

JLBC Analyst: Jake Corey

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Approved
<b>SPECIAL LINE ITEMS</b>			
Operating State Aid			
Cochise	5,540,500	6,232,700	7,828,500
Coconino	2,905,500	3,025,000	3,147,700
Gila	0	0	274,600
Graham	5,252,400	5,252,400	5,370,400
Maricopa	46,613,700	51,290,500	54,863,300
Mohave	3,630,300	3,710,000	3,710,000
Navajo	4,210,300	4,412,300	4,412,300
Pima	18,125,700	19,593,500	19,593,500
Pinal	5,659,100	5,659,100	5,915,800
Yavapai	4,589,200	4,724,500	4,738,700
Yuma/La Paz	5,222,600	5,447,800	5,447,800
<i>Subtotal - Operating State Aid</i>	101,749,300	109,347,800	115,302,600
Capital Outlay State Aid			
Cochise	681,800	912,200	965,600
Coconino	319,300	355,700	383,000
Gila	0	0	61,100
Graham	616,700	509,500	535,700
Maricopa	8,309,800	10,372,200	10,977,900
Mohave	440,400	492,000	491,000
Navajo	466,500	586,300	576,900
Pima	2,654,800	3,297,800	3,268,000
Pinal	658,800	711,100	768,200
Yavapai	567,400	683,800	686,900
Yuma/La Paz	718,600	866,500	865,400
<i>Subtotal - Capital Outlay State Aid</i>	15,434,100	18,787,100	19,579,700
Equalization Aid			
Cochise	2,208,300	3,151,300	3,441,800
Graham	7,273,300	9,588,000	10,417,100
Navajo	1,441,300	2,134,800	2,735,700
Yuma/La Paz	202,400	606,000	848,800
<i>Subtotal - Equalization Aid</i>	11,125,300	15,480,100	17,443,400
Tribal Community Colleges	1,750,000	1,750,000	1,750,000 <sup>1/</sup>
Gila Provisional Community College	0	325,000	0
Rural County Reimbursement	2,587,600	0	0
<b>AGENCY TOTAL</b>	<b>132,646,300</b>	<b>145,690,000</b>	<b>154,075,700<sup>2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	132,646,300	145,690,000	154,075,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>132,646,300</b>	<b>145,690,000</b>	<b>154,075,700</b>
Other Non-Appropriated Funds	13,129,900	14,435,600	15,500,000
<b>TOTAL - ALL SOURCES</b>	<b>145,776,200</b>	<b>160,125,600</b>	<b>169,575,700</b>

<sup>1/</sup> A.R.S. § 42-5031.01 directs the State Treasurer to annually transmit to the tribal colleges up to \$1,750,000 in Transaction Privilege Tax revenues collected from sources located on Indian reservations.

<sup>2/</sup> 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.

<b>PERFORMANCE MEASURES</b>	FY 2003	FY 2004	FY 2006
	Actual	Actual	Approved
• % of students who transfer to Arizona public universities without loss of credits	NA	NA	96
• No. of applied Baccalaureate programs collaboratively developed with universities	NA	NA	8

**Comments:** The community colleges did not submit information for any measure labeled as “NA.”

**Special Line Items**

**Operating State Aid**

The budget provides \$115,302,600 from the General Fund for Operating State Aid in FY 2006.

The approved amount includes an increase of \$5,954,800 from the General Fund in FY 2006 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.

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 2006, the last actual FTSE data was from FY 2004.) The formula “holds harmless” districts with declining FTSE enrollment, as the formula does not adjust state aid downward for these districts. Audited enrollment is 115,873 FTSE and grew by 6,069 FTSE, or 5.5%. (See Table 1 for additional FTSE information.)

The 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.

Under the new formula, district funding will still be held harmless against declining enrollment; however, a district with declining enrollment in one 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.

