



ARIZONA STATE SENATE
Forty-ninth Legislature, First Regular Session

PROGRAM PRESENTATION
Community College Funding

Background

There are ten community college districts in Arizona governed by locally elected community college district governing boards: Cochise, Coconino, Graham, Maricopa, Mojave, Navajo, Pima, Pinal, Yavapai and Yuma/La Paz. Gila County operates a provisional community college district. Apache, Greenlee and Santa Cruz counties do not have community college districts within their boundaries. These counties are provided community college services through one or more of the existing districts. Any county, or two or more contiguous counties, may form a community college district pursuant to A.R.S. § 15-1402. The formation must be voter approved and the proposed district must meet statutory population and assessed valuation thresholds.

Community college districts receive funding from several sources: the primary property tax levy; tuition and fees; operating state aid; capital outlay state aid; equalization aid; bonds and other forms of indebtedness; and grants, gifts and donations. The following overview is limited to state General Fund support of community colleges, i.e., formula funding received by the district from the state.

Operating State Aid

The state funds the maintenance and operations of community colleges based upon a prescribed statutory formula. The formula holds harmless those districts with declining full-time student equivalent (FTSE) enrollment – with funding only adjusted to reflect growth in FTSE enrollment count, although that growth must exceed its highest audited FTSE count from and after FY 2003-2004. This provision holds district's with declining or flat enrollment growth at their current funding level until any growth exceeds the enrollment level prior to any decline. The adjustment is calculated by multiplying the increase in the most recently audited year's actual FTSE enrollment for each district by the average state aid per FTSE enrollment appropriated in the current year. Operating State Aid is the sum of the current year base and the FTSE enrollment growth adjustment. The FY 2008-2009 budget provides \$116,308,800 for Operating State Aid, which reflects a reduction from the FY 2007-2008 funding level of (\$4,443,200). The formula generated an increase of \$689,000 for the districts based on enrollment growth.

Equalization Aid

Distinct from Operating State Aid, community college districts receive Equalization Aid if their assessed valuation falls below a statutorily prescribed amount, adjusted annually for growth in valuation. Under the Equalization Aid formula (A.R.S. § 15-1468), the minimum

PROGRAM PRESENTATION

Community College Funding

Page 2

assessed valuation is increased by the average growth in actual assessed valuation for the two most recent fiscal years for all districts with less than 500,000 persons. Aid is paid out on the basis of the difference between minimum assessed valuation and the most recent year's actual assessed valuation for the district. Currently, only Cochise, Graham, Navajo and Yuma/La Paz receive funding under the Equalization Aid formula. The FY 2008-2009 budget provides \$27,927,000 to those qualifying districts, which reflects a reduction of (\$1,064,400) of the formula generated amount.

Capital Outlay State Aid

A.R.S. § 15-1464 provides funding to districts based on the district's size and the most recent year's actual audited FTSE. The Capital Outlay State Aid formula does not hold districts harmless for declining enrollment. As enrollment declines or grows, so does the amount of funding each district receives. The formula provides \$210 per FTSE for districts with 5,000 or fewer total FTSE or \$160 per FTSE for districts with more than 5,000 total FTSE. The Capital Outlay State Aid Formula was suspended for FY 2008-2009 but would have generated \$20,054,000 for the districts.

Provisional Community College Districts

Laws 1999, Chapter 340, authorized the formation of provisional community college districts, which are exempt from most of the criteria for formation of a regular district, such as the minimum assessed valuation and population requirements and the ability to receive state monies and award degrees, certificates or diplomas. Laws 2001, Chapter 258, included provisional districts in the operating and capital outlay state aid formulas; provisional districts remain ineligible for equalization aid. Gila County is currently the only provisional district.

Additional Funding

Tribal Assistance – Laws 1999, Chapter 183, requires the annual distribution of a portion of transaction privilege tax (TPT) revenues to qualified tribal community colleges for capital expenses, either \$1.75 million or ten percent of the TPT revenues collected on Indian reservations, whichever is less. The FY 2008-2009 budget included \$1,944,000 for this item (\$1,750,000 for Diné College and \$194,000 for Tohono O'odham College). Additionally, Proposition 301, approved by the electorate in 2000, provides workforce development and job training funds for qualified tribal colleges through the dedicated education sales tax.

Rural County Reimbursement – Pursuant to A.R.S. § 15-1469.01, the state reimburses community college districts for students enrolled from counties that do not contain an established community college district. Funding provided to these districts is offset by a corresponding reduction in the counties' sales tax apportionment. Additionally, the Legislature has appropriated funds to subsidize the amount counties are required to pay for the reimbursement amount. The FY 2008-2009 budget included \$1,000,000 for this item.

PROGRAM PRESENTATION

Community College Funding

Page 3

Fiscal Information

Fiscal Year	Funded FTSE	Operating State Aid	Capital Outlay State Aid	Equalization Aid
FY 2000	85,168	\$104,642,300	\$14,659,000	\$9,993,000
FY 2001	90,634	\$107,939,200	\$15,569,500	\$10,748,700
FY 2002	93,777	\$105,509,300	\$16,120,600	\$11,135,700
FY 2003	97,588	\$101,749,300	\$15,434,100	\$10,160,000
FY 2004	102,573	\$101,749,300	\$15,434,100	\$11,125,300
FY 2005	109,803	\$109,347,800	\$18,787,100	\$15,480,100
FY 2006	113,582	\$115,302,600	\$19,579,700	\$17,443,400
FY 2007	120,064	\$119,478,300	\$23,295,600	\$20,012,700
FY 2008	118,506	\$120,053,000	\$21,054,000	\$23,493,800
FY 2009	118,308	\$116,308,800	\$500,000	\$27,927,000

Notes: Data from JLBC Appropriations Reports. FY 2009 Capital Outlay formula suspended except for \$500,000 for Navajo public safety facility.

FY 2008-2009 Budget Action

Laws 2009, First Special Session, Chapter 1, further reduced Operating State Aid by (\$9,000,000) to be allocated among each of the districts proportionately.

Committee Activity

The Committee on Education Accountability & Reform heard a Joint Legislative Budget Committee (JLBC) staff presentation on community college funding Wednesday, February 18, 2009. The Committee also heard testimony from Dr. Karen Nicodemus, Arizona Community College Presidents' Council.

Attachments

- Handout outlining the JLBC staff presentation.
- Handout provided by the Arizona Community College Presidents' Council.

Prepared by Senate Research

February 19, 2009

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