

Arizona Community Colleges

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
SPECIAL LINE ITEMS			
Equalization Aid			
Cochise	7,227,100	7,925,300	8,771,400
Graham	17,469,100	18,193,200	19,114,000
Navajo	8,444,300	9,171,000	9,912,900
Yuma/La Paz	155,200	616,700	530,200
<i>Subtotal - Equalization Aid</i>	33,295,700	35,906,200	38,328,500
Operating State Aid			
Cochise	4,690,700	4,373,500	4,230,000
Coconino	1,698,400	1,626,500	1,369,600
Gila	296,300	271,500	155,300
Graham	2,338,800	1,936,100	1,532,300
Mohave	1,138,900	1,205,500	903,000
Navajo	1,554,800	1,512,300	1,393,400
Pinal	1,128,300	1,356,500	818,200
Santa Cruz	0	17,100	0
Yavapai	585,800	590,500	300,400
Yuma/La Paz	2,384,800	2,391,900	1,898,200
<i>Subtotal - Operating State Aid</i>	15,816,800	15,281,400	12,600,400
STEM and Workforce Programs State Aid			
Cochise	1,014,500	928,400	895,200
Coconino	397,400	371,800	293,800
Gila	136,000	127,200	91,900
Graham	627,600	484,200	361,500
Maricopa	1,600,000	1,600,000	0
Mohave	441,900	465,700	373,800
Navajo	334,800	319,700	283,600
Pima	400,000	400,000	0
Pinal	96,500	96,500	96,500
Santa Cruz	23,700	29,800	21,800
Yavapai	697,500	699,200	611,100
Yuma/La Paz	1,024,900	1,027,400	877,500
<i>Subtotal - STEM and Workforce Programs State Aid</i>	6,794,800	6,549,900	3,906,700
Rural Aid			
Cochise	0	6,251,000	3,544,300
Coconino	0	1,907,300	886,200
Gila	0	652,300	277,100
Graham	0	2,483,700	1,090,500
Mohave	0	2,388,900	1,127,600
Navajo	0	1,640,200	855,500
Pinal	0	3,666,000	1,662,500
Santa Cruz	0	153,000	65,900
Yavapai	0	3,586,900	1,843,400
Yuma/La Paz	0	5,270,700	2,647,000
<i>Subtotal - Rural Aid</i>	0	28,000,000	14,000,000
Urban Aid			
Maricopa	0	10,400,000	0
Pima	0	2,600,000	0
<i>Subtotal - Urban Aid</i>	0	13,000,000	0
Rural County Allocation	3,658,200	4,337,300	4,337,300 ^{1/}
Rural County Reimbursement Subsidy	1,273,800	1,773,800	1,273,800 ^{2/}
Tribal Community Colleges	4,099,600	2,856,100	3,014,800 ^{3/}

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Diné College Remedial Education	1,000,000	1,000,000	1,000,000 ^{4/}
AGENCY TOTAL	66,138,900	108,904,700	78,661,500 ^{5/}
FUND SOURCES			
General Fund	66,138,900	108,904,700	78,661,500
SUBTOTAL - Appropriated Funds	66,138,900	108,904,700	78,661,500
Other Non-Appropriated Funds	34,460,300	50,925,100	50,925,100
TOTAL - ALL SOURCES	100,599,200	159,829,800	129,586,600

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 Associates degree, Baccalaureate degree, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

FOOTNOTES

- 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 2023, that amount is estimated to be \$4,337,300. 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/ On or before October 15, 2023, 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 2022-2023 academic year. (General Appropriation Act footnote)
- 5/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

Equalization Aid

The Baseline includes \$38,328,500 from the General Fund in FY 2023 for Equalization Aid. FY 2023 adjustments are as follows:

Property Value Changes

The Baseline includes an increase of \$2,422,300 from the General Fund in FY 2023 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in *Table 1*.

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

<u>District</u>	<u>FY 2022</u>	<u>Year-over- Year Change</u>	<u>FY 2023</u>
Cochise	\$ 7,925,300	\$ 846,100	\$ 8,771,400
Graham	18,193,200	920,800	19,114,000
Navajo	9,171,000	741,900	9,912,900
Yuma/La Paz	<u>616,700</u>	<u>(86,500)</u>	<u>530,200</u>
Total	\$35,906,200	\$2,422,300	\$38,328,500

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, according to the most recent decennial census data. Actual assessed valuation for rural districts was 5.4% higher in TY 2021 than in the preceding year. Therefore, for the FY 2023 Equalization Aid formula calculation, the

minimum assessed valuation increased 5.4% to approximately \$1.6 billion. (See Table 2 for the calculation of the growth rate.)

District	TY 2020 Primary AV	TY 2021 Primary AV	TY 2020- 2021 % Growth
Cochise*	\$ 973,084,500	\$ 994,800,800	2.2 %
Graham*	223,604,200	239,863,700	7.3 %
Navajo*	882,158,100	911,478,100	3.3 %
Yuma/La Paz*	1,506,557,400	1,596,348,900	6.0 %
Coconino	1,929,724,100	1,983,520,000	2.8 %
Mohave	2,010,693,400	2,143,344,600	6.6 %
Pinal	2,689,422,200	2,868,880,600	6.7 %
Yavapai	<u>2,957,724,700</u>	<u>3,143,221,200</u>	<u>6.3 %</u>
Total	\$13,172,968,600	\$13,881,457,800	5.4 %
Minimum AV	\$1,551,572,600	\$1,635,047,200	5.4 %

* These districts qualify to receive Equalization Aid under the state funding formula in FY 2023.

