

Arizona Community Colleges

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 APPROVED
SPECIAL LINE ITEMS			
Operating State Aid			
Cochise	5,343,400	5,206,000	4,670,000
Coconino	1,775,800	1,771,200	1,756,400
Gila	346,300	368,100	315,200
Graham	2,261,300	2,175,600	2,249,700
Maricopa	7,409,500	0	0
Mohave	1,543,300	1,524,000	1,315,000
Navajo	1,618,200	1,582,100	1,606,000
Pima	6,493,500	0	0
Pinal	2,023,900	1,903,500	1,724,700
Santa Cruz	47,900	57,300	81,200
Yavapai	887,000	890,300	800,200
Yuma/La Paz	2,726,600	2,702,500	2,690,100
<i>Subtotal - Operating State Aid</i>	34,476,700	18,180,600	17,208,500
STEM and Workforce Programs State Aid			
Cochise	1,236,700	1,150,000	1,008,200
Coconino	426,900	423,200	418,000
Gila	142,800	160,900	142,500
Graham	640,500	569,500	595,200
Maricopa	1,400,000	0	0
Mohave	593,700	577,700	505,200
Navajo	375,400	345,500	353,700
Pima	600,000	0	0
Pinal	1,009,300	96,500	96,500
Santa Cruz	45,400	53,100	61,400
Yavapai	802,900	805,700	774,400
Yuma/La Paz	882,500	867,300	864,000
<i>Subtotal - STEM and Workforce Programs State Aid</i>	8,156,100	5,049,400	4,819,100
Equalization Aid			
Cochise	3,870,500	4,332,800	4,878,400
Graham	15,025,500	14,538,800	14,695,800
Navajo	5,283,300	5,849,400	6,081,500
<i>Subtotal - Equalization Aid</i>	24,179,300	24,721,000	25,655,700
Rural County Allocation	3,195,500	2,523,400 ^{1/}	2,730,600 ^{2/}
Rural County Reimbursement Subsidy	1,273,800	1,273,800	1,273,800 ^{3/}
Tribal Community Colleges	2,625,000	2,625,000	2,625,000 ^{4/}
AGENCY TOTAL	71,906,400	54,373,200	54,312,700^{5/}
FUND SOURCES			
General Fund	71,906,400	54,373,200	54,312,700
SUBTOTAL - Appropriated Funds	71,906,400	54,373,200	54,312,700
Other Non-Appropriated Funds	17,520,900	18,200,300	18,200,300
TOTAL - ALL SOURCES	89,427,300	72,573,500	72,513,000

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 \$17,208,500 from the General Fund in FY 2017 for Operating State Aid. This amount funds the following adjustments:

Enrollment Changes

The budget includes a decrease of \$(972,100) from the General Fund in FY 2017 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (1,614), or (5.1%), decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 1). The (1,614) net FTSE decrease consists of a (1,600) FTSE decrease in non-dual enrollment students and a (14) 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.

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 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 2017, the last actual FTSE data was from FY 2015.)

STEM and Workforce Programs State Aid

The budget includes \$4,819,100 from the General Fund in FY 2017 for Science, Technology, Engineering and

Table 1

Community College Enrollment

<u>District</u>	<u>FY 2014</u> <u>FTSE</u>	<u>FY 2015</u> <u>FTSE</u>	<u>Percentage</u> <u>Change</u>
Cochise	7,221	6,338	(12.2)%
Coconino	2,092	2,066	(1.2)%
Gila	785	702	(10.6)%
Graham	2,765	2,897	4.8 %
Mohave	2,919	2,554	(12.5)%
Navajo	1,825	1,853	1.5 %
Pinal	4,354	4,069	(6.5)%
Santa Cruz	254	293	15.4 %
Yavapai	4,002	3,849	(3.8)%
Yuma/La Paz	5,451	5,433	(0.3)%
Total	31,668	30,054	(5.1)%

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 \$(230,300) from the General Fund in FY 2017 to fund STEM and Workforce Programs State Aid.

