

## Arizona Community Colleges

	FY 2016 ACTUAL	FY 2017 ESTIMATE	FY 2018 APPROVED
<b>SPECIAL LINE ITEMS</b>			
Operating State Aid			
Cochise	5,206,000	4,670,000	4,589,600
Coconino	1,771,200	1,756,400	1,731,100
Gila	368,100	315,200	298,400
Graham	2,175,600	2,249,700	2,288,300
Mohave	1,524,000	1,315,000	1,195,500
Navajo	1,582,100	1,606,000	1,649,000
Pinal	1,903,500	1,724,700	1,621,400
Santa Cruz	57,300	81,200	96,800
Yavapai	890,300	800,200	639,400
Yuma/La Paz	2,702,500	2,690,100	2,622,100
<i>Subtotal - Operating State Aid</i>	18,180,600	17,208,500	16,731,600
STEM and Workforce Programs State Aid			
Cochise	1,150,000	1,008,200	986,400
Coconino	423,200	418,000	409,000
Gila	160,900	142,500	136,500
Graham	569,500	595,200	609,000
Mohave	577,700	505,200	462,500
Navajo	345,500	353,700	369,100
Pinal	96,500	96,500	96,500
Santa Cruz	53,100	61,400	67,000
Yavapai	805,700	774,400	717,000
Yuma/La Paz	867,300	864,000	845,500
<i>Subtotal - STEM and Workforce Programs State Aid</i>	5,049,400	4,819,100	4,698,500
Equalization Aid			
Cochise	4,332,800	4,878,400	5,210,200
Graham	14,538,800	14,695,800	15,028,600
Navajo	5,849,400	6,081,500	6,672,100
<i>Subtotal - Equalization Aid</i>	24,721,000	25,655,700	26,910,900
Rural County Allocation	2,523,400	2,730,600	2,596,700 <sup>1/</sup>
Rural County Reimbursement Subsidy	1,273,800	1,273,800	1,273,800 <sup>2/</sup>
Tribal Community Colleges	2,625,000	2,625,000	2,625,000 <sup>3/</sup>
Additional Gila Workforce Development Aid	0	0	250,000
<b>AGENCY TOTAL</b>	<b>54,373,200</b>	<b>54,312,700</b>	<b>55,086,500<sup>4/</sup></b>
<b>FUND SOURCES</b>			
General Fund	54,373,200	54,312,700	55,086,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>54,373,200</b>	<b>54,312,700</b>	<b>55,086,500</b>
Other Non-Appropriated Funds	18,166,000	18,991,700	18,991,700
<b>TOTAL - ALL SOURCES</b>	<b>72,539,200</b>	<b>73,304,400</b>	<b>74,078,200</b>

**AGENCY DESCRIPTION** — The Arizona community college system is 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.

## Operating State Aid

The budget includes \$16,731,600 from the General Fund in FY 2018 for Operating State Aid. This amount funds the following adjustments:

### Enrollment Changes

The budget includes a decrease of \$(476,900) from the General Fund in FY 2018 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (830), or (2.8%), decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (*see Table 1*). The (830) net FTSE decrease consists of a (790) FTSE decrease in non-dual enrollment students and a (40) FTSE decrease in dual enrollment students. A.R.S. § 15-1466.01 requires dual enrollment students be funded at 50% for state aid purposes. Dual enrollment refers to high school students who are enrolled in community college courses for both high school and community college credit.

As permanent law, the FY 2016 Higher Education Budget Reconciliation Bill (BRB) (Laws 2015, Chapter 16) eliminated Operating State Aid for Maricopa and Pima. The FY 2018 Higher Education BRB (Laws 2017, Chapter 310), however, restores Maricopa and Pima County's eligibility for Operating State Aid in permanent law. A session law provision, however, suspends the formula for FY 2018. Maricopa and Pima County will receive no Operating State Aid in FY 2018.

