

JLBC Analyst: Amy Strauss

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	7,828,500	8,349,000	8,401,400
Coconino	3,147,700	3,322,500	3,334,600
Gila	274,600	294,800	620,500
Graham	5,370,400	5,370,400	5,370,400
Maricopa	54,863,300	57,528,300	57,528,300
Mohave	3,710,000	4,196,900	4,196,900
Navajo	4,412,300	4,412,300	4,412,300
Pima	19,593,500	19,593,500	19,593,500
Pinal	5,915,800	6,014,700	6,052,000
Yavapai	4,738,700	4,738,700	4,820,400
Yuma/La Paz	5,447,800	5,657,200	5,722,700
<i>Subtotal - Operating State Aid</i>	115,302,600	119,478,300	120,053,000
Capital Outlay State Aid			
Cochise	965,600	1,052,300	1,060,600
Coconino	383,000	421,300	423,800
Gila	61,100	65,500	133,400
Graham	535,700	525,800	510,100
Maricopa	10,977,900	11,421,900	11,204,000
Mohave	491,000	597,500	591,200
Navajo	576,900	568,900	1,505,700 ^{1/2/}
Pima	3,268,000	3,262,900	3,198,900
Pinal	768,200	3,789,800	797,600
Yavapai	686,900	678,500	703,900
Yuma/La Paz	865,400	911,200	924,800
<i>Subtotal - Capital Outlay State Aid</i>	19,579,700	23,295,600	21,054,000
Equalization Aid			
Cochise	3,441,800	3,857,400	4,669,700
Graham	10,417,100	11,504,000	13,146,500
Navajo	2,735,700	3,373,200	4,305,200
Yuma/La Paz	848,800	1,278,100	1,372,400
<i>Subtotal - Equalization Aid</i>	17,443,400	20,012,700	23,493,800
Tribal Community Colleges	1,750,000	1,750,000	1,944,000 ^{3/}
Rural County Reimbursement	3,063,500	0	0
Rural County Reimbursement Subsidy	0	1,000,000	1,200,000 ^{4/}
AGENCY TOTAL	157,139,200	165,536,600	167,744,800^{5/}
FUND SOURCES			
General Fund	157,139,200	165,536,600	167,744,800
SUBTOTAL - Appropriated Funds	157,139,200	165,536,600	167,744,800
Other Non-Appropriated Funds	18,880,300	19,825,200	20,805,100
TOTAL - ALL SOURCES	176,019,500	185,361,800	188,549,900

1/ Of the \$1,505,700 Navajo Community College receives in Capital Outlay State Aid, \$1,000,000 shall be used to construct a public safety and emergency services training facility in Navajo County to be operated and controlled by the Northland Pioneer Community College. The appropriation is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. (General Appropriation Act footnote)

2/ It is the intent of the Legislature that in FY 2009, Navajo Community College District shall receive \$1,000,000 in state General Fund monies for construction of a public safety training facility operated and controlled by Northland Pioneer Community College. (General Appropriation Act footnote)

3/ A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges 10% of Transaction Privilege Tax revenues collected from sources located on the reservation, or \$1,750,000, whichever is less.

4/ Of the \$1,200,000 appropriated to the Rural County Reimbursement Subsidy line item, Apache County will receive \$559,200, Greenlee County \$459,300, and Santa Cruz County \$181,500. (General Appropriation Act footnote)

5/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

AGENCY DESCRIPTION — The Arizona community college system is comprised of 10 college districts and 1 provisional district. 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.

PERFORMANCE MEASURES	FY 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	Approved
<ul style="list-style-type: none"> % of students who transfer to Arizona public universities without loss of credits <p>Comments: The community colleges did not submit information for this measure in FY 2006 as required by the General Appropriation Act. The reporting body for the community colleges, the Arizona Community College Association (ACCA) was not aware of this performance measure for the colleges. They plan to submit information for this measure in the future.</p>	NA	NA	NA	96
<ul style="list-style-type: none"> No. of applied Baccalaureate programs collaboratively developed with universities <p>Comments: The community colleges did not submit information for this measure in FY 2006 as required by the General Appropriation Act. The ACCA was not aware of this performance measure for the colleges. They plan to submit information for this measure in the future.</p>	NA	NA	NA	8

Special Line Items

Operating State Aid

The budget provides \$120,053,000 from the General Fund for Operating State Aid in FY 2008. This amount funds the following adjustment:

Formula Increase

The budget provides an increase of \$574,700 from the General Fund in FY 2008 to fully fund the statutory formula for Operating State Aid.

