

## Arizona Community Colleges

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
<b>SPECIAL LINE ITEMS</b>			
Operating State Aid			
Cochise	4,589,600	4,677,300	4,623,500
Coconino	1,731,100	1,749,200	1,703,400
Gila	298,400	324,900	293,700
Graham	2,288,300	2,357,900	2,389,600
Mohave	1,195,500	1,152,700	1,175,300
Navajo	1,649,000	1,576,500	1,567,700
Pinal	1,621,400	1,507,800	1,452,000
Santa Cruz	96,800	84,100	0
Yavapai	639,400	589,900	601,400
Yuma/La Paz	2,622,100	2,613,500	2,399,500
<i>Subtotal - Operating State Aid</i>	16,731,600	16,633,800	16,206,100
STEM and Workforce Programs State Aid			
Cochise	986,400	1,010,800	996,200
Coconino	409,000	415,600	399,200
Gila	136,500	146,200	135,000
Graham	609,000	634,400	645,800
Maricopa	0	0	1,600,000 <sup>1/</sup>
Mohave	462,500	446,900	455,000
Navajo	369,100	342,600	339,500
Pima	0	0	400,000 <sup>1/</sup>
Pinal	96,500	96,500	96,500
Santa Cruz	67,000	62,400	26,900
Yavapai	717,000	699,000	703,100
Yuma/La Paz	845,500	843,100	1,030,200
<i>Subtotal - STEM and Workforce Programs State Aid</i>	4,698,500	4,697,500	6,827,400
Equalization Aid			
Cochise	5,210,200	5,848,200	6,389,500
Graham	15,028,600	15,717,800	16,506,200
Navajo	6,672,100	7,107,100	7,751,900
<i>Subtotal - Equalization Aid</i>	26,910,900	28,673,100	30,647,600
Rural Community College Aid <sup>2/</sup>			
Cochise	0	0	3,140,100
Coconino	0	0	1,003,100
Gila	0	0	343,200
Graham	0	0	1,568,100
Mohave	0	0	1,152,100
Navajo	0	0	889,200
Pinal	0	0	1,795,400
Santa Cruz	0	0	64,200
Yavapai	0	0	1,761,300
Yuma/La Paz	0	0	2,483,300
<i>Subtotal - Rural Community College Aid</i>	0	0	14,200,000
Rural County Allocation	2,596,700	2,902,300	3,420,800 <sup>3/</sup>
Rural County Reimbursement Subsidy	1,273,800	1,273,800	1,273,800 <sup>4/</sup>
Tribal Community Colleges	2,625,000	2,825,000	2,825,000 <sup>5/</sup>
Additional Gila Workforce Development Aid	250,000	200,000	200,000
Diné College Remedial Education	0	0	1,000,000 <sup>6/</sup>
Maricopa Health Care Specialty Expansion	0	0	5,800,000 <sup>2/</sup>
Pima Aviation Center Expansion	0	0	15,000,000 <sup>2/</sup>
<b>AGENCY TOTAL</b>	<b>55,086,500</b>	<b>57,205,500</b>	<b>97,400,700<sup>2/</sup></b>

	FY 2018 ACTUAL	FY 2019 ESTIMATE	FY 2020 APPROVED
<b>FUND SOURCES</b>			
General Fund	55,086,500	57,205,500	97,400,700
<b>SUBTOTAL - Appropriated Funds</b>	<b>55,086,500</b>	<b>57,205,500</b>	<b>97,400,700</b>
Other Non-Appropriated Funds	20,121,600	20,121,600	20,121,600
<b>TOTAL - ALL SOURCES</b>	<b>75,208,100</b>	<b>77,327,100</b>	<b>117,522,300</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.