The full formula funding for Maricopa and Pima County cannot be calculated for FY 2018. The Operating State Aid formula adjusts the prior year's appropriation based on the changes in FSTE enrollment count. Maricopa and Pima County have not received Operating State Aid since FY 2015.

*Background* – With the exception of Maricopa and Pima, the Operating State Aid 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 changes in the FTSE enrollment count. This enrollment adjustment is

- 1/ A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost of students attending community colleges who are from counties that are not part of an established community college district, and then the state will withhold these counties' sales tax revenues to offset that cost. In FY 2018, that amount is estimated to be \$2,596,700. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 2/ Of the \$1,273,800 appropriated to the Rural County Reimbursement Subsidy line item, Apache County receives \$699,300 and Greenlee County receives \$574,500. (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 (TPT) revenues collected from sources located on the reservation, or \$1,750,000, whichever is less, as well as 5% of TPT revenues collected on the reservation, or \$875,000, whichever is less, to a technical college on the same reservation. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 4/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Table 1

## Community College Enrollment

District	FY 2015 FTSE	FY 2016 FTSE	Percentage Change
Cochise	6,338	6,195	(2.3)%
Coconino	2,066	2,007	(2.9)%
Gila	702	667	(5.0)%
Graham	2,897	2,951	1.9%
Mohave	2,554	2,347	(8.1)%
Navajo	1,853	1,940	4.7%
Pinal	4,069	3,900	(4.2)%
Santa Cruz	293	319	8.9%
Yavapai	3,849	3,585	(6.9)%
Yuma/La Paz	<u>5,433</u>	<u>5,313</u>	<u>(2.2)%</u>
<b>Total</b>	<b>30,054</b>	<b>29,224</b>	<b>(2.8)%</b>

calculated by multiplying the change 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 2018, the last actual FTSE data was from FY 2016.*)

## STEM and Workforce Programs State Aid

The budget includes \$4,698,500 from the General Fund in FY 2018 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid (formerly Capital Outlay State Aid). This amount funds the following adjustments:

### Enrollment Changes

The budget includes a decrease of \$(120,600) from the General Fund in FY 2018 to fund STEM and Workforce Programs State Aid.

As permanent law, the FY 2016 Higher Education BRB eliminated STEM and Workforce Program State Aid for Maricopa and Pima County. The FY 2018 Higher Education BRB, however, restores eligibility for STEM and Workforce Programs State Aid funding for Maricopa and Pima County in permanent law. As session law, however, the FY 2018 Higher Education BRB suspends the program's funding formula for FY 2018 and instead funds the amounts specified in the General Appropriation Act, which total to \$4,698,500, and includes no funding for Maricopa and Pima.

The budget continues to fully fund the STEM and Workforce Program State Aid formula for all rural districts except for Pinal, which has been kept flat at \$96,500. If Pinal was fully funded, it would cost an additional \$714,100. If the formula were fully funded, Maricopa would receive \$11,125,400 and Pima would receive \$2,440,200 in FY 2018.

*Background* – The STEM and Workforce Programs Special Line Items provide the community college districts with funds for partnerships, faculty, technology equipment, student services, facilities, and property needs pursuant to A.R.S. § 15-1464.

The STEM and Workforce Programs 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 includes \$26,910,900 from the General Fund in FY 2018 for Equalization Aid. This amount funds the following adjustments:

#### Property Value Changes

The budget includes an increase of \$1,255,200 from the General Fund in FY 2018 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in Table 2.

**Table 2**  
**FY 2018 Equalization Funding Changes**

District	FY 2017	Year-over-Year Change	FY 2018
Cochise	\$ 4,878,400	\$331,800	\$ 5,210,200
Graham	14,695,800	332,800	15,028,600
Navajo	6,081,500	590,600	6,672,100
<b>Total</b>	<b>\$25,655,700</b>	<b>\$1,255,200</b>	<b>\$26,910,900</b>

*Background* – The Equalization Special Line Items provide 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. For the FY 2018 Equalization Aid formula calculation, the minimum assessed valuation increased 1.1% to \$1.29 billion. (See Table 3 for the calculation of the growth rate.)

