

Fiscal Note

BILL # SB 1173

TITLE: community colleges; out-of-county reimbursement

SPONSOR: Gowan

STATUS: Senate Engrossed

PREPARED BY: Lydia Chew

Description

SB 1173 would reduce the out-of-county reimbursement amounts due from Apache and Greenlee Counties to the community college districts and would require the difference to be paid by the General Fund. The bill would become effective beginning in FY 2023.

Estimated Impact

SB 1173 would result in an annual General Fund cost of \$2.0 million. The proposal would also reduce out-of-county reimbursement costs for Apache and Greenlee Counties by \$(2.0) million each year.

Analysis

Apache and Greenlee Counties do not have community college districts. Instead, these 2 counties reimburse the community college districts in other counties ("educating districts") for the cost of educating their residents. By May 15 of each year, the JLBC Staff determines the out-of-county reimbursement amounts due from Apache and Greenlee to each of the educating districts. The reimbursement amount to each educating district is determined by the educating district's estimated operating expenses in the current fiscal year, excluding Operating State Aid for the current fiscal year, divided by the district's estimated full-time equivalent student enrollment (FTSE) in the current fiscal year. This amount is then multiplied by the FTSE of Apache and Greenlee residents attending each of the educating districts in the prior fiscal year.

Table 1 displays the out-of-county reimbursement amounts due from Apache and Greenlee to each educating district ("total cost"). The total amount due from the 2 counties is \$4.3 million.

The bill would establish a formula that would reduce the net county cost relative to current law. Under SB 1173, Apache and Greenlee would be required to contribute only the primary property tax levy share of the educating district's costs, rather than the educating district's overall operating costs, associated with each resident attending the educating district. The remaining amount would be paid by the General Fund.

The reimbursement amounts due from Apache and Greenlee to each educating district ("county cost") would be determined by the educating district's primary property tax levy in the current fiscal year divided by the educating district's estimated FTSE in the current fiscal year. This per-FTSE amount is then multiplied by the FTSE of Apache and Greenlee residents attending each of the educating districts in the prior fiscal year.

The difference between the total out-of-county reimbursement amount and the county cost would be the General Fund cost. The county cost and General Fund cost are also displayed in *Table 1*.

As displayed in *Table 1*, SB 1173 would reduce the gross cost of Apache and Greenlee reimbursements from \$4.3 million to \$2.3 million. The difference of \$2.1 million would be made up by the state General Fund.

(Continued)



Table 1

SB 1173 General Fund Impact

	<u>Cochise</u>	<u>Coconino</u>	<u>Graham</u>	<u>Maricopa</u>	<u>Navajo</u>	<u>Pima</u>	<u>Pinal</u>	<u>Yavapai</u>	<u>Total</u>
Total Cost									
Apache	\$11,600	\$278,100	\$578,700	\$190,500	\$1,156,100	\$391,100	\$84,000	\$137,100	\$2,827,200
Greenlee	\$0	\$0	\$1,350,400	\$83,600	\$0	\$51,000	\$1,200	\$23,900	<u>\$1,510,100</u>
Total									\$4,337,300
County Cost									
Apache	\$6,600	\$140,800	\$165,100	\$152,300	\$754,600	\$298,400	\$84,000	\$137,100	\$1,738,900
Greenlee	\$0	\$0	\$385,200	\$66,900	\$0	\$38,900	\$1,200	\$23,900	<u>\$516,100</u>
Total									\$2,255,000
General Fund Cost									
Apache	\$5,000	\$137,300	\$413,600	\$38,200	\$401,500	\$92,700	\$0	\$0	\$1,088,300
Greenlee	\$0	\$0	\$965,200	\$16,700	\$0	\$12,100	\$0	\$0	<u>\$994,000</u>
Total									\$2,082,300

In addition, the General Fund budget for the community colleges currently includes a \$1.3 million subsidy to Apache and Greenlee that partially offsets the combined \$4.3 million total cost of out-of-county community college attendance. Of the \$1.3 million subsidy, Apache receives \$699,300 and Greenlee receives \$547,500. As a result, the net county cost under current law is \$3.1 million, as shown in *Table 2*.

Under SB 1173, the new \$2.1 million General Fund subsidy (see *Table 1*) would further reduce the Apache and Greenlee out-of-county reimbursement cost to \$1.0 million. Apache would pay \$1,039,600, and Greenlee would pay \$0. The General Fund subsidy to Greenlee would be \$58,400 greater than Greenlee's actual costs. We assume that the bill does not result in Greenlee being reimbursed \$58,400 more than its actual cost, and we did not reallocate the \$58,400 to Apache. Since we have not allocated the \$58,400, the General Fund cost of SB 1173 is reduced by \$(58,400), from the \$2.1 million displayed in *Table 1* to the \$2.0 million displayed in *Table 2* (under "Difference").

Table 2

Summary of General Fund and Net County Cost

	Under Current Law		Under SB 1173		Difference	
	<u>General Fund Cost</u>	<u>Net County Cost</u>	<u>General Fund Cost</u>	<u>Net County Cost</u>	<u>General Fund Cost</u>	<u>Net County Cost</u>
Apache	\$699,300	\$2,127,900	\$1,787,600	\$1,039,600	\$1,088,300	(\$1,088,300)
Greenlee	\$574,500	\$935,600	\$1,510,100	\$0	\$935,600	(\$935,600)
Total	\$1,273,800	\$3,063,500	\$3,297,700	\$1,039,600	\$2,023,900	(\$2,023,900)

Local Government Impact

As shown in *Table 2*, annual out-of-county reimbursement costs for Apache and Greenlee Counties would decrease by \$(1.1) million and \$(935,600) respectively, for a total of \$(2.0) million each year.