**Table 1**

**Community College Enrollment**

<b>District</b>	<b>FY 2003 FTSE</b>	<b>FY 2004 FTSE</b>	<b>Percentage Change</b>
Cochise	4,344	6,035	38.9%
Coconino	1,694	1,824	7.7%
Gila	0	291	N/A
Graham	2,426	2,551	5.2%
Maricopa	64,826	68,612	5.8%
Mohave	2,343	2,338	(0.2)%
Navajo	2,792	2,747	(1.6)%
Pima	20,611	20,425	(0.9)%
Pinal	3,386	3,658	8.0%
Yavapai	3,256	3,271	0.5%
Yuma/La Paz	<u>4,126</u>	<u>4,121</u>	<u>(0.1)%</u>
<b>Total</b>	<b>109,804</b>	<b>115,873</b>	<b>5.5%</b>

**Capital Outlay State Aid**

The budget provides \$19,579,700 from the General Fund for Capital Outlay State Aid in FY 2006.

The approved amount includes an increase of \$792,600 from the General Fund in FY 2006 to fully fund the statutory formula for Capital Outlay State Aid.

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.

The Capital Outlay State Aid 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 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**

The budget provides \$17,443,400 from the General Fund for Equalization Aid in FY 2006.

The approved amount includes an increase of \$1,963,300 from the General Fund in FY 2006 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 FY 2006 Equalization Aid formula calculation, the minimum assessed valuation is \$862,304,800.

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.

#### ***Tribal Community Colleges***

The budget provides \$1,750,000 from the General Fund for Tribal Community Colleges in FY 2006. This amount is unchanged from FY 2005.

The Tribal Community Colleges Special Line Item provides tribal community colleges with funding for maintenance, renewal, and capital expenses. Pursuant to A.R.S. § 42-5031.01, the State Treasurer shall annually transmit to the colleges a total of up to \$1,750,000 in Transaction Privilege Tax revenues collected from sources located on Indian reservations. Diné College is currently the only college eligible to receive funds, and therefore, receives all available funding. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

#### ***Gila Provisional Community College***

The FY 2006 budget provides \$335,700 from the General Fund for Gila Provisional Community College, but includes the funding in the Operating State Aid and Capital Outlay State Aid Special Line Items. In comparison, the FY 2005 budget provided \$325,000 for Gila Provisional Community College, but included the funding in a separate budget line item. Actual state funding provided to Gila, therefore, will increase by \$10,700 in FY 2006.

The Gila Provisional Community College Special Line Item was created to provide Gila with one-time funding in FY 2005. Since Gila will begin to receive Operating State Aid and Capital Outlay State Aid in FY 2006, Gila's funding will no longer appear in this special line item and will instead be transferred to the Operating State Aid and Capital Outlay State Aid Special Line Items.

The statutory formulas for Operating State Aid and Capital Outlay State Aid fund provisional districts in the same manner as regular districts. Funding is based on the most

recent year's actual FTSE. Provisional districts are not eligible to receive Equalization Aid.

A county may form a provisional community college district if the county does not meet the minimum assessed valuation and population requirements necessary to form a community college district pursuant to A.R.S. § 15-1402. Gila qualifies because its \$365,997,600 assessed valuation falls below the \$862,304,800 minimum valuation. Some community college districts also fall below the minimum valuation requirement; however, those districts have been grandfathered in as community college districts.

Voters must approve the formation of a provisional district and a primary property tax rate to fund the operations of the district. Provisional districts have the same powers and duties as existing districts, except that provisional districts must contract with existing districts to award degrees.

#### ***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 2004 expenditure of \$2,587,600 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 2005 and FY 2006 dollar amounts are not yet known. Given the language of A.R.S. § 15-1469.01, these monies do not appear in the General Appropriation Act.

#### ***Additional Legislation***

##### ***Higher Education Budget Reconciliation Bill***

The Higher Education Budget Reconciliation Bill (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.

The Higher Education Budget Reconciliation Bill also established the Nursing Education Demonstration Project Fund. Monies in the fund shall be 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 shall be administered by the Arizona Board of Regents, while monies allocated to the community colleges shall be administered by the Arizona Department of Commerce.