**Table 3**

### Equalization Growth Factor for Tax Years (TY) 2015-2016

District	TY 2015 Primary AV	TY 2016 Primary AV	TY 2015-2016 % Growth
Cochise*	\$ 920,583,400	\$ 909,774,000	(1.2)%
Graham*	203,987,400	193,098,400	(5.3)%
Navajo*	832,770,200	803,062,500	(3.6)%
Coconino	1,537,418,200	1,569,812,800	2.1 %
Mohave	1,685,788,500	1,696,200,000	0.6%
Pinal	2,057,547,500	2,119,750,900	3.0 %
Yavapai	2,279,183,400	2,344,409,900	2.9 %
Yuma/LaPaz	1,322,095,300	1,316,941,500	(0.4) %
<b>Total</b>	<b>\$10,839,373,900</b>	<b>\$10,953,050,400</b>	<b>1.1 %</b>
<b>Minimum AV</b>	<b>\$1,276,674,500</b>	<b>\$1,290,079,600</b>	<b>1.1 %</b>

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

Equalization Aid is paid based on the difference between the 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.

As noted in Table 3, the average rural district assessed value increased by 1.1%, in TY 2016. In comparison, Cochise declined by (1.2)%, Graham declined by (5.3)%, and Navajo declined by (3.6)%. By declining more than the average district, Cochise, Graham, and Navajo qualify for more aid.

In any one year a district's equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.29 billion in FY 2018) and 2) whether the district's change in assessed value was less than the rural districts' average and 3) the applicable tax rate.

### Rural County Allocation

The budget includes \$2,596,700 from the General Fund in FY 2018 for Rural County Allocation. This amount funds the following adjustments:

#### Formula Decreases

This includes a decrease of \$(133,900) from the General Fund in FY 2018 to reflect decreased formula costs for funding Rural County Allocation.

*Background* – The Rural County Allocation Special Line Item facilitates payment to community college districts for students enrolled from counties that are not a part of an established community college district. If a county is not

part of a community college district, it is responsible for the cost of their students attending community college in another county. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and then the state will withhold these counties' sales tax revenues to offset that cost; therefore, there is no net General Fund impact. The payments made on behalf of the counties are not included in county expenditure limits established in the Arizona Constitution. The county payments are partially offset by a state subsidy. (See next line item.)

Each year, the amount is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required by A.R.S. § 15-1469D to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. In May 2017, the JLBC Staff reported the amount to be \$2,596,700 for FY 2018.

Monies for the Rural County Allocation are authorized by A.R.S. § 15-1469.01, and therefore do not appear in the General Appropriation Act.

#### **Rural County Reimbursement Subsidy**

The budget includes \$1,273,800 from the General Fund in FY 2018 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2017.

This funding partially offsets the cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee Counties. The FY 2018 budget allocates \$699,300 to Apache and \$574,500 to Greenlee.

#### **Tribal Community Colleges**

The budget includes \$2,625,000 from the General Fund in FY 2018 for Tribal Community Colleges. This amount is unchanged from FY 2017.

*Background* – 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) revenues 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. A.R.S. § 42-5031.01 also allows any additional 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. Actual amounts for FY 2018 will depend on FY 2018 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act.

This funding is limited to tribes that enter into a compact with the Executive. The FY 2016 Higher Education BRB extended the deadline for tribes to enter into a compact from September 1, 2012 to 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. If Tohono O'Odham enters into a compact with the Executive before September 1, 2017 it would receive roughly \$138,700, which is 10% of the total FY 2016 TPT collections from the reservation.

Laws 2016, Chapter 148 increased the term of an initial compact from 10 to 20 years and changed the time of a JLBC review required for a compact renewal from the last year of the term to the fourth year prior to the expiration of the term. The Navajo Nation compact is set to expire in 2020. If the Navajo Nation enters into a new 20-year compact with the Executive, the next JLBC review would be in 2036.