**FOOTNOTES**

- 1/ The following amounts are appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the following Arizona community college districts for STEM and workforce development:
  - 1. Maricopa \$1,600,000
  - 2. Pima \$400,000
- 2/ Appropriated for FY 2020 by Laws 2019, Chapter 263, Section 134.
- 3/ 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 2020, that amount is estimated to be \$3,420,800. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 4/ 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)
- 5/ 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.
- 6/ On or before October 15, 2020, the Diné college board of regents shall submit to the Governor, the Speaker of the House of Representatives, the President of the Senate, the Secretary of State and the Joint Legislative Budget Committee a report that details the course completion rate for students who received remedial education during the 2019-2020 academic year. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

**Operating State Aid**

The budget includes \$16,206,100 from the General Fund in FY 2020 for Operating State Aid. FY 2020 adjustments are as follows:

**Enrollment Changes**

The budget includes a decrease of \$(427,700) from the General Fund in FY 2020 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (798), or (2.7)%, decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 1). The (798) net FTSE decrease consists of a (709) FTSE decrease in non-dual enrollment students and an (89) 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.

The FY 2020 budget has no Operating State Aid for the Santa Cruz Provisional Community College District (SCPCCD) for FY 2020. The Operating State Aid formula adjusts a community college's Operating State Aid appropriation for FY 2020 based on the FTSE change from FY 2017 to FY 2018 multiplied by the statewide average Operating State Aid provided in FY 2019 (\$588). Given the SCPCCD (170) FTE reduction, their operating reduction would be \$(100,000). SCPCCD, however, only has \$84,100 in Operating State Aid. As a result, Santa Cruz will qualify for \$0 in FY 2020 in Operating State Aid.

**Table 1****Community College Enrollment**

<b>District</b>	<b>FY 2017 FTSE</b>	<b>FY 2018 FTSE</b>	<b>Percentage Change</b>
Cochise	6,353	6,258	(1.5)%
Coconino	2,048	1,999	(2.4)%
Gila	735	684	(6.9)%
Graham	3,075	3,125	1.6%
Mohave	2,270	2,296	1.1%
Navajo	1,827	1,772	(3.0)%
Pinal	3,688	3,578	(3.0)%
Santa Cruz	298	128	(57.0)%
Yavapai	3,498	3,510	0.3%
Yuma/La Paz	<u>5,305</u>	<u>4,949</u>	<u>(6.7)%</u>
<b>Total</b>	<b>29,097</b>	<b>28,299</b>	<b>(2.7)%</b>

*Background* – With the exception of Maricopa and Pima, the Operating State Aid 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 2020, the last actual FTSE data was from FY 2018.)

As permanent law, the FY 2016 Higher Education Budget Reconciliation Bill (BRB) eliminated Operating State Aid for Maricopa and Pima. The FY 2018 Higher Education BRB subsequently restored Maricopa and Pima County’s eligibility for FY 2019 Operating State Aid in permanent law. Since then, however, a session law provision has suspended the formula. As a result, Maricopa and Pima County continued to receive no Operating State Aid. The FY 2020 Higher Education BRB continues to suspend Maricopa and Pima Operating State Aid funding in FY 2020.

The full formula funding for Maricopa and Pima County cannot be calculated for FY 2020. The Operating State Aid formula adjusts the prior year’s appropriation based on the changes in FTSE enrollment count. Maricopa and Pima County have not received Operating State Aid since FY 2015.

### **STEM and Workforce Programs State Aid**

The budget includes \$6,827,400 from the General Fund in FY 2020 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid (formerly Capital Outlay State Aid). FY 2020 adjustments are as follows:

### **Enrollment Changes**

The budget includes an increase of \$129,900 from the General Fund in FY 2020 to fund increased formula costs for STEM and Workforce Programs State Aid. As permanent law, the FY 2018 Higher Education BRB restored eligibility for FY 2019 STEM and Workforce Programs State Aid funding for Maricopa and Pima County that was eliminated by Laws 2015, Chapter 16. Session law, however, has continued to suspend the program’s funding formula and instead funded the amounts specified in the General Appropriation Act. The General Appropriation Act included no STEM and Workforce Programs State Aid funding for Maricopa and Pima County in FY 2020.