The Higher Education Budget Reconciliation Bill annually appropriates \$4,000,000 from the General Fund to the Nursing Education Demonstration Project Fund from FY 2006 through FY 2010. Based on available projections of FY 2005 nursing graduates, we estimate that, of the

total \$4,000,000 appropriation, \$1,434,500 will be allocated to the universities and \$2,565,500 will be allocated to the community colleges. These amounts may be modified once the actual numbers of FY 2005 nursing graduates is known. (For more information see Department of Commerce.)

**Other Issues**

*Other 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. For FY 2005, total revenues from all sources are estimated to be \$1,136,783,600. (See Table 2 for a summary of FY 2005 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for over 40% 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. (See Table 3 for a summary of FY 2005 property tax rates.)

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 20% of total revenues. Tuition and fees are assessed on a per credit hour basis. (See Table 4 for FY 2004 resident tuition and fees.)

**Table 2**

**Total Estimated Community College Revenues – FY 2005**

<u>District</u>	<u>State Aid</u>	<u>Tuition/Fees</u>	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u> <sup>1/</sup>
Cochise	\$ 10,296,200	\$ 6,264,500	\$ 10,497,800	\$ 9,856,900	\$ 1,880,900	\$ 38,796,300
Coconino	3,380,700	3,837,400	6,763,000	3,111,800	738,200	17,831,100
Gila	325,000	492,300	2,271,200	22,500	326,200	3,437,200
Graham	15,349,900	2,772,400	2,109,800	4,070,900	2,218,900	26,521,900
Maricopa	61,662,700	165,636,300	293,465,000	36,349,600	136,599,600	693,713,200
Mohave	4,202,000	3,400,000	11,872,200	2,648,700	1,698,000	23,820,900
Navajo	7,133,400	3,180,000	9,728,300	3,470,000	2,283,800	25,795,500
Pima	22,891,300	30,306,000	73,090,000	31,600,000	10,954,000	168,841,300
Pinal	6,370,200	6,564,000	21,755,800	8,234,400	2,523,200	45,447,600
Yavapai	5,408,300	8,394,200	31,345,200	4,836,000	3,580,800	53,564,500
Yuma/La Paz	6,920,300	5,046,900	16,691,500	8,900,000	1,455,400	39,014,100
<b>Total</b>	<b>\$ 143,940,000</b>	<b>\$ 235,894,000</b>	<b>\$ 479,589,800</b>	<b>\$ 113,100,800</b>	<b>\$ 164,259,000</b>	<b>\$ 1,136,783,600</b>

<sup>1/</sup> Total revenues do not include bond proceeds or district fund balances.

**Table 3**

**Community College Tax Rates – FY 2005**

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>
Cochise	\$1.79	\$0.00	\$1.79
Coconino	\$0.41	\$0.16	\$0.57
Gila	\$0.63	\$0.00	\$0.63
Graham	\$2.07	\$0.00	\$2.07
Maricopa	\$0.92	\$0.12	\$1.04
Mohave	\$0.95	\$0.00	\$0.95
Navajo	\$1.26	\$0.25	\$1.51
Pima	\$1.11	\$0.23	\$1.34
Pinal	\$2.15	\$0.00	\$2.15
Yavapai	\$1.56	\$0.29	\$1.85
Yuma/La Paz	\$1.86	\$0.22	\$2.08

**Table 4**

**Community College Resident Tuition and Fees – FY 2004**

<u>District</u>	<u>Cost Per Credit Hour</u>	<u>Annual Cost</u> <sup>1/</sup>
Cochise	\$40	\$1,200
Coconino	\$35	\$1,056
Gila	N/A	N/A
Graham	\$29	\$868
Maricopa	\$51	\$1,530
Mohave	\$38	\$1,140
Navajo	\$28	\$840
Pima	\$35	\$1,060
Pinal	\$37	\$1,120
Yavapai	\$38	\$1,140
Yuma/La Paz	\$36	\$1,080

<sup>1/</sup> Annual cost is for 30 hours a year, or 15 hours per semester.