The budget assumes that \$1,750,000 will be distributed to Diné College and \$875,000 will be distributed to Navajo Technical College in FY 2018. These amounts represent 10% and 5%, up to \$1,750,000 and \$875,000, respectively, of the estimated TPT revenues to be collected in the Navajo reservation in FY 2018.

#### **Additional Gila Workforce Development Aid**

The budget includes \$250,000 for Additional Gila Workforce Development Aid in FY 2018. This amount funds the following adjustments:

##### **Additional Gila Workforce Development Aid**

The budget includes an increase of \$250,000 from the General Fund in FY 2018 for Gila County.

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

#### **Other Issues**

#### **Long-Term Budget Impacts**

Beyond FY 2018 budget changes, the JLBC Staff estimates that Community College statutory caseload changes will

Table 4

## Total Estimated Community College Revenues – FY 2017

District	State Aid	Tuition/Fees	Property Taxes	Grants	Other <sup>1/</sup>	FY 2017 Total <sup>2/</sup>	FY 2016 Total <sup>3/</sup>	% Change from FY 2016
Cochise	\$10,556,600	\$8,615,300	\$20,754,900	\$14,481,800	\$1,142,900	\$55,551,500	\$51,614,100	7.6%
Coconino	2,174,400	8,170,700	9,755,000	6,683,700	946,300	27,730,100	26,129,900	6.1%
Gila <sup>4/</sup>	457,700	1,400,000	4,335,100	130,300	375,000	6,698,100	5,276,100	27.0%
Graham	17,540,700	7,963,800	5,941,300	9,350,800	9,205,100	50,001,700	43,935,000	13.8%
Maricopa	-	274,647,700	529,423,900	272,524,400	47,135,700	1,123,731,700	976,335,900	15.1%
Mohave	1,820,000	7,958,300	22,539,100	8,592,500	896,100	41,806,000	41,216,500	1.4%
Navajo	8,041,200	4,700,000	14,362,000	6,046,300	2,943,700	36,093,200	36,098,500	0.0%
Pima	-	48,183,000	107,347,000	58,012,000	5,494,000	219,036,000	201,169,000	8.9%
Pinal	1,821,200	14,000,000	50,672,000	25,600,000	1,845,000	93,938,200	90,158,400	4.2%
Santa Cruz <sup>4/</sup>	142,600	0	1,530,000	25,000	11,200	1,708,800	1,627,700	5.0%
Yavapai	1,574,600	10,751,000	47,978,300	13,474,000	4,288,700	78,066,600	76,703,100	1.8%
Yuma/La Paz	<u>3,554,100</u>	<u>14,233,000</u>	<u>34,576,400</u>	<u>19,905,100</u>	<u>4,396,000</u>	<u>76,664,600</u>	<u>83,404,000</u>	<u>(8.1)%</u>
<b>Total</b>	<b>\$47,683,100</b>	<b>\$400,622,800</b>	<b>\$849,215,000</b>	<b>\$434,825,900</b>	<b>\$78,679,700</b>	<b>\$1,811,027,600</b>	<b>\$1,633,668,200</b>	<b>10.9%</b>

<sup>1/</sup> Includes auxiliary programs, interest income, workforce development funds, and transfers.

<sup>2/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,210,678,500 for FY 2017.

<sup>3/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,735,253,100 for FY 2016.

<sup>4/</sup> Gila Provisional Community College contracts with Graham County's Eastern Arizona College in order to provide degree programs. Therefore, Gila's tuition and fee revenues are collected by Graham according to their contract agreement. Santa Cruz Provisional Community College contracts with Cochise County's Community College in order to provide degree programs. Therefore, Santa Cruz's tuition and fee revenues are collected by Cochise according to their contract agreement.

require an additional \$945,900 in FY 2019 and an additional \$1,200,000 in FY 2020.

