

Chairperson: Karen Rizk

JLBC Analyst: Bruce Groll

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
<b>PROGRAM BUDGET</b>			
State Board Support	748,000	743,700	239,500
Arizona Transfer Articulation Support System SLI	225,700	224,100	0
Arizona Learning Systems SLI	0	0	0 <sup>1/</sup>
<i>Program Subtotal - State Board Support</i>	<u>973,700</u>	<u>967,800</u>	<u>239,500</u>
Teacher Certification	196,900	168,000	0 <sup>2/</sup>
Operating State Aid			
Cochise SLI	6,321,400	6,020,200	5,832,100
Coconino SLI	3,130,800	3,104,700	3,058,400
Graham SLI	5,645,600	5,544,400	5,528,800
Maricopa SLI	47,945,800	47,592,900	49,067,100
Mohave SLI	4,048,800	3,944,700	3,821,400
Navajo SLI	4,326,300	4,223,300	4,431,900
Pima SLI	19,963,100	19,465,900	19,079,700
Pinal SLI	6,165,100	5,977,700	5,956,900
Yavapai SLI	5,079,600	4,930,800	4,830,700
Yuma/La Paz SLI	5,312,700	5,472,800	5,497,500
<i>Program Subtotal - Operating State Aid</i>	<u>107,939,200</u>	<u>106,277,400</u>	<u>107,104,500</u>
Capital Outlay State Aid			
Cochise SLI	750,100	699,900	717,700
Coconino SLI	313,300	314,400	336,100
Graham SLI	606,700	598,800	649,200
Maricopa SLI	8,299,400	8,237,400	8,747,100
Mohave SLI	482,400	470,900	463,600
Navajo SLI	419,600	408,800	491,100
Pima SLI	2,784,600	2,710,200	2,794,400
Pinal SLI	662,600	639,600	693,500
Yavapai SLI	588,000	570,300	597,300
Yuma/La Paz SLI	662,800	702,300	756,400
<i>Program Subtotal - Capital Outlay State Aid</i>	<u>15,569,500</u>	<u>15,352,600</u>	<u>16,246,400</u>
Equalization Aid			
Cochise SLI	2,092,200	2,113,500	2,112,100
Graham SLI	7,275,100	7,655,900	6,961,000
Navajo SLI	1,263,600	1,270,300	1,357,700
Pinal SLI	0	96,000	0
Yuma/La Paz SLI	117,800	0	264,000
<i>Program Subtotal - Equalization Aid</i>	<u>10,748,700</u>	<u>11,135,700</u>	<u>10,694,800</u>
Rural County Reimbursement	<u>2,170,100</u>	<u>0</u>	<u>0</u>
<b>TOTAL APPROPRIATIONS</b>	<b>137,598,100</b>	<b>133,901,500</b>	<b>134,285,200</b>

<sup>1/</sup> Arizona Learning Systems shall develop an operations and business plan for continued statewide use and financial viability of the system. If a plan is not developed and submitted to the Joint Legislative Budget Committee for its review by July 31, 2002, Arizona Learning Systems shall terminate by the end of August 2002. If Arizona Learning Systems is terminated, state-funded assets for Arizona Learning Systems shall be disbursed as directed by the Joint Legislative Budget Committee and any remaining state appropriations for Arizona Learning Systems shall be returned to the state General Fund. (General Appropriation Act footnote)

<sup>2/</sup> The Community College Teacher Certification program and the Community College Certification Fund were repealed pursuant to Laws 2001, 2<sup>nd</sup> Special Session, Chapter 6, Section 11 and as amended by Laws 2002, 3<sup>rd</sup> Special Session, Chapter 1, Section 13.

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	13.0	13.0	5.0
Personal Services	616,300	601,100	157,700
Employee Related Expenditures	104,700	104,300	28,100
Professional and Outside Services	30,400	12,300	3,000
Travel - In State	35,200	30,800	7,600
Travel - Out of State	1,200	1,500	800
Other Operating Expenditures	152,300	146,500	39,700
Equipment	4,800	15,200	2,600
<i>Operating Subtotal</i>	944,900	911,700	239,500
Special Line Items (SLI)	136,653,200	132,989,800	134,045,700
<b>TOTAL APPROPRIATIONS</b>	<b>137,598,100</b>	<b>133,901,500</b>	<b>134,285,200</b> <sup>3/4/</sup>
<b>FUND SOURCES</b>			
General Fund	137,401,200	133,733,500	134,285,200
<u>Other Appropriated Funds</u>			
Community College Certification Fund	196,900	168,000	0
<i>Subtotal - Other Appropriated Funds</i>	196,900	168,000	0
<b>TOTAL APPROPRIATIONS</b>	<b>137,598,100</b>	<b>133,901,500</b>	<b>134,285,200</b>

