

State Aid for Community Colleges

Community Colleges

Program Summary

Program Overview

The Arizona Community College system was established in 1962 and is currently 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 Associate's degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

Background

From FY 2009 to FY 2018 state aid for the community college districts has decreased by (64.2)%, from \$135.7 million to \$48.6 million. The drop in state aid has been due to various policy changes that have impacted the statutory funding formulas that calculate aid for the districts. The community college districts are mainly funded through 3 formulas known as Operating Aid; Science, Technology, Engineering and Mathematics and Workforce Programs (STEM) Aid (formerly Capital Outlay Aid); and Equalization Aid. The formulas are described in more detail in the "Program Funding" section below. Below is a brief year-by-year summary of the policy decisions that have impacted community college state aid outside of normal formula adjustments associated with enrollment changes from FY 2009 to FY 2018:

FY 2009

The FY 2009 budget included lump sum reductions of \$(4.4) million from Operating Aid and \$(1.1) million from Equalization Aid, as well as complete suspension of the Capital Outlay formula, which amounted to a decrease of \$(20.1) million. Total Aid in FY 2009 was \$135.7 million, representing a decrease of (17.5)% from FY 2008.

FY 2010

Laws 2009, Chapter 9 permanently eliminated the hold harmless provision in the Operating Aid statutory formula which "held harmless" districts with declining Full-Time Student Equivalent (FTSE) enrollment. The policy change decreased Operating Aid by \$(1.7) million in FY 2010. The FY 2010 budget also included an additional lump sum reduction of \$(9.2) million in Operating Aid. The budget continued to suspend Capital Outlay Aid, but fully funded Equalization Aid. Total aid in FY 2010 was \$132.4 million, (2.4)% less than FY 2009.

FY 2011

Starting in FY 2011, Laws 2009, Chapter 9 permanently adjusted the Operating Aid formula so that dual enrollment students can only be funded at 50%. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit. Laws 2010, Chapter 9 suspended formula increases for Operating Aid and Equalization aid, and continued to suspend all Capital Outlay Aid. FY 2011 aid remained flat at the FY 2010 funding level of \$132.4 million.

FY 2012

The FY 2012 budget included a decrease of \$(72.9) million in Operating Aid. Each district's Operating Aid was reduced by (6.2)% of their total operating revenues, which are comprised of state aid, primary property tax, and tuition and fees. The budget continued to suspend all Capital Outlay Aid but fully funded the Equalization Aid formula. State aid decreased by (48.2)% from FY 2011 to a total of \$68.6 million.

FY 2013

The FY 2013 budget fully funded caseload changes in Operating and Equalization formulas and continued to suspend Capital Outlay Aid, resulting in state aid of \$63.3 million, (7.6)% less than FY 2012.

FY 2014

The FY 2014 budget fully funded Operating and Equalization Aid formulas. The budget continued to suspend the formula for Capital Outlay Aid, but provided \$2.0 million for Capital Outlay purposes. The \$2.0 million was distributed to each district, excluding Maricopa and Pima, based on each district's proportional share of the total FTSE. Laws 2013, Chapter 223 replaced the name Capital Outlay Aid with STEM and Workforce Programs Aid, but

the formula remained unchanged. Total funding for community colleges in FY 2014 was \$62.8 million, a (0.9)% decrease from the prior year.

FY 2015

The FY 2015 budget fully funded Operating Aid and Equalization Aid. Laws 2014, Chapter 16 suspended the formula for STEM and Workforce Programs Aid, but the budget provided full STEM formula funding for rural districts and an additional \$2.0 million for Pima and Maricopa (\$0.6 million and \$1.4 million respectively). Aid increased by \$2.0 million or 3.3% from FY 2014 to a total of \$64.8 million.

FY 2016

Laws 2015, Chapter 16 permanently eliminated Operating Aid for Maricopa and Pima, resulting in savings of \$12.8 million in FY 2016. Laws 2015, Chapter 16 also suspended the STEM and Workforce Aid formula in FY 2016 and permanently eliminated STEM Aid for Maricopa and Pima. The FY 2016 budget partially funded STEM Aid for Pinal and fully funded STEM Aid for the remaining rural districts, resulting in savings of \$15.9 million in FY 2016. The budget fully funded the Operating and Equalization Aid formulas. FY 2016 aid was \$48.0 million or (26.0)% less than FY 2015.

FY 2017

Laws 2016, Chapter 130 continues to suspend the STEM and Workforce Aid formula in FY 2017 and the FY 2017 budget continues to partially fund STEM Aid for Pinal and fully fund STEM Aid for the remaining rural districts, resulting in savings of \$751,000. The budget fully funded the Operating and Equalization Aid formulas. FY 2017 aid is \$47.7 million or (0.6)% less than FY 2016.

FY 2018

Laws 2017, Chapter 310 permanently restores Maricopa and Pima County’s eligibility for Operating State Aid. Laws 2017, Chapter 310, however, also suspends both the Operating State Aid and STEM Aid formulas for FY 2018. The FY 2018 budget continues to partially fund STEM Aid for Pinal and fully fund STEM Aid for the remaining rural districts, resulting in savings of \$714,100. The budget does not fund STEM Aid for Maricopa and Pima, resulting in savings of \$13,565,600. It also does not fund Operating State Aid for Maricopa and Pima. The budget fully funded the Equalization Aid formula. FY 2018 State Aid for all three community college formulas combined is \$48.6 million or 1.9% more than FY 2017.

State aid represents a portion of the total operating revenues that the community college districts take in each year. *Table 1* shows a year-by-year breakout of state aid, overall revenues, percentage of revenues made up of state aid, and total FTSE counts from FY 2009 to FY 2018.