These estimates assume:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2019 and FY 2020).
- No funding changes for Operating State Aid or STEM and Workforce Programs State Aid for Maricopa and Pima County.
- A \$(50,000) reduction to reduce the Gila Community College Workforce Development aid from \$250,000 to \$200,000.
- An increase of \$995,900 for Equalization Aid in FY 2019 and \$1,200,000 in FY 2020. These estimates are based on Net Assessed Value (NAV) growth of 1.5% in FY 2019 and 2.0% growth in FY 2020 for counties overall, but a (0.5)% NAV decline in both years for the 3 counties that receive Equalization Aid based on past trends. This would cause NAV in those 3 districts to grow farther from the statewide NAV average for rural counties in both years, entitling them to more Equalization Aid in both years.

### 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 2.6% of their revenues (excluding bond proceeds) from state aid.

For FY 2017, base operating revenues from all sources are estimated to be \$1,811,027,600, which would be an increase of 10.9% from FY 2016. (See Table 4 for a summary of FY 2017 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 45.4% 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 5 for a summary of FY 2017 property tax rates.)

In November 2012, Arizona voters approved Proposition 117, which requires primary and secondary taxes to be levied on the same tax base. (See FY 2017 Appropriations Report for more information.) Previously, taxes were levied on 2 valuations: full cash value and limited property value. Proposition 117 requires all property taxes to be levied on the limited property value.

Proposition 117 also capped annual property value increases on any single parcel of real property to 5% starting in FY 2016. The existing 2% "levy limit" remains in place. Under A.R.S. § 42-17051, community colleges are

**Table 5****Community College Tax Rates – FY 2017**

<b>District</b>	<b>Primary Rate</b>	<b>Secondary Rate</b>	<b>Combined Rate</b>	<b>% Change in Combined Rate from FY 2016</b>
Cochise	\$2.29	\$0.00	\$2.29	5.1 %
Coconino	0.49	0.13	0.62	1.8 %
Gila	0.87	0.00	0.87	2.5 %
Graham	3.08	0.00	3.08	6.6 %
Maricopa	1.24	0.23	1.47	(1.9)%
Mohave	1.33	0.00	1.33	2.8 %
Navajo	1.79	0.00	1.79	2.6 %
Pima	1.37	0.00	1.37	0.3%
Pinal	2.29	0.34	2.63	(0.9)%
Santa Cruz	0.49	0.00	0.49	5.6 %
Yavapai	1.84	0.21	2.06	(1.6)%
Yuma/La Paz	2.25	0.37	2.63	2.6 %

allowed to collect 2% more in property tax revenues annually, not including revenue from new construction.

Any increase over 2% requires voter approval, unless the district has foregone increases in prior years and consolidates those increases into a single year.

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 22.1% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2017 weighted average tuition (weighted for each district’s proportion of the statewide FTSE count) is \$2,544 if a full-time student attends for 30 hours a year. The FY 2017 amount represents an increase of 3.0% from FY 2016. (See Table 6 for FY 2017 resident tuition and fee rates.)

**Table 6****Community College Resident Tuition and Fees – FY 2017**

<b>District</b>	<b>Cost Per Credit Hour</b>	<b>Annual Cost <sup>1/</sup></b>	<b>% Change from FY 2016</b>
Cochise	\$79	\$2,370	2.6%
Coconino	102	3,060	10.9%
Gila	80	2,400	15.4%
Graham	80	2,400	15.4%
Maricopa	86	2,580	2.4%
Mohave	88	2,640	0.0%
Navajo	70	2,100	2.9%
Pima	85	2,550	3.7%
Pinal	84	2,520	2.4%
Santa Cruz	79	2,370	2.6%
Yavapai	79	2,370	5.3%
Yuma/La Paz	80	2,400	2.6%
<b>Weighted Average</b>	<b>\$85</b>	<b>\$2,544</b>	<b>3.0%</b>

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

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they account for approximately 28.3% 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 7 shows total budgeted FY 2017 community college expenditures. In FY 2017, total budgeted expenditures are \$2,213,367,100. As mentioned previously, base operating revenues for FY 2017 are \$1,811,026,700; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,210,679,400. Of the total \$2,213,367,100 in expenditures, \$1,586,666,800, or 72%, of these expenditures are from the community colleges’ General and Restricted Funds. This includes about \$499,238,300, or 23%, for instruction and \$281,986,800, or 13%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$175,168,700, or 8% of the total. Plant Fund expenditures, which generally include capital costs, are \$220,998,600, or 10% of the total. The remaining \$230,533,000 is for debt service.