These Special Line Items provide each community college district with funds for continuing operating and maintenance expenses pursuant to A.R.S. § 15-1466.

Audited FY 2006 enrollment is 118,506 Full Time Student Equivalent (FTSE) and declined by (1,558) FTSE, or (1.3%) from FY 2005. (See Table 1 for additional FTSE information.) Despite the decrease in enrollment, there is a net increase in funding. The Operating State Aid formula adjusts state aid in an amount that reflects only growth in the full-time student equivalent (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. (For FY 2008, the last actual FTSE data was from FY 2006.)

The formula “holds harmless” districts with declining FTSE enrollment, as the formula does not adjust state aid downward for these districts. The FY 2006 Higher Education Budget Reconciliation Bill (Laws 2005, Chapter 330) amended the Operating State Aid formula to prohibit a district from receiving growth funding unless the district’s most recent audited FTSE count exceeds its highest audited FTSE count recorded from and after FY 2004.

Table 1

Community College Enrollment

<u>District</u>	<u>FY 2005 FTSE</u>	<u>FY 2006 FTSE</u>	<u>Percentage Change</u>
Cochise	6,577	6,629	0.8%
Cocconino	2,006	2,018	0.6%
Gila	312	635	103.5%
Graham	2,504	2,429	(3.0%)
Maricopa	71,387	70,025	(1.9%)
Mohave	2,845	2,815	(1.1%)
Navajo	2,709	2,408	(11.1%)
Pima	20,393	19,993	(2.0%)
Pinal	3,761	3,798	1.0%
Yavapai	3,231	3,352	3.7%
Yuma/La Paz	4,339	4,404	1.5%
Total	120,064	118,506	(1.3%)

Under this formula, district funding is still held harmless against declining enrollment; however, a district with declining enrollment in 1 year will not qualify for growth funding in subsequent years until the district’s new enrollment total exceeds its highest enrollment total prior to any decline.

Capital Outlay State Aid

The budget provides \$21,054,000 from the General Fund for Capital Outlay State Aid in FY 2008. These Special Line Items provide the community college districts with funds for capital land, building, and equipment needs pursuant to A.R.S. § 15-1464. This amount funds the following adjustments:

Formula Decrease

The budget provides a decrease of \$(241,600) from the General Fund in FY 2008 to fully fund the statutory formula for Capital Outlay State Aid.

The Capital Outlay State Aid formula provides per capita funding to districts based on the district’s size and the most recent years 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.

Unlike Operating State Aid, the Capital Outlay State Aid formula does not hold harmless districts with declining FTSE; therefore, the overall decline in enrollment results in a reduction to Capital Outlay State Aid.

Public Safety Training Facility

The budget provides an increase of \$1,000,000 from the General Fund in FY 2008 for construction of a public safety training facility at Northland Pioneer Community College. Per a General Appropriation Act footnote, it is the intent of the Legislature that this funding be continued in FY 2009.

One-Time Funding For Training Facilities

The budget provides a decrease of \$(3,000,000) from the General Fund in FY 2008 to reflect one-time funding for law officer and firefighting training facilities at Central Arizona College in Pinal County.

Equalization Aid

The budget provides \$23,493,800 from the General Fund in FY 2008 for Equalization Aid. This amount funds the following adjustment:

Formula Increase

The budget provides an increase of \$3,481,100 from the General Fund in FY 2008 to fully fund the statutory formula for Equalization Aid.

These Special Line Items provide 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.