The FY 2020 Higher Education BRB continues to fully fund the STEM and Workforce Program State Aid formula for all rural districts except for Pinal, which will continue to be kept flat at \$96,500. If Pinal was fully funded, it would cost an additional \$652,700. If the formula were fully funded for FY 2020, Maricopa would receive \$10,849,300 and Pima would receive \$2,343,200 in FY 2020.

### **Maricopa and Pima Funding**

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2020 to fund STEM and workforce development in Maricopa and Pima Community College Districts. Of the \$2,000,000, Maricopa is appropriated \$1,600,000 and Pima is appropriated \$400,000. The FY 2020 General Appropriation Act (Section 134) appropriates these amounts in each of FY 2020, FY 2021 and FY 2022.

*Background* – The STEM and Workforce Programs State Aid 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 \$30,647,600 from the General Fund in FY 2020 for Equalization Aid. FY 2020 adjustments are as follows:

### **Property Value Changes**

The budget includes an increase of \$1,974,500 from the General Fund in FY 2020 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 2019</u>	<u>Year-over- Year Change</u>	<u>FY 2020</u>
Cochise	\$ 5,848,200	\$541,300	\$ 6,389,500
Graham	15,717,800	788,400	16,506,200
Navajo	<u>7,107,100</u>	<u>644,800</u>	<u>7,751,900</u>
<b>Total</b>	<b>\$28,673,100</b>	<b>\$1,974,500</b>	<b>\$30,647,600</b>

*Background* – The Equalization Aid 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 2020 Equalization Aid formula calculation, the minimum assessed valuation increased 4.1% to approximately \$1.4 billion. (See *Table 3* for the calculation of the growth rate.)

<u>District</u>	<u>TY 2017 Primary AV</u>	<u>TY 2018 Primary AV</u>	<u>TY 2017- 2018 % Growth</u>
Cochise*	\$ 913,002,900	\$ 928,290,400	1.7 %
Graham*	192,589,700	189,842,100	(1.4)%
Navajo*	821,107,800	828,848,100	0.9 %
Coconino	1,648,531,000	1,726,579,800	4.7 %
Mohave	1,739,751,600	1,811,189,500	4.1 %
Pinal	2,239,027,300	2,355,433,500	5.2 %
Yavapai	2,463,150,000	2,599,537,800	5.5 %
Yuma/LaPaz	<u>1,358,691,500</u>	<u>1,401,182,900</u>	<u>3.1 %</u>
<b>Total</b>	<b>\$11,375,851,800</b>	<b>\$11,840,904,100</b>	<b>4.1 %</b>
<b>Minimum AV</b>	<b>\$1,339,876,700</b>	<b>\$1,394,677,700</b>	<b>4.1 %</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 values all increased by 4.1% in TY 2017. In comparison, Cochise increased by 1.7%, Graham declined by (1.4)%,

and Navajo increased by 0.9%. Because their primary assessed value increased by less than the average rural 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 (\$1.39 billion in FY 2020), 2) whether the district's change in assessed value was less than the rural districts' average change, and 3) the applicable tax rate.

#### **Rural Community College Aid**

The budget includes \$14,200,000 from the General Fund in FY 2020 for Rural Community College Aid. The FY 2020 adjustments are as follows:

##### **One-Time Rural Funding**

The budget includes a one-time increase of \$14,200,000 from the General Fund in FY 2020 for aid to the 10 rural community college districts.

FY 2020 funding was allocated by Section 134 of the General Appropriation Act to the 10 rural community college districts based on each district's share of actual FY 2018 enrollment.

#### **Rural County Allocation**

The budget includes \$3,420,800 from the General Fund in FY 2020 for Rural County Allocation. FY 2020 adjustments are as follows:

##### **Enrollment Increase**

The budget includes an increase of \$518,500 from the General Fund in FY 2020 to fund increased student enrollment.

*Background* – The Rural County Allocation 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 2019, the JLBC Staff reported the amount to be \$3,420,800 for FY 2020.

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 2020 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2019.

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 budget allocates \$699,300 to Apache and \$574,500 to Greenlee.

