

**Program Summary  
Arizona Community Colleges  
Levy and Expenditure Limits**

**Overview**

Provisions of Article IX, Sections 19 and 21, of the Arizona Constitution impose limitations on county, city, town, and community college district property tax levies as well as expenditures of revenues. Established by several voter initiatives in the 1980s, levy and expenditure limits aim to control maintenance and operation levies of counties, cities and towns, and community college districts.

*Expenditure Limits*

The Arizona Constitution requires expenditure limitations for community college districts. These limit the ability of a community college district to spend tax-generated funds. These limits generally include operating costs of the community colleges. They do not include funds generated from tuition, fees, federal funds, bond proceeds, debt service, and state capital funding. Community college districts have, by statute, exclusions for these expenditures.

Expenditure limitations are annually adjusted to reflect changes in student enrollment growth and inflation. Pursuant to A.R.S. § 41-563, expenditure limits for community college districts are calculated by adjusting the amount of actual payments of local revenues for each district for FY 1980. Expenditure limits increase in proportion to enrollment increases projected by the college. *Table 1* displays the expenditure limit calculation.

| <b>Table 1<br/>Expenditure Limitations: Community College Districts</b> |   |                     |   |           |
|---|---|---------------------|---|-----------|
| Base Limit  | X | % Enrollment Change | X | Inflation |
| = Expenditure Limit   |   |                     |   |           |

*Table 3* shows FY 2006 expenditures subject to limitation, as well as total expenditures for each community college district. In FY 2006, total budgeted expenditures are approximately \$1.6 billion. Total expenditures subject to the limitation are \$689 million, or about 40% of districts' total budgets.

*Levy Limits*

A levy is the revenue a community college district can collect through primary property taxes. Capacity is maintained by the formula even if it is not used.

The college district can, and often does, collect the entirety of the allowed levy. Pursuant to A.R.S. § 42-17051, the previous fiscal year dollar amount levy limit is increased annually by 2%, plus levies

generated from new construction. *Table 2* displays the levy limit calculation.

| <b>Table 2<br/>Levy Limits: Community College Districts</b> |   |    |
|---|---|----|
| Prior Year Maximum Limit (in dollars)                       | X | 2% |
| + New Construction  |   |    |
| = New Maximum Limit   |   |    |

*Table 3* and *Table 4* highlight the changes in levy and expenditures limits in previous fiscal years. Currently, Pinal, Cochise, Navajo, and Yuma Counties are *not* at their levy limit.

It is a general practice for districts to “back into” their property tax rates. Starting with the previous fiscal year’s levy limit (dollar amount), they use the levying formula to calculate what their new rate will be. As previously stated, most community college districts levy at capacity.

**Related Issues**

*TNT: Truth in Taxation*

The Arizona Legislature requires community colleges to follow Truth in Taxation (TNT) provisions passed in 1996. TNT alerts taxpayers of a district’s intention to raise overall property taxes. If a county, city, town, or community college’s proposed primary property tax levy, excluding amounts that are attributable to new construction, is greater than the amount levied the previous year, the political subdivision’s governing body must publish TNT notices and hold a TNT hearing.

While community colleges may increase property taxes, they still may not exceed their levy limits. According to research done by Arizona Tax Research Association, TNT and levy limits do not prevent growth attributed to new construction, which is allowable under the levy and TNT provision. Between 1980 and 1996, the average annual growth in community college primary levies was 6.9%. During the 3 years that TNT laws have been in place, annual growth in primary levies has averaged 8.5%. This is attributed to new construction growth in Maricopa and Pima Counties.

**Recent changes**

Gila provisional community college district recently acquired expenditure limits. There are no other

pertinent changes to community college levy and expenditure limits.

| <b>Community College District</b> | <b>FY 2006 Limitation</b> | <b>% Change from FY 2005</b> | <b>Total FY 2006 Budgeted Expenditures</b> |
|-----------------------------------|---------------------------|------------------------------|--|
| Cochise                           | \$ 40,308,900             | 31.2%                        | \$ 50,817,600                              |
| Coconino                          | 12,573,900                | 13.5                         | 21,070,400                                 |
| Gila                              | 2,038,100                 | (34.4)                       | NA   |
| Graham                            | 17,424,000                | 2.9                          | 36,372,700                                 |
| Maricopa                          | 398,540,600               | 4.9                          | 1,090,944,400                              |
| Mohave                            | 21,021,100                | 26.5                         | 33,837,900                                 |
| Navajo                            | 16,288,000                | 2.5                          | 31,435,300                                 |
| Pima                              | 85,870,200                | (3.5)                        | 187,488,000                                |
| Pinal                             | 30,359,300                | 14.1                         | 51,445,800                                 |
| Yavapai                           | 30,860,200                | (0.7)                        | 76,713,600                                 |
| Yuma/La Paz                       | <u>34,060,000</u>         | <u>8.0</u>                   | <u>65,756,300</u>                          |
| <b>Total</b>                      | <b>\$689,344,300</b>      | <b>5.9%</b>                  | <b>\$1,645,882,000</b>                     |

| <b>Community College District</b> | <b>Primary NAV</b>      | <b>Primary Rate</b> | <b>Actual Primary Levy</b> | <b>Calculated Primary Levy Limits</b> |
|-----------------------------------|-------------------------|---------------------|----------------------------|---------------------------------------|
| Cochise                           | \$ 611,079,600          | \$ 1.79             | \$ 10,918,800              | \$ 15,614,300                         |
| Coconino                          | 1,174,117,300           | 0.41                | 4,772,700                  | 4,817,400                             |
| Gila                              | NA                      | 0.63                | NA                         | NA                                    |
| Graham                            | 101,193,700             | 2.07                | 2,109,800                  | 2,109,800                             |
| Maricopa                          | 28,070,870,400          | 0.92                | 258,560,800                | 258,560,800                           |
| Mohave                            | 1,248,789,600           | 0.95                | 11,872,200                 | 11,872,200                            |
| Navajo                            | 644,123,100             | 1.26                | 8,100,000                  | 9,057,200                             |
| Pima                              | 5,412,550,100           | 1.11                | 60,312,000                 | 60,316,800                            |
| Pinal                             | 1,061,149,000           | 2.15                | 22,814,700                 | 37,167,800                            |
| Yavapai                           | 1,676,029,500           | 1.56                | 26,189,600                 | 26,189,600                            |
| Yuma/La Paz                       | <u>800,351,600</u>      | <u>1.86</u>         | <u>14,890,300</u>          | <u>19,332,500</u>                     |
| <b>Total</b>                      | <b>\$40,800,253,900</b> |                     | <b>\$420,540,900</b>       | <b>\$445,038,400</b>                  |