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. For the

Table 2
Equalization Growth Factor 2005-2006

<u>District</u>	<u>TY 2005 Primary AV</u>	<u>TY 2006 Primary AV</u>	<u>TY 2005-2006 % Growth</u>
Cochise*	\$ 664,734,700	\$ 734,609,600	10.5%
Graham*	106,584,900	115,866,200	8.7%
Navajo*	683,934,100	734,836,700	7.4%
Yuma/LaPaz*	853,002,600	980,459,700	14.9%
Coconino	1,263,779,800	1,367,963,400	8.2%
Mohave	1,371,598,500	1,604,391,600	17.0%
Pinal	1,212,971,500	1,472,159,600	21.4%
Yavapai	<u>1,877,847,400</u>	<u>2,125,710,200</u>	<u>13.2%</u>
Total	\$8,034,453,500	\$9,135,996,900	13.7%

* These districts qualify to receive Equalization Aid under the state funding formula.

FY 2008 Equalization Aid formula calculation, the minimum assessed valuation increased 13.7% to \$1,076,030,100. (See Table 2 for the calculation of the growth rate.)

Equalization Aid is paid out based on the difference between 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. (See Table 3 for a breakdown of Equalization Aid funding for qualifying districts.)

Table 3
FY 2008 Additional Equalization Funding

<u>District</u>	<u>FY 2008</u>	<u>FY 2007-2008 % Growth</u>
Cochise	\$ 812,300	21.1%
Graham	1,642,500	14.3%
Navajo	932,000	27.6%
Yuma/LaPaz	<u>94,300</u>	<u>7.4%</u>
Total	\$3,481,100	17.4%

Tribal Community Colleges

The budget provides \$1,944,000 from the General Fund for Tribal Community Colleges in FY 2008. This amount funds the following adjustment:

Tohono O'odham Community College Funding

The budget provides an increase of \$194,000 from the General Fund in FY 2008 to provide Tohono O'odham Community College with funding.

The Higher Education Budget Reconciliation Bill (Laws 2007, Chapter 265) allows any qualifying tribal community college to receive \$1,750,000, or 10% of the Transaction Privilege Tax revenues collected from sources located on Indian reservations, whichever is less. Chapter 265 repeals the statute which limited distribution of these monies to Diné College. As a result, Tohono O'odham is now eligible to receive funding.

The Tribal Community Colleges Special Line Item provides tribal community colleges with funding for maintenance, renewal, and capital expenses. Based on projected collections, Diné would continue to be capped at \$1,750,000 and Tohono O'odham would receive an estimated \$194,000 in new funding. Actual amounts will depend on FY 2008 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

Rural County Reimbursement

The Rural County Reimbursement Special Line Item 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. § 15-1469.01, the FY 2006 expenditure of \$3,063,500 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 FY 2007 and FY 2008 dollar amounts are not yet known. These amounts will reflect the counties' net cost after adjusting for the new state General Fund subsidy (*see below*). Given the language of A.R.S. § 15-1469.01, these monies do not appear in the General Appropriation Act.

In FY 2007 and FY 2008, the budget provides \$1,000,000 and \$1,200,000, respectively to counties making payments. This subsidy partially reduces the amount that counties are required to pay for rural county reimbursement. Once the subsidy is taken into account, counties are still responsible for paying the remaining reimbursement amount. (*For more information, please see Rural County Reimbursement Subsidy*).

Rural County Reimbursement Subsidy

The budget provides \$1,200,000 from the General Fund for Rural County Reimbursement Subsidy in FY 2008. This amount funds the following adjustment:

Subsidy Increase

The budget provides an increase of \$200,000 from the General Fund in FY 2008 for a rural county reimbursement subsidy. Laws 2006, Chapter 350 and the Executive originally designated \$1,000,000 of this funding as one-time as part of the FY 2007 budget process. The FY 2008 budget retains these monies as an ongoing appropriation and adds \$200,000 in new funding.

This funding is provided to partially offset the cost to counties that are not part of an established community college district. The funding is appropriated to Apache, Greenlee, and Santa Cruz counties. Of the total \$1,200,000 appropriation, Apache received \$559,200, Greenlee \$459,300, and Santa Cruz \$181,500.