#### **Tribal Community Colleges**

The budget includes \$2,825,000 from the General Fund in FY 2020 for Tribal Community Colleges. This amount is unchanged from FY 2019.

The budget assumes a distribution of \$2,625,000 to the Navajo Nation, comprised of \$1,750,000 for Diné College, and \$875,000 for Navajo Technical College. For the Navajo Nation, the budget assumes the maximum amounts allowed under statute since a net of 15% of their current TPT revenues would exceed the statutory distribution limits as described below. The budget assumes \$200,000 for the Tohono O'Odham Community College in FY 2020 based on a projection of 10% of the collected TPT revenues from the reservation.

*Background* – This funding is limited to qualified tribes that instituted a compact with the state before September 1, 2017 to receive a portion of Transaction Privilege Tax (TPT) revenues for support of tribe's postsecondary institution(s). A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the TPT revenues collected from all sources located on the reservation, whichever is less. 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 2020 will depend on FY 2020 collections. Given the language of A.R.S. § 42-5031.01,

these monies do not appear in the General Appropriation Act.

The state has compacts with the Navajo Nation and the Tohono O'Odham Nation. Laws 2016, Chapter 148 set a 20-year term for compacts entered into by a qualified tribe and the Executive; a compact can be renewed during the fourth year prior to the compact's expiration for an additional term of 20 years or more. The renewal requires JLBC review.

The initial compact for Diné College was signed October 19, 1999, and the JLBC Committee favorably reviewed a 10-year renewal term in April 2009. The compact was amended to include Navajo Technical College in February 2014, and renewal was extended until June 30, 2020. On June 1, 2018, the Executive and the Navajo Nation signed a 20-year compact for the 2 institutions that is effective from July 1, 2020 to June 30, 2040; the next JLBC review would be in 2036.

The Tohono O'Odham entered into an initial compact with the Executive in 2017; the next JLBC review would be in 2033.

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

The budget includes \$200,000 from the General Fund for Additional Gila Workforce Development Aid in FY 2020. This amount is unchanged from FY 2019.

*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*). In FY 2018, the General Appropriation Act provided an additional one-time appropriation of \$50,000 for this purpose.

#### **Diné College Remedial Education**

The budget includes \$1,000,000 from the General Fund in FY 2020 for Diné College Remedial Education. FY 2020 adjustments are as follows:

##### **Diné College Remedial Education**

The budget includes an increase of \$1,000,000 from the General Fund in FY 2020 for Diné College. A footnote in the General Appropriation Act requires the Dine board of regents to submit a report by October 15, 2020 that details the course completion rate for students who received remedial education during the 2019-2020 academic year.

### **Maricopa Health Care Specialty Expansion**

The budget includes \$5,800,000 from the General Fund in FY 2020 for Maricopa Health Care Specialty Expansion. FY 2020 adjustments are as follows:

#### **One-Time Funding**

The budget includes a one-time increase of \$5,800,000 from the General Fund in FY 2020 for costs associated with the expansion of the health care specialty program in the Maricopa County Community College District.

This funding is expected to double the enrollment capacity at the Paradise Valley Community College's Integrated Health Science Center. The expansion would focus on 6 specialty areas: operating room, emergency care, telemetry, oncology, intensive care unit, and home care.

### **Pima Aviation Center Expansion**

The budget includes \$15,000,000 from the General Fund in FY 2020 for Pima Aviation Center Expansion. FY 2020 adjustments are as follows:

#### **One-Time Funding**

The budget includes a one-time increase of \$15,000,000 from the General Fund in FY 2020 for costs related to the expansion of the Pima Community College District Aviation Center.

This appropriation funds the construction of a new hangar, 5 classrooms, additional lab space, and offices. This expansion is expected to double the program's student capacity.

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#### **Other Issues**

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### **Statutory Changes**

The Higher Education BRB makes the following statutory changes:

- As session law, continue to suspend the Operating State Aid funding formula in FY 2020 for Maricopa and Pima Counties.
- As session law, continue to suspend Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2020 and specify the funding in the General Appropriation Act, which for Pinal would again equal \$96,500.
- As permanent law, prohibit community college district employees from being compensated for work

performed on behalf of an elected employee representative organization.