As session law, the FY 2017 Higher Education BRB (Laws 2016, Chapter 130) suspended the program's funding formula in A.R.S. § 15-1464 for FY 2017 and instead funded the amounts specified in the General Appropriation Act, which totaled \$4,819,100. That amount provides full formula funding for all rural districts in FY 2017 except for Pinal, which is limited to \$96,500 in STEM and Workforce Programs State Aid.

The budget continues to fully fund the 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 \$751,000.

As permanent law, the FY 2016 Higher Education BRB eliminated STEM and Workforce Programs State Aid for Maricopa and Pima.

- ^{1/} Each year, the Rural County Allocation is determined by enrollment counts submitted to the JLBC Staff. The JLBC Staff is required to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. The FY 2016 Appropriations Report was published prior to this report and included an estimated total of \$3,195,500 for Rural County Allocation in FY 2016. The amount was subsequently revised to \$2,523,400.
- ^{2/} 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 2017 the JLBC Staff calculates that amount to be \$2,730,600. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- ^{3/} 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)
- ^{4/} 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.
- ^{5/} General Appropriation Act funds are appropriated as District-by-District Special Line Items.

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 other than Maricopa and Pima 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 \$25,655,700 from the General Fund in FY 2017 for Equalization Aid. This amount funds the following adjustments:

Property Value Changes

The budget includes an increase of \$934,700 from the General Fund in FY 2017 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in *Table 2*.

<u>District</u>	<u>FY 2016</u>	<u>Year-over- Year Change</u>	<u>FY 2017</u>
Cochise	\$ 4,332,800	\$545,600	\$ 4,878,400
Graham	14,538,800	157,000	14,695,800
Navajo	<u>5,849,400</u>	<u>232,100</u>	<u>6,081,500</u>
Total	\$24,721,000	\$934,700	\$25,655,700

Background – The Equalization Aid 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 2017 Equalization Aid formula calculation, the minimum assessed valuation increased 0.4% to \$1.28 billion. (See *Table 3* for the calculation of the growth rate.)

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.

<u>District</u>	<u>TY 2014 Primary AV</u>	<u>TY 2015 Primary AV</u>	<u>TY 2014- 2015 % Growth</u>
Cochise*	\$ 955,783,500	\$ 920,583,400	(3.7)%
Graham*	211,469,600	203,987,400	(3.5)%
Navajo*	845,018,200	832,770,200	(1.4)%
Coconino	1,512,794,300	1,537,418,200	1.6 %
Mohave	1,727,793,400	1,685,788,500	(2.4)%
Pinal	2,005,151,800	2,057,547,500	2.6 %
Yavapai	2,217,272,800	2,279,183,400	2.8 %
Yuma/LaPaz	<u>1,318,262,100</u>	<u>1,322,095,300</u>	<u>0.3 %</u>
Total	\$10,793,545,700	\$10,839,373,900	0.4 %
Minimum AV	\$1,271,334,900	\$1,276,674,500	0.4 %

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

As noted in *Table 3*, the average rural district assessed value increased by 0.4%, in TY 2015. In comparison, Cochise declined by (3.7)%, Graham declined by (3.5)%, and Navajo declined by (1.4)%. 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 (\$1.28 billion in FY 2017) 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 \$2,730,600 from the General Fund in FY 2017 for Rural County Allocation. This amount funds the following adjustments:

Formula Increases

The budget includes an increase of \$207,200 from the General Fund in FY 2017 to reflect increased 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 FY 2015 expenditure of \$3,195,500 was offset by corresponding reductions 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 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. § 1469D to report the county withholdings to the Treasurer by May 15 for the upcoming fiscal year. Prior to this report, the JLBC Staff estimated this amount at \$2,523,400. Based on new data in May 2016, the JLBC Staff reported the amount to be \$2,730,600 for FY 2017.