Additional Legislation

Spouse/Child Tuition Waivers

The Higher Education Budget Reconciliation Bill (BRB) (Laws 2007, Chapter 265) requires Arizona public universities and community colleges to provide tuition waiver scholarships to children or spouses of a member of the United States Armed Forces who was killed while on active duty. The child or spouse must meet current statutory eligibility requirements in order to receive the waiver.

Other Issues

Nursing Education

Laws 2005, Chapter 330 established the Arizona Partnership for Nursing Education Demonstration Project.

The purpose of the project is to enhance nursing education programs in Arizona, with the goal of doubling the current number of nursing graduates in the state by FY 2010.

Chapter 330 also established the Nursing Education Demonstration Project Fund. Monies in the fund are allocated to Arizona public universities and community colleges based on a comparison of the number of nursing students graduating in FY 2005 from those institutions. Monies allocated to the universities are administered by the Arizona Board of Regents, while monies allocated to the community colleges are passed through the Department of Commerce.

Chapter 330 annually appropriates \$4,000,000 from the General Fund to the Nursing Education Demonstration Project Fund from FY 2006 through FY 2010. Of the total \$4,000,000 annual appropriation, \$1,368,000 is allocated to the universities and \$2,632,000 is allocated to the community colleges. These amounts are based on FY 2005 nursing graduation rates.

The community college funds are distributed using a competitive grant process. Three criteria were used to determine funding: the quality of the nursing program, how the program meets the geographic and diverse needs of its community, and the program budget.

In FY 2008 the Department of Commerce plans to distribute a total of \$3,223,900 in grants to community colleges. New awards will be made this summer. (*Table 4 shows grant distribution amounts.*)

Community College	FY 2006	FY 2007	FY 2008
Chandler/Gilbert	\$164,300	\$172,700	\$174,200
Estrella Mountain	79,600	159,300	79,600
Gateway	173,900	370,100	383,300
Glendale	0	162,700	292,800
Phoenix	0	214,700	332,500
Rio Salado	0	221,500	351,800
Scottsdale	188,500	370,500	171,500
Eastern Arizona	239,600	310,500	127,600
Central Arizona	0	89,900	257,800
Coconino	0	1,500	94,600
Mohave	0	160,700	157,900
Northland Pioneer	150,000	174,900	183,100
Pima	35,000	134,900	215,800
Yavapai	0	268,900	401,400
Total	\$1,030,900	\$2,812,800	\$3,223,900

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 11% of their revenues from state aid.

Table 5**Total Estimated Community College Revenues – FY 2007**

District	State Aid	Tuition/Fees	Property			Other ^{1/}	FY 2007	FY 2006	% Change from FY 2006
			Taxes	Grants			Total ^{2/}	Total ^{3/}	
Cochise	\$13,258,700	\$ 6,212,900	\$ 13,126,000	\$ 10,234,300	\$ 1,860,700	\$ 44,692,600	\$ 41,008,200	9.0%	
Coconino	3,743,800	4,561,000	7,350,500	4,468,600	998,000	21,121,900	18,803,300	12.3%	
Gila ^{4/}	360,300	-	2,592,300	-	475,000	3,427,600	3,087,700	11.0%	
Graham	17,400,200	4,158,100	2,393,600	5,740,000	5,515,800	35,207,700	33,477,900	5.2%	
Maricopa	68,950,200	231,114,200	364,477,900	134,566,400	115,810,900	914,919,600	669,420,600	36.7%	
Mohave	4,794,400	6,369,800	14,435,900	6,458,800	311,600	32,370,500	32,235,500	0.4%	
Navajo	8,354,400	3,350,000	11,470,700	4,070,000	2,427,000	29,672,100	27,932,800	6.2%	
Pima	22,856,400	35,099,400	81,946,000	27,500,000	16,072,500	183,474,300	174,222,000	5.3%	
Pinal	9,804,500	7,529,000	28,624,300	10,400,000	808,400	57,166,200	50,518,000	13.2%	
Yavapai	5,417,200	8,659,500	35,629,600	5,503,000	3,611,600	58,820,900	57,054,500	3.1%	
Yuma/La Paz	7,846,500	5,977,800	24,473,900	10,900,000	2,421,300	51,619,500	48,055,300	7.4%	
Total	\$162,786,600	\$313,031,700	\$586,520,700	\$219,841,100	\$150,312,800	\$1,432,492,900	\$1,155,815,800	23.9%	

^{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 \$2,091,106,100 for FY 2007.