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

As part of the budget's 3-year spending plan, the Arizona Community College General Fund costs are projected to increase by \$2,583,100 in FY 2021 above FY 2020 and \$2,802,900 in FY 2022 above FY 2021. These estimates assume:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2020 and FY 2021).
- No funding changes for Operating State Aid or STEM and Workforce Programs State Aid for Maricopa, Pima, and Pinal County.
- An increase of \$2,583,100 for Equalization Aid in FY 2021 and \$2,802,900 in FY 2022. These estimates assume Net Assessed Value (NAV) growth of 4.9% in FY 2020 and FY 2021 based on the state-wide average. The counties receiving aid would see a 2.3% increase in FY 2020 and 2.4% NAV increase in both years for the counties that receive Equalization Aid. This would cause NAV in those 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 2.9% of their revenues (excluding bond proceeds) from state aid.

For FY 2019, base operating revenues from all sources are estimated to be \$1,738,467,300, which would be an increase of 3.9% from FY 2018. (See Table 4 for a summary of FY 2019 total revenue estimates.)

Table 4

## Total Estimated Community College Revenues – FY 2019

District	State Aid	Tuition/Fees	Property Taxes	Grants	Other <sup>1/</sup>	FY 2019 Total <sup>2/</sup>	FY 2018 Total <sup>3/</sup>	% Change from FY 2017
Cochise	\$11,536,300	\$9,726,700	22,300,300	12,879,000	\$1,205,800	\$57,648,100	\$51,864,400	11.2%
Coconino	2,164,800	7,845,200	10,288,000	5,394,400	1,018,300	26,710,700	25,722,400	3.8%
Gila <sup>4/</sup>	471,100	0	4,725,200	375,000	325,000	5,896,300	5,836,500	1.0%
Graham	18,710,100	8,539,800	6,316,000	9,541,600	9,971,500	53,079,000	46,026,600	15.3%
Maricopa	-	239,207,400	555,988,400	199,719,900	50,345,600	1,045,261,300	1,009,481,200	3.5%
Mohave	1,599,600	9,105,900	24,291,700	8,566,200	853,000	44,416,400	43,240,700	2.7%
Navajo	9,026,200	4,860,000	15,055,200	5,657,400	2,282,900	36,881,700	35,831,700	2.9%
Pima	-	48,772,000	116,532,800	48,630,000	6,820,200	220,755,000	208,225,900	6.0%
Pinal	1,604,300	11,675,000	43,853,400	16,007,500	2,040,000	75,180,200	90,905,200	-17.3%
Santa Cruz <sup>4/</sup>	146,500	10,000	1,621,500	45,100	16,500	1,839,600	1,782,300	3.2%
Yavapai	1,288,900	11,355,000	50,403,300	12,945,200	8,955,900	84,948,300	78,155,400	8.7%
Yuma/La Paz	<u>3,456,600</u>	<u>13,133,800</u>	<u>35,977,600</u>	<u>25,156,900</u>	<u>8,125,800</u>	<u>85,850,700</u>	<u>75,873,200</u>	<u>13.2%</u>
<b>Total</b>	<b>\$50,004,400</b>	<b>\$364,230,800</b>	<b>\$887,353,400</b>	<b>\$344,918,200</b>	<b>\$91,960,500</b>	<b>\$1,738,467,300</b>	<b>\$1,672,945,500</b>	<b>3.9%</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 \$2,051,396,800 for FY 2019.

<sup>3/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,737,121,800 for FY 2018.

<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 Pima County's Community College in order to provide degree programs. Therefore, Santa Cruz's tuition and fee revenues are collected by Pima according to their contract agreement.

