	4,712,400
Graham	19,345,700	16,867,300	16,075,100
Navajo	6,451,700	5,370,100	5,514,200
Yuma/La Paz	1,406,600	0	0
<i>Subtotal - Equalization Aid</i>	<u>35,252,900</u>	<u>27,852,100</u>	<u>26,301,700</u>
Rural County Allocation	3,051,700	0	0
Rural County Reimbursement Subsidy	848,800	848,800	848,800
Tribal Community Colleges	1,750,000	1,750,000	1,750,000
AGENCY TOTAL	<u>74,227,800</u>	<u>65,942,600</u>	<u>63,365,300</u>

FUND SOURCES

General Fund	74,227,800	65,942,600	63,365,300
SUBTOTAL - Appropriated Funds	<u>74,227,800</u>	<u>65,942,600</u>	<u>63,365,300</u>
Other Non-Appropriated Funds	14,943,500	15,713,200	15,713,200
TOTAL - ALL SOURCES	<u>89,171,300</u>	<u>81,655,800</u>	<u>79,078,500</u>

Operating State Aid

The Baseline includes \$34,464,800 from the General Fund in FY 2014 for Operating State Aid. FY 2014 adjustments would be as follows:

Enrollment Growth GF FY 2014 (1,026,900)

The Baseline includes a decrease of \$(1,026,900) from the General Fund in FY 2014 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (3,996), or (2.7%), decrease in Full Time Student Equivalent (FTSE) students in community colleges statewide (*see Table 1*). The (3,996) net FTSE decrease consists of a (4,190) FTSE decrease in non-dual enrollment students and a 194 FTSE increase in 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.

Table 1

Community College Enrollment

District	FY 2011 FTSE	FY 2012 FTSE	Percentage Change
Cochise	9,511	9,210	(3.2)%
Coconino	2,399	2,355	(1.8)%
Gila	964	790	(18.0)%
Graham	3,512	3,433	(2.2)%
Maricopa	84,544	83,024	(1.8)%
Mohave	3,975	3,450	(13.2)%
Navajo	2,219	2,070	(6.7)%
Pima	22,907	22,028	(3.8)%
Pinal	5,129	5,246	2.3%
Santa Cruz	277	258	(6.9)%
Yavapai	4,205	3,974	(5.5)%
Yuma/La Paz	<u>5,828</u>	<u>5,636</u>	<u>(3.3)%</u>
Total	<u>145,470</u>	<u>141,474</u>	<u>(2.7)%</u>

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 2014, the last actual FTSE data was from FY 2012.)

Capital Outlay State Aid

The Baseline includes no funding from the General Fund in FY 2014 for Capital Outlay State Aid. This amount is unchanged from FY 2013.

The Baseline continues to suspend Capital Outlay State Aid for FY 2014. The formula has been inactive since FY 2009. This suspension forgoes \$22,991,600 in formula costs for capital outlay state aid for FY 2014.

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 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 Baseline includes \$26,301,700 from the General Fund in FY 2014 for Equalization Aid. FY 2014 adjustments would be as follows:

Enrollment Growth GF (1,550,400)

The Baseline includes a decrease of \$(1,550,400) from the General Fund in FY 2014 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 2013</u>	<u>Year-over-Year Change</u>	<u>FY 2014</u>
Cochise	\$ 5,614,700	\$(902,300)	\$ 4,712,400
Graham	16,867,300	(792,200)	16,075,100
Navajo	<u>5,370,100</u>	<u>144,100</u>	<u>5,514,200</u>
Total	\$27,852,100	\$(1,550,400)	\$26,301,700

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 2014 Equalization Aid formula calculation, the minimum assessed valuation decreased (5.3)% to \$1.38 billion. (See Table 3 for the calculation of the growth rate.)

Table 3

Equalization Growth Factor for Tax Years (TY) 2011-2012

<u>District</u>	<u>TY 2011 Primary AV</u>	<u>TY 2012 Primary AV</u>	<u>TY 2011-2012 % Growth</u>
Cochise*	\$ 1,049,827,400	\$ 1,038,327,100	(1.1)%
Graham*	228,474,100	208,931,300	(8.6)%
Navajo*	1,026,137,100	974,292,400	(5.1)%
Coconino	1,808,850,500	1,747,818,100	(3.4)%
Mohave	1,932,681,700	1,791,765,200	(7.3)%
Pinal	2,160,151,200	2,153,783,700	(0.3)%
Yavapai	2,712,177,900	2,405,473,700	(11.3)%
Yuma/LaPaz	<u>1,473,877,600</u>	<u>1,414,572,400</u>	<u>(4.0)%</u>
Total	\$12,392,177,500	\$11,734,963,900	(5.3)%

* 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.