^{3/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$1,194,148,600 for FY 2006.

^{4/} Gila Provisional Community College contracts with Graham county's Eastern Arizona College (EAC) in order to provide degree programs. Therefore, Gila's tuition and fee revenues are collected by Graham according to their contract agreement.

For FY 2007, base operating revenues from all sources are estimated to be \$1,432,492,900, an increase of 24% from FY 2006. (See Table 5 for a summary of FY 2007 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for over 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.

Combined rates declined for 7 districts from FY 2006, largely as the result of local property assessed valuation increases. Maricopa and Yuma-La Paz each increased their rate, as these districts have each had recent bond issuances. (See Table 6 for a summary of FY 2007 property tax rates.)

Table 6**Community College Tax Rates – FY 2007**

District	Primary Rate	Secondary Rate	Combined Rate	% Change in Combined Rate from FY 2006
Cochise	\$1.79	\$0.00	\$1.79	(0.2%)
Coconino	0.39	0.13	0.52	(5.5%)
Gila	0.62	0.00	0.62	(1.6%)
Graham	2.07	0.00	2.07	0.0%
Maricopa	0.88	0.18	1.06	2.4%
Mohave	0.90	0.00	0.90	(4.4%)
Navajo	1.26	0.22	1.49	(2.6%)
Pima	1.06	0.19	1.25	(5.2%)
Pinal	2.10	0.00	2.10	0.0%
Yavapai	1.43	0.23	1.66	(5.3%)
Yuma/La Paz	1.87	0.50	2.37	1.0%

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 22% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2007 average

tuition was \$1,722, an increase of 7.3% from FY 2006. Annual tuition costs range from \$960 at Navajo, to \$1,950 at Maricopa. (See Table 7 for FY 2007 resident tuition and fee rates.)

Table 7**Community College Resident Tuition and Fees – FY 2007**

District	Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2006
Cochise	\$47	\$1,410	4.4%
Coconino	49	1,464	8.9%
Gila ^{2/}	-	-	-
Graham	37	1,120	(0.7%)
Maricopa	65	1,950	8.3%
Mohave	53	1,580	14.5%
Navajo	32	960	(4.8%)
Pima	49	1,475	5.7%
Pinal	47	1,422	6.8%
Yavapai	45	1,350	2.3%
Yuma/La Paz	40	1,200	5.3%
Weighted Average	\$57.4	\$1,722	7.3%

^{1/} Annual cost is for 30 hours a year, or 15 hours per semester.

^{2/} Gila Provisional Community College contracts with Graham county's Eastern Arizona College (EAC) in order to provide degree programs. Therefore, Gila's tuition and fee amounts are the same as Graham's.

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 26% 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 8 shows total budgeted FY 2007 community college expenditures. In FY 2007, total budgeted expenditures are approximately \$2.1 billion. As mentioned previously, base

operating revenues for FY 2007 are \$1.4 billion; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2.1 billion. Of the total \$2.1 billion in expenditures, \$1.2 billion, or 55%, of these expenditures are from the community colleges' general and restricted funds. This includes about \$424.3 million, or 20%, for instruction and \$207.1 million, or 10%, for administrative support.

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 424,334,100	20%
Public Service	36,707,000	2%
Academic Support	118,783,700	6%
Student Services	171,868,300	8%
Administration	207,055,200	10%
Operation & Maintenance	71,986,300	3%
Scholarships	67,132,800	3%
Contingency	<u>52,045,300</u>	<u>2%</u>
Subtotal	\$1,149,912,700	55%
Auxiliary Enterprises Fund	\$ 173,802,400	8%
Plant Fund	\$ 658,756,000	32%
Debt Service	<u>\$ 106,288,300</u>	5%
Total	\$2,088,759,400	

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$173.8 million, or 8% of the total. Plant Fund expenditures, which generally include capital costs, are \$658.8 million, or 32% of the total. The remaining \$106.3 million is for debt service.