Table 5

## Community College Tax Rates – FY 2019

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from FY 2018
Cochise	\$2.40	\$0.00	\$2.40	1.2%
Coconino	0.47	0.12	0.60	-3.0%
Gila	0.96	0.00	0.96	2.3%
Graham	3.33	0.00	3.33	6.0%
Maricopa	1.17	0.20	1.38	-2.4%
Mohave	1.34	0.00	1.34	-0.1%
Navajo	1.82	0.00	1.82	0.5%
Pima	1.40	0.00	1.40	0.7%
Pinal	2.18	0.19	2.36	-7.1%
Santa Cruz	0.49	0.00	0.49	-1.0%
Yavapai	1.76	0.19	1.95	-1.8%
Yuma/La Paz	2.22	0.35	2.57	3.2%

Property taxes are the single largest revenue source for the community colleges, accounting for 51% 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. Both taxes are levied on limited property values. Each community college district determines its primary and secondary property tax rates. (See Table 5 for a summary of FY 2019 property tax rates.)

In 2012, Proposition 117 capped annual property value increases on any single parcel of real property to 5% starting in FY 2016 (see the FY 2017 Appropriations Report for more information). 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.

The community colleges also collect tuition and fees from enrolled students. These collections account for approximately 21.0% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2019 weighted average tuition (weighted for each district's proportion of the statewide FTSE count) is \$2,550 if a full-time student attends for 30 hours a year. The FY 2019 amount represents an increase of 0.1% from FY 2018. (See Table 6 for FY 2019 resident tuition and fee rates.)

Community colleges also receive grants and "other" revenue from a variety of sources. Combined, they account for approximately 19.8% 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.

<b>Table 6</b>			
<b>Community College Resident Tuition and Fees – FY 2019</b>			
<b>District</b>	<b>Cost Per Credit Hour</b>	<b>Annual Cost <sup>1/</sup></b>	<b>% Change from FY 2018</b>
Cochise	\$85	\$2,550	3.7%
Coconino	109	3,270	3.8%
Gila	80	2,400	-5.9%
Graham	90	2,700	5.9%
Maricopa	85	2,550	-1.2%
Mohave	81	2,430	0.0%
Navajo	74	2,220	2.8%
Pima	83	2,475	1.2%
Pinal	86	2,580	0.0%
Santa Cruz	83	2,475	1.2%
Yavapai	87	2,610	4.8%
Yuma/La Paz	84	2,520	2.4%
<b>Weighted Average</b>	<b>\$85</b>	<b>\$2,550</b>	<b>0.1%</b>

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

<b>Table 7</b>		
<b>Community Colleges - FY 2019 Budgeted Expenditures</b>		
<b>General/Restricted Funds</b>	<b>Total</b>	<b>% of Total</b>
Instruction	\$493,210,900	24.0%
Public Service	\$24,478,500	1.2%
Academic Support	\$144,919,700	7.1%
Student Services	\$160,705,200	7.8%
Institutional Support	\$298,084,600	14.5%
Operation & Maintenance	\$112,164,600	5.5%
Scholarships/Grants	\$282,801,600	13.8%
Contingency	\$47,339,800	2.3%
<b>Subtotal</b>	<b>\$1,563,704,900</b>	<b>76.2%</b>
Auxiliary Enterprises Fund	\$152,918,000	7.5%
Plant Fund	\$188,323,300	9.2%
Debt Service	\$146,450,600	7.1%
<b>Total</b>	<b>\$2,051,396,800</b>	<b>100%</b>

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 2019 community college expenditures. In FY 2019, total budgeted expenditures are \$2,051,396,800. As mentioned previously, base operating revenues for FY 2019 are \$1,738,467,300; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,051,396,800. Of the total \$2,051,396,800 in budgeted expenditures, \$1,563,704,900, or 76.2%, of these expenditures are from the community colleges’ General and Restricted Funds. This includes about \$493,210,900, or 24%, for instruction and \$298,084,600, or 14.5%, for administrative support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$152,918,000, or 7.5% of the total. Plant Fund expenditures, which generally include capital costs, are \$188,323,300, or 9.2% of the total. The remaining \$146,450,600 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. (See FY 2018 Appropriations Report for more information.)*