As noted in Table 3, the average rural district assessed value declined by (5.3)%. In comparison, Cochise declined by (1.1)%, Graham declined by (8.6)% and Navajo declined by (5.1)%. By not declining as much as the average districts or by having an assessed valuation that comes closer to the minimum assessed value than in the previous year, Cochise and Graham qualify for less aid in FY 2014 than in FY 2013. Due it part to raising its levy rate, Navajo qualifies for additional aid.

In any one year a district’s equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.38 billion in FY 2014) and 2) whether the district’s change in assessed value was less than the rural districts’ average and 3) the applicable tax rate.

Rural County Allocation

The Rural County Allocation Special Line Item facilitates payment to community college districts for students enrolled from counties that are not a part of an established community college district. If a county is not part of a community college district, it is responsible for the cost of their students attending community college in another county. A.R.S. § 15-1469.01 provides that the General

Fund will pay the initial cost for these counties and then the state will withhold these counties' sales tax revenues to offset that cost. The FY 2012 expenditure of \$3,051,700 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 county payments are partially offset by a state subsidy (*see next Special Line Item*).

The FY 2013 and FY 2014 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 2014 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2013.

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 2014 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 2014 for Tribal Community Colleges. This amount is unchanged from FY 2013.

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 2014 will depend on FY 2014 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

This funding is limited to tribes that entered into a compact with the Executive prior to September 1, 2012. Diné College on the Navajo Nation is the only college that meets this criteria.

The Baseline assumes that \$1,750,000 will be distributed to Diné College in FY 2014. This amount represents 10% of the estimated TPT revenues collected in the Navajo reservation in FY 2014, up to \$1,750,000. This estimate is revised each year based on the most recent actual TPT revenues. The most recent actual distribution in FY 2012 was \$1,750,000.

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 2014.

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 2013, base operating revenues from all sources are estimated to be \$1,809,461,500, an increase of 9% from FY 2012. (*See Table 4 for a summary of FY 2013 total revenue estimates.*)

Property taxes are the single largest revenue source for the community colleges, accounting for 41% 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 2013 property tax rates.*)

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>	<u>% Change in Combined Rate from FY 2012</u>
Cochise	\$1.73	\$0.00	\$1.73	3.6%
Coconino	0.39	0.11	0.50	6.4%
Gila	0.75	0.00	0.75	10.3%
Graham	2.41	0.00	2.41	12.6%
Maricopa	1.16	0.22	1.38	14.0%
Mohave	1.10	0.00	1.10	12.2%
Navajo	1.35	0.00	1.35	8.9%
Pima	1.15	0.03	1.18	7.3%
Pinal	1.61	0.27	1.88	18.6%
Santa Cruz	0.07	0.00	0.07	0.0%
Yavapai	1.67	0.22	1.89	16.7%
Yuma/La Paz	1.69	0.35	2.04	4.6%

In November 2012, Arizona voters approved Proposition 117, which will consolidate the primary and secondary tax bases into a single tax base (for purposes of levying taxes)

Table 4

Total Estimated Community College Revenues – FY 2013

<u>District</u>	<u>State Aid</u>	<u>Tuition/Fees</u>	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u> ^{1/}	<u>FY 2013 Total</u> ^{2/}	<u>FY 2012 Total</u> ^{3/}	<u>% Change from FY 2012</u>
Cochise	\$11,399,300	\$ 8,487,200	\$ 17,993,200	\$ 16,500,000	\$ 4,047,700	\$ 58,427,400	\$ 54,573,000	7.1%
Coconino	1,847,900	7,542,400	8,623,300	7,806,800	912,000	26,732,400	26,532,600	0.8%
Gila ^{4/}	410,000	-	3,654,800	116,000	475,000	4,655,800	4,298,100	8.3%
Graham	19,240,500	7,364,100	5,040,100	12,000,000	8,471,900	52,116,600	46,105,700	13.0%
Maricopa	8,315,700	287,898,300	472,393,400	247,768,900	82,506,300	1,098,882,600	993,944,700	10.6%
Mohave	1,785,600	12,101,400	19,621,600	14,903,000	361,100	48,772,700	48,274,200	1.0%
Navajo	7,059,800	5,300,000	13,167,600	5,400,000	2,275,000	33,202,400	34,457,500	(3.6)%
Pima	7,353,500	55,763,000	94,819,000	89,643,000	5,958,000	253,536,500	223,288,300	13.5%
Pinal	2,107,800	13,168,000	38,411,900	24,000,000	12,743,800	90,431,500	78,855,300	14.7%
Santa Cruz ^{4/}	63,500	-	258,300	75,600	500	397,900	369,400	7.7%
Yavapai	957,600	10,636,000	45,424,000	13,230,000	3,354,000	73,601,600	71,810,200	2.5%
Yuma/La Paz	<u>2,802,600</u>	<u>13,754,100</u>	<u>28,943,900</u>	<u>20,000,000</u>	<u>3,203,500</u>	<u>68,704,100</u>	<u>79,965,400</u>	<u>(10.7)%</u>
Total	\$63,343,800	\$422,014,500	\$748,351,100	\$451,443,300	\$124,308,800	\$1,809,461,500	\$1,659,474,400	9.0%