*Community College Expenditure Limitation* - Laws 2016, Chapter 58 modified the method for calculating community college expenditure limits, excludes certain types of expenditures from counting against the limit, and allows for an adjustment to the base expenditure limit.

The expenditure limit is determined by the Economic Estimates Commission (EEC) by adjusting the FY 1980 base limit by changes in estimated FTSE and inflation. Districts are required to submit FTSE estimates annually to the EEC, which uses those estimates to calculate new expenditure limits annually. Chapter 58 requires that districts use the same FTSE calculation method for the EEC submissions as the FTSE calculation for state aid, except that enrollment in career and technical education courses receives an additional weight. Chapter 58 permits districts to submit 1 of the 3 following options as FTSE estimates to the EEC:

- The most recent audited FTSE count for the expenditure limit calculation.

- The average of the 5 most recent audited FTSE counts for the expenditure limit calculation.
- A FTSE count that exceeds the most recent audited FTSE count for the expenditure limit calculations by up to 5% if the actual FTSE count 45 days after classes begin in the current fall semester exceeds the actual FTSE count 45 days after classes began in the previous fall semester.

As session law, Chapter 58 permits districts to submit the average of the 10 most recent audited FTSE counts until FY 2020.

<b>General/Restricted Funds</b>	<b>Total</b>	<b>% of Total</b>
Instruction	\$499,238,300	23%
Public Service	32,227,000	2%
Academic Support	154,454,800	7%
Student Services	161,620,600	7%
Institutional Support	281,986,800	13%
Operation & Maintenance	110,244,800	5%
Scholarships/Grants	321,566,600	14%
Contingency	<u>25,327,900</u>	<u>1%</u>
<b>Subtotal</b>	<b>\$1,586,666,800</b>	<b>72%</b>
Auxiliary Enterprises Fund	\$ 175,168,700	8%
Plant Fund	220,998,600	10%
Debt Service	<u>230,533,000</u>	<u>10%</u>
<b>Total</b>	<b>\$2,213,367,100</b>	<b>100%</b>

The Auditor General is required to separately audit the expenditure limit FTSE calculation and provide a report to the JLBC by October 15 of each year.

Expenditures that count against the expenditure limits generally consist of operating costs of the districts excluding funds generated from tuition, fees, Federal Funds, bond proceeds, debt service, and state capital funding. Chapter 58 allows districts to exclude expenditures from the following revenue sources as counting against their expenditure limit: grants and donations, research and development royalty, licensing and profit-sharing agreements, entrepreneurial and commercial activities, auxiliary fees, and goods and services through a contract with a political subdivision or tribal government.

Chapter 58 also allows district boards to refer to the voters in the district a permanent change in the base limit used to determine the expenditure limitation. The resolution for a base limit adjustment must include the current base limit, the proposed base limit, the increase in expenditure limit capacity that would be generated by the adjustment, and a rationale for the request.

**Community College Tuition Financing Districts**

Laws 2015, Chapter 306 renamed provisional community college districts established after December 31, 2014, to *community college tuition financing districts* and specified that the county board of supervisors will serve as the governing board to any community college tuition financing district. Gila and Santa Cruz are the only existing provisional districts and they were both established before December 31, 2014.

An area that wishes to form a community college but does not meet the minimum assessed valuation or population requirements in A.R.S § 15-1402 may form a tuition financing district. A tuition financing district is required to contract with an existing community college district to provide instruction and services to students.