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
State Aid	135.7	132.4	132.4	68.6	63.3	62.8	64.8	48.0	47.7	48.6
Revenue ^{1/}	1,429.2	1,672.5	1,693.7	1,659.5	1,631.6	1,633.7	1,647.1	1,633.7	1,811.0	1,811.0
Aid % of Revenue	9.5%	7.9%	7.8%	4.1%	3.9%	3.8%	3.9%	2.9%	2.6%	2.7%
FTSE ^{2/}	118,308	118,434	123,797	135,789	145,470	141,474	133,917	128,085	122,662	116,494

^{1/} FY 2017 and FY 2018 revenues are estimates as actual data is not yet available as of this publishing.
^{2/} FTSE is based on the actual audited count 2 years prior to the funded amount. For example, the FTSE count from FY 2016 is shown in the FY 2018 column since the FY 2016 count is used to determine FY 2018 funding.

Program Funding

The bulk of the state aid that is appropriated to the community colleges is determined using 3 statutory formulas known as Operating Aid, STEM and Workforce Programs Aid, and Equalization Aid. Each type of aid is calculated and expended as required by statute.

Operating Aid provides each community college district, excluding Maricopa and Pima, with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466. The Operating Aid formula adjusts state aid by 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 audited FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year.

STEM and Workforce Programs Aid provides community college districts, excluding Maricopa and Pima, with funds for partnerships, faculty, technology equipment, student services, facilities, and property needs pursuant to A.R.S. § 15-1464. The districts receive per capita funding 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 provides 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. Aid is calculated at the lesser of \$1.37 per \$100 of the district's assessed valuation or the district's levy rate. In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold and 2) the applicable tax rate.

Other State Funding

In addition to statutory formula funding, the state also provides community colleges with aid for Rural County Reimbursement and Tribal Colleges.

Rural Reimbursement

Counties that do not have an organized community college district are responsible for the cost of their residents attending community college in counties that are part of an organized district. A.R.S. § 15-1469.01 requires the General Fund to pay the initial cost for these counties and then the state withholds these counties' sales tax revenues to offset that cost; therefore, there is no net General Fund impact. The only counties that are not currently part of an established community college district are Apache and Greenlee.

The state provides a Rural County Reimbursement Subsidy for Apache and Greenlee Counties to partially offset the cost of their residents attending community colleges in other counties. *Table 2* shows a history of the reimbursement subsidy from FY 2009 through FY 2018, as well as a history of the total reimbursement owed by Apache and Greenlee, and the percent of reimbursement that was offset by the General Fund subsidy.

	Rural County Reimbursement Subsidy Distribution									
	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Apache	466,000	466,000	466,000	466,000	466,000	466,000	699,300	699,300	699,300	699,300
Greenlee	382,800	382,800	382,800	382,800	382,800	382,800	574,500	574,500	574,500	574,500
Santa Cruz ^{1/}	151,200	151,200	151,200	-	-	-	-	-	-	-
Total	1,000,000	1,000,000	1,000,000	848,800	848,800	848,800	1,273,800	1,273,800	1,273,800	1,273,800
	Reimbursement Due From Apache and Greenlee									
Apache	2,033,400	1,818,900	1,884,100	2,098,100	2,197,300	2,592,200	2,517,500	1,824,300	1,981,200	1,860,800
Greenlee	624,800	691,700	610,700	953,600	792,900	676,200	678,000	699,100	749,400	735,900
Total	2,658,200	2,510,600	2,494,800	3,051,700	2,990,200	3,268,400	3,195,500	2,523,400	2,730,600	2,596,700
	Percent of Reimbursement Offset by Subsidy									
Apache	22.9%	25.6%	24.7%	22.2%	21.2%	18.0%	27.8%	38.3%	35.3%	37.6%
Greenlee	61.3%	55.3%	62.7%	40.1%	48.3%	56.6%	84.7%	82.2%	76.7%	78.1%

^{1/} Santa Cruz became ineligible for the Rural County Reimbursement Subsidy in FY 2011 after converting to a provisional college.

Tribal Colleges

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) revenue collected from all sources located on the reservation, whichever is less. These monies provide tribal community colleges with funding for maintenance, renewal, and capital expenses. Laws 2013, Chapter 9 additionally allows a technical college located on the same reservation to receive \$875,000, or 5% of the TPT revenues collected from sources located on the reservation, whichever is less.

This funding is limited to tribes that enter into a compact with the Executive by September 1, 2017. Diné College and Navajo Technical College on the Navajo Nation are the only schools that currently qualify to receive TPT revenues. The only other existing tribal community college in Arizona is Tohono O’odham Community College. *Table 3* shows a history of the total Tribal College appropriations from FY 2009 through FY 2018 (FY 2017 and FY 2018 are projected distributions as actual TPT data is not yet available as of this publishing).

	Tribal College TPT Distributions									
	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>
Diné College	1,723,700	1,662,900	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
Navajo Technical	-	-	-	-	-	875,000	875,000	875,000	875,000	875,000
Total	1,723,700	1,662,900	1,750,000	1,750,000	1,750,000	2,625,000	2,625,000	2,625,000	2,625,000	2,625,000

Additional Gila Workforce Development Aid

As a provisional community college district, the Gila County Community College District (GCCCD) is not eligible for a \$200,000 annual Workforce Development allocation from Proposition 301 monies (see A.R.S. § 42-5029). The FY 2018 budget provides \$250,000 in General Fund money to GCCCD for this purpose. Of the \$250,000, \$50,000 is one-time. The FY 2018 budget’s 3-year spending plan includes \$200,000 from the General Fund for additional workforce development aid for the GCCCD in FY 2019 and FY 2020.