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 \$2,443,040,100 for FY 2013.

3/ Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,856,415,800 for FY 2012.

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.

and will limit annual property value increases to 5% starting in FY 2016. The proposition will not limit the community college districts' current ability to raise their property tax rates to generate 2% more in property tax revenues annually, not including property tax revenue from new construction. Any increase over 2% requires voter approval, unless the district has forgone increases in prior years and consolidates those increases into a single year. Since the 2% annual limit is based on the level of money generated from the property tax and not the property tax rate itself, Proposition 117 would not affect the districts' property tax revenue levels.

Long term property value growth has been approximately 5%. From that perspective, Proposition 117 would tend to reduce the year-to-year volatility in property tax values rather than reduce the dollar amount of long term revenues. However, the property tax base might grow more slowly under Proposition 117 because the property tax values would not be able to increase by more than 5% to offset the years that experience growth that is less than 5%.

To the extent that the property value grows more slowly because of Proposition 117, the community colleges could still generate the same level of revenue by increasing their tax rates.

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 2013 weighted average tuition was \$2,207, an increase of 3% from FY 2012. Full-time annual tuition costs range from \$1,600

at Graham, to \$2,550 at Coconino. (See Table 6 for FY 2013 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 32% 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 2013 community college expenditures. In FY 2013, total budgeted expenditures are \$2,430,228,500. As mentioned previously, base operating revenues for FY 2013 are \$1,809,461,500; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,443,040,100. Of the total \$2,430,228,500 in expenditures, \$1,601,600,000, or 66%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$521,461,400, or 21%, for instruction and \$229,474,600, or 9%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$139,844,900, or 6% of the total. Plant Fund expenditures, which generally include capital costs, are \$580,922,800, or 24% of the total. The remaining \$107,860,800 is for debt service.

Table 6

Community College Resident Tuition and Fees – FY 2013

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost</u> ^{1/}	<u>% Change from FY 2012</u>
Cochise	\$70	\$2,100	6.6%
Coconino	85	2,550	(3.4)%
Gila	82	2,470	17.0%
Graham	53	1,600	0.0%
Maricopa	76	2,280	0.0%
Mohave	84	2,520	2.4%
Navajo	64	1,930	3.2%
Pima	69	2,060	7.9%
Pinal	70	2,100	0.0%
Santa Cruz ^{2/}	70	2,100	-
Yavapai	70	2,100	4.5%
Yuma/La Paz	<u>72</u>	<u>2,160</u>	<u>2.9%</u>
Weighted Average	\$74	\$2,207	3.3%

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.

Table 7

Community Colleges - FY 2013 Budgeted Expenditures

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 521,461,400	21%
Public Service	25,383,900	1%
Academic Support	134,542,400	6%
Student Services	145,912,600	6%
Administrative Support	229,474,600	9%
Operation & Maintenance	103,652,500	4%
Scholarships/Grants	381,774,800	16%
Contingency	<u>59,397,800</u>	<u>2%</u>
Subtotal	\$1,601,600,000	66%
Auxiliary Enterprises Fund	\$ 139,844,900	6%
Plant Fund	580,922,800	24%
Debt Service	<u>107,860,800</u>	<u>4%</u>
Total	\$2,430,228,500	100%

SUMMARY OF FUNDS

FY 2012 Actual **FY 2013 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	729,900	738,700
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	14,213,600	14,974,500
Year-End Fund Balance	0	0