**AGENCY DESCRIPTION** — *The Arizona community college system is comprised of the State Board of Directors (State Board) and 10 college 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.*

<b>PERFORMANCE MEASURES</b>	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Est./Actual	Estimate
• % of upper-division students at universities who transfer from an Arizona Community College with 12 or more credits	NA/34	NA/35	36/36	40
• % of students who transfer to Arizona public universities without loss of credits	NA/50	NA/65	75/NA	85/95
• No. of applied Baccalaureate programs collaboratively developed with universities	NA/5	NA/6	8/NA	10/12
• % of community college campuses that offer 2-way interactive TV courses	NA/30	NA/42	65/58	85/100
• % of students completing vocational education programs who enter jobs related to training	85/85	85/85	85/59	88/90

**State Board Support Program** — This program provides general administrative support to the State Board. The State Board consists of 17 members: one from each county appointed by the Governor; a representative of the Arizona Board of Regents; and the Superintendent of Public Instruction or the Superintendent's designee.

The approved appropriation is funded from the General Fund. For FY 2003, the approved amount for the State Board includes a reduction of \$(504,200) and (5) FTE Positions from FY 2002.

<sup>3/</sup> All community college districts shall provide articulation information to students for classes that transfer for credit to an Arizona public university, including references to advisement, counseling and appropriate Web sites, in all catalogues, course schedules and Internet course guides. (General Appropriation Act footnote)

<sup>4/</sup> General Appropriation Act (Laws 2002, Chapter 327) funds are appropriated as an Operating Lump Sum with district-by-district Special Line Items and Other Special Line Items.

**Arizona Transfer Articulation Support System (ATASS) Special Line Item** — Effective July 1, 2002, this Special Line Item is transferred to the Arizona Board of Regents pursuant to Laws 2002, Chapter 327, Section 65. ATASS funding supports a joint initiative of the community colleges and universities to facilitate better course transfer articulation and to develop a shared statewide student and financial information database for enhancing reporting and accountability. The approved appropriation is funded from the General Fund.

The Education Omnibus Reconciliation Bill (Laws 2002, Chapter 330) codifies in statute the requirement that the Community Colleges and Universities cooperate in continuing ATASS.

**Arizona Learning Systems (ALS) Special Line Item** — This Special Line Item supports a consortium of Arizona's 10 community college districts under the auspices of the State Board to promote distance learning across district boundaries using Internet, interactive videoconferencing, and other technologies. ALS began offering classes in January 2001, but a majority of the districts have voted to discontinue the consortium, distribute the equipment, and return any of the remaining previously appropriated monies to the state General Fund. A new footnote has been added by Laws 2002, Chapter 327, Section 14, to address this issue. (*See Footnote 1.*)

**Teacher Certification Program** — This program and the Community College Certification Fund were repealed pursuant to Laws 2001, 2<sup>nd</sup> Special Session, Chapter 6, Section 11 and as amended by Laws 2002, 3<sup>rd</sup> Special Session, Chapter 1, Section 13. Any unused monies in the fund revert to the General Fund on June 30, 2002, except that \$50,000 shall be retained as non-appropriated funds to be used to phase-out the program. The State Board is required to submit a final report of the phase-out expenses to Joint Legislative Budget Committee (JLBC) on or before December 31, 2002 and revert any remaining monies to the General Fund on January 1, 2002.

**Operating State Aid Program and Special Line Items** — This program provides the community college districts with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466. The approved appropriation is funded from the General Fund. Each district's funding is provided in its own Special Line Item.

The approved amount includes a collective FY 2003 increase of \$827,100 or 1% above FY 2002. The approved amount includes a \$4,282,100 increase to fully fund the growth-only statutory formula for each community college district and a (3.125)% lump sum reduction of \$(3,455,000).

The community college funding formula "holds harmless" districts with declining full-time student equivalent (FTSE) enrollment by adjusting state aid in an amount that reflects

only growth in the FTSE enrollment count. This enrollment adjustment is calculated by multiplying the increase in the most recent year's actual FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year. Audited enrollment for FY 2003 is 97,588 FTSE and grew by 3,811 or 4%.

However, Laws 2002, Chapter 330, Section 47, notwithstanding the statutory formula for FY 2003 and adopts the amount for Operating State Aid specified in the General Appropriation Act.

**Capital Outlay State Aid Program and Special Line Items** — This program provides the community college districts with funds for capital land, building, and equipment needs pursuant to A.R.S. § 15-1464. The approved appropriation is funded from the General Fund. Each district's funding is provided in its own Special Line Item.

The approved amount includes a collective FY 2003 increase of \$893,800 or 5.8% above FY 2002. The approved amount includes a \$1,417,900 increase to fully fund the statutory formula for each community college district and a (3.125)% lump sum reduction of \$(524,100).