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 2017 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2016.

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 2017 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 2017 for Tribal Community Colleges. This amount is unchanged from FY 2016.

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 2017 will depend on FY 2017 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 \$176,400, which is 10% of the total FY 2015 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 2017. 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 2017.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, the JLBC Staff estimates Community College statutory caseload changes will require an additional \$256,600 in FY 2018 and an additional \$388,600 in FY 2019.

These estimates are based on:

- Flat enrollment growth
- Assessed valuation growth of 1.0% in FY 2018 and 1.5% growth in FY 2019

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 2016, base operating revenues from all sources are estimated to be \$1,828,917,100, which would be an

Table 4

Total Estimated Community College Revenues – FY 2016

District	State Aid	Tuition/Fees	Property Taxes	Grants	Other ^{1/}	FY 2016 Total ^{2/}	FY 2015 Total ^{3/}	% Change from FY 2015
Cochise	\$10,688,800	\$8,363,900	\$20,028,200	\$15,204,700	\$1,454,300	\$55,739,900	\$51,863,100	7.5%
Coconino	2,194,400	7,693,200	9,467,400	7,336,000	1,038,100	27,729,100	26,296,300	5.4%
Gila ^{4/}	529,000	1,400,000	4,112,000	130,000	475,000	6,646,000	5,285,600	25.7%
Graham	17,283,900	7,179,500	5,887,100	11,430,500	9,474,500	51,255,500	44,043,100	16.4%
Maricopa	-	286,437,400	517,264,500	274,420,900	54,097,500	1,132,220,300	996,068,500	13.7%
Mohave	2,101,700	8,830,000	21,792,200	8,661,900	571,500	41,957,300	42,016,600	(0.1)%
Navajo	7,777,000	4,600,000	14,470,800	6,054,500	2,985,500	35,887,800	35,055,700	2.4%
Pima	-	54,899,000	104,315,000	62,394,000	5,462,000	227,070,000	207,765,900	9.3%
Pinal	2,000,000	13,650,000	49,614,000	25,503,500	2,117,000	92,884,500	81,866,600	13.5%
Santa Cruz ^{4/}	110,400	0	1,483,700	20,000	11,200	1,625,300	1,534,100	5.9%
Yavapai	1,696,000	12,273,000	47,635,600	14,559,000	4,339,000	80,502,600	76,574,800	5.1%
Yuma/La Paz	<u>3,569,800</u>	<u>14,003,000</u>	<u>33,770,500</u>	<u>19,132,700</u>	<u>4,922,800</u>	<u>75,398,800</u>	<u>78,762,600</u>	<u>(4.3)%</u>
Total	\$47,951,000	\$419,329,000	\$829,841,000	\$444,847,700	\$86,948,400	\$1,828,917,100	\$1,647,132,900	11.0 %

- ^{1/} Includes auxiliary programs, interest income, 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 \$2,272,288,600 for FY 2016.
- ^{3/} Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,755,482,100 for FY 2015.
- ^{4/} 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.

increase of 11.0% from FY 2015. (See Table 4 for a summary of FY 2016 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 2016 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. 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 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.

Long term property value growth has been approximately 5%. From that perspective, Proposition 117 would tend to reduce the year-to-year volatility in property tax values rather than reduce the dollar amount of long term revenues. However, the property tax base might grow more slowly under Proposition 117 because the property tax values would not be able to increase by more than 5% to offset the years that experience growth that is less than 5%.

To the extent that the property value grows more slowly because of Proposition 117, the community colleges could still generate the same level of revenue by increasing their tax rates.

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 22.9% of total revenues. Tuition and fees

Table 5

Community College Tax Rates – FY 2016

District	Primary Rate	Secondary Rate	Combined Rate	% Change in Combined Rate from FY 2015
Cochise	\$2.18	\$0.00	\$2.18	7.0 %
Coconino	0.49	0.12	0.61	0.8 %
Gila	0.85	0.00	0.85	(11.2)%
Graham	2.89	0.00	2.89	8.0 %
Maricopa	1.26	0.23	1.49	(1.6)%
Mohave	1.29	0.00	1.29	5.8 %
Navajo	1.74	0.00	1.74	4.9 %
Pima	1.37	0.02	1.39	4.1 %
Pinal	2.30	0.35	2.65	17.1 %
Santa Cruz	0.47	0.00	0.47	4.4 %
Yavapai	1.87	0.22	2.09	0.3 %
Yuma/La Paz	2.17	0.39	2.56	7.3 %

Table 6**Community College Resident Tuition and Fees – FY 2016**

District	Cost Per Credit Hour	Annual Cost ^{1/}	% Change from FY 2015
Cochise	\$77	\$2,310	2.7%
Coconino	92	2,760	3.4%
Gila	69	2,080	4.0%
Graham	69	2,080	4.0%
Maricopa	84	2,520	0.0%
Mohave	88	2,640	1.1%
Navajo	68	2,040	3.0%
Pima	82	2,460	7.0%
Pinal	82	2,460	2.5%
Santa Cruz	77	2,310	2.7%
Yavapai	75	2,250	4.2%
Yuma/La Paz	<u>78</u>	<u>2,340</u>	<u>2.6%</u>
Weighted Average	\$79	\$2,469	1.6%

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

are assessed on a per credit hour basis. FY 2016 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,469 if a full-time student attends for 30 hours a year. The FY 2016 amount represents an increase of 1.6% from FY 2015. (See Table 6 for FY 2016 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 29.1% 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 2016 community college expenditures. In FY 2016, total budgeted expenditures are \$2,273,243,100. As mentioned previously, base operating revenues for FY 2016 are \$1,828,917,100; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,272,288,600. Of the total \$2,273,243,100 in expenditures, \$1,651,531,200, or 72%, of these expenditures are from the community colleges' General and Restricted Funds. This includes about \$525,218,100, or 23%, for instruction and \$259,787,600, or 11%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking

Table 7**Community Colleges - FY 2016 Budgeted Expenditures**

General/Restricted Funds	Total	% of Total
Instruction	\$525,218,100	23%
Public Service	32,327,700	1%
Academic Support	150,546,500	7%
Student Services	156,819,600	7%
Institutional Support	259,787,600	11%
Operation & Maintenance	113,936,100	5%
Scholarships/Grants	333,083,200	15%
Contingency	<u>79,812,400</u>	<u>3%</u>
Subtotal	\$1,651,531,200	72%
Auxiliary Enterprises Fund	\$ 176,653,200	8%
Plant Fund	266,031,400	12%
Debt Service	<u>179,027,300</u>	<u>8%</u>
Total	\$ 2,273,243,100	100%

lots, book stores, and food service, are \$176,653,200, or 8% of the total. Plant Fund expenditures, which generally include capital costs, are \$266,031,400, or 12% of the total. The remaining \$179,027,300 is for debt service.

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.

Additional Legislation

Community College Expenditure Limitation

Laws 2016, Chapter 58 modifies 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.

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.

Tribal College Dual Enrollment Program Fund

The FY 2017 K-12 Education BRB (Laws 2016, Chapter 124) increases the maximum amount of unclaimed lottery prize monies that may be deposited annually into the Tribal College Dual Enrollment Program Fund to \$250,000 from the prior maximum of \$160,000. These monies are

accounted for in the Arizona Department of Education budget.

The Tribal College Dual Enrollment Program Fund is allocated 15% of unclaimed lottery prize monies, subject to legislative appropriation, plus any appropriations, gifts, grants, devices and other contributions. The fund is administered by the Department of Education and is used to compensate tribal colleges for tuition and fees that are waived to allow high school students to attend tribal college classes on campus and online.