The statutory Capital Outlay 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 multiplies \$210/FTSE for districts with 5,000 or less FTSE or \$160/FTSE for districts with greater than 5,000 FTSE by the district's actual audited FTSE.

However, Laws 2002, Chapter 330, Section 47, notwithstanding the statutory formula for FY 2003 and adopts the amount for Capital Outlay State Aid specified in the General Appropriation Act.

**Equalization Aid Program and Special Line Items** — This program provides additional state aid to qualifying community college districts whose tax base is insufficient to provide adequate funding for continuing operations and maintenance pursuant to A.R.S. § 15-1468. The approved appropriation is funded from the General Fund. Each district's funding is provided in its own special line item.

The approved amount includes a collective FY 2003 reduction of \$(440,900) or (4)% from FY 2002. The approved amount includes:

- Freezing funding at FY 2002 amounts for districts that would continue to qualify for statutory funding in FY 2003 (Cochise, Graham and Navajo). Pinal qualified for \$96,000 in FY 2002, but became ineligible in FY 2003.
- Applying a (3.125)% or \$(344,900) reduction to the FY 2002 adjusted amount.
- Distributing the \$10,694,800 total amount for FY 2003 on a pro-rata basis to the 4 districts who

would qualify for statutory funding in FY 2003 (Cochise, Graham, Navajo, and Yuma/La Paz).

The percentages were based on the amount of equalization aid that each district would have received under the original statutory formula.

Equalization Aid is paid 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 increased by the average growth in actual assessed valuation for the 2 most recent years for all rural districts with populations of less than 500,000 persons.

Equalization Aid is paid out on the basis of the difference between minimum assessed valuation and the most recent year's 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.

Laws 2002, Chapter 330, Section 47, notwithstanding the statutory formula for FY 2003 and adopts the amount for Equalization Aid specified in the General Appropriations Act.

**Rural County Reimbursement Program** — This program 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, the FY 2001 actual expenditure of \$2,170,100 is offset by a corresponding reduction in the county's sales tax apportionment. The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution.

**Additional Legislation:** Education; Omnibus Budget Reconciliation; 2002-2003 (Chapter 330) — The bill transfers most of the State Board's current responsibilities to locally elected community college district governing boards, county boards of supervisors and other entities.

- Section 4 amends A.R.S. § 15-784E to require the State Board for Vocational and Technological Education to distribute federal monies for vocational education directly to community college districts and specifically prohibits a provisional community college from receiving monies pursuant to this section.
- Section 10 amends A.R.S. § 15-1424, the general powers of the State Board, to remove State Board statutory authority pertaining to adopting rules on district contracting, construction, remodeling and repairs, buying, selling or holding title to real property, or entering into lease or lease-purchase agreements for real property.

- Section 11 amends A.R.S. § 15-1425 and Section 12 repeals the old law, to reassign the general administrative powers of the State Board to the district governing boards including enacting ordinances for district governance, setting standards for college establishment, operations and accreditation, establishing qualifications of instructional staff and vocational/technological competencies, fixing tuition and fees, and waiving tuition and fees.
- Section 20 amends A.R.S. § 15-1463 to require a governing board in an existing district when it has determined the need for an additional campus to "...submit a request to the JLBC for review."
- Section 29 amends A.R.S. § 15-1483 to require a district to submit to the JCCR information on planned projects that will be funded with bond proceeds prior to seeking voter approval for issuance of the bonds.
- Section 32 adds A.R.S. § 15-1824 to convert into statutory language a General Appropriation Act footnote regarding requirements for community college and university transfer articulation and meeting statewide postsecondary education needs. Requires the Arizona Board of Regents and community colleges to coordinate their efforts and to submit an annual report of their progress to the JLBC.

As session law, the bill prescribes a number of other changes:

- Section 53 appropriates funding for Dine College by allowing distribution of sales tax monies pursuant to A.R.S. § 42-5031.01 only to a tribal community college that received distributions under that law for FY 2002.
- Section 58 freezes through June 30, 2003 the administrative rules and orders adopted by the State Board prior to June 30, 2002, and prohibits community college district boards from adopting rules that conflict with rules adopted by the State Board.
- Section 59 requires the State Board to assign "...all rights, title and interest in real property..." situated in each community college district to that district's governing board. Also requires the State Board to assign real property in an unorganized district to the county board of supervisors or provisional community college district board if a provisional district has been established.
- Section 62 requires the State Board for Vocational and Technological Education to allocate federal monies for vocational education in a manner that minimizes administrative costs and maximizes allocations to community college districts.
- Section 65 exempts community college buildings from local building codes pursuant to A.R.S. § 34-461.

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