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 2, the average rural district assessed value increased by 5.4% in TY 2021. In comparison, Cochise increased by 2.2% and Navajo increased by 3.3%. Because their primary assessed values increased by less than the average rural district, Cochise and Navajo qualify for more aid. While Graham increased by 7.3% and Yuma/La Paz increased by 6.0%, more than the average rural district, their assessed values remain below the minimum assessed value.

In any one year a district’s equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.64 billion in FY 2023), 2) whether the district’s change in assessed value was less than the rural districts’ average change, and 3) the applicable tax rate.

Operating State Aid

The Baseline includes \$12,600,400 from the General Fund in FY 2023 for Operating State Aid. FY 2023 adjustments are as follows:

Enrollment Changes

The Baseline includes a decrease of \$(2,681,000) from the General Fund in FY 2023 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (3,996), or (14.9)% decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 3). The (3,996) net FTSE decrease consists of a (3,785) FTSE decrease in non-dual enrollment students and a (211) 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.

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 2023, the last actual FTSE data was from FY 2021.)

	FY 2020 FTSE	FY 2021 FTSE	Percentage Change
Rural Districts			
Cochise	5,829	5,620	(3.6)%
Coconino	1,877	1,491	(20.6)%
Gila	655	472	(27.9)%
Graham	2,348	1,770	(24.6)%
Mohave	2,370	1,914	(19.2)%
Navajo	1,648	1,468	(10.9)%
Pinal	3,432	2,655	(22.6)%
Santa Cruz	142	104	(26.8)%
Yavapai	3,520	3,062	(13.0)%
Yuma/La Paz	<u>5,005</u>	<u>4,274</u>	<u>(14.6)%</u>
<i>Subtotal</i>	<i>26,826</i>	<i>22,830</i>	<i>(14.9)%</i>
Urban Districts			
Maricopa	67,472	56,417	(16.4)%
Pima	<u>13,874</u>	<u>11,488</u>	<u>(17.2)%</u>
Total	108,172	90,735	(16.1)%

Maricopa and Pima County are also statutory recipients of Operating State Aid. However, a session law provision suspends the formula.

The full formula funding for Maricopa and Pima County cannot effectively be calculated for FY 2023. 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 Baseline includes \$3,906,700 from the General Fund in FY 2023 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. FY 2023 adjustments are as follows:

Remove Maricopa and Pima Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2023 for the elimination of one-time funding to Maricopa and Pima. Maricopa and Pima were appropriated \$1,600,000 and \$400,000, respectively, for FY 2020, FY 2021, and FY 2022 in the FY 2020 General Appropriation Act.

Enrollment Changes

The Baseline includes a decrease of \$(643,200) from the General Fund in FY 2023 to fund decreased formula costs for STEM and Workforce Programs State Aid. This reduction is the result of a net decline in rural district enrollment in FY 2021.

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 and \$160 per FTSE for districts with greater than 5,000 FTSE.

The FY 2022 Higher Education BRB suspended this formula and funded districts as specified in the FY 2022 General Appropriation Act. The FY 2023 Baseline continues these adjustments:

- 1) All rural districts except Pinal receive funding in the same amount as the full formula.
- 2) Pinal receives \$96,500. Full funding for Pinal would cost an additional \$454,600.
- 3) Maricopa and Pima receive no STEM and Workforce Programs State Aid. Fully funding Maricopa and Pima according to the formula in FY 2023 would cost \$8,584,900 for Maricopa and \$1,776,600 for Pima.

Rural Aid

The Baseline includes \$14,000,000 from the General Fund in FY 2023 for Rural Aid. FY 2023 adjustments are as follows:

Remove One-Time Rural Aid

The Baseline includes a decrease of \$(14,000,000) from the General Fund in FY 2023 for the elimination of one-time aid to the 10 rural community college districts.

In FY 2022, this one-time funding was allocated to the 10 rural community college districts based on each district's share of actual FY 2020 enrollment.

In FY 2023, rural aid will be allocated based on each district's share of actual FY 2021 enrollment.

Urban Aid

The Baseline includes no funding in FY 2023 for Urban Aid. FY 2023 adjustments are as follows:

Remove One-Time Urban Aid

The Baseline includes a decrease of \$(13,000,000) from the General Fund in FY 2023 for the elimination of one-time aid to the 2 urban community college districts, Maricopa and Pima.

In FY 2022, this one-time funding was allocated to the 2 urban community college districts based on each district's share of STEM and Workforce Programs State Aid in the FY 2020 General Appropriation Act.

Rural County Allocation

The Baseline includes \$4,337,300 from the General Fund in FY 2023 for Rural County Allocation. This amount is unchanged from FY 2022.

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 2021, the JLBC Staff reported the amount to be \$4,337,300 for FY 2022.

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 Baseline includes \$1,273,800 from the General Fund in FY 2023 for Rural County Reimbursement Subsidy. FY 2023 adjustments are as follows:

Remove One-Time Subsidy Increase

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2023 for the elimination of one-time increase for the Rural County Reimbursement Subsidy.

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 Baseline continues a General Appropriation Act footnote allocating these monies. Of the \$1,273,800 subsidy, \$699,300 is distributed to Apache and \$574,500 to Greenlee.

Tribal Community Colleges

The Baseline includes \$3,014,800 from the General Fund in FY 2023 for Tribal Community Colleges. FY 2023 adjustments are as follows:

Increase Tohono O'odham Funding

The Baseline includes an increase of \$158,700 from the General Fund in FY 2023 for Tohono O'odham Community College.

The Baseline includes 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 Baseline also includes \$389,800 for Tohono O'odham Community College in FY 2023 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 2023 will depend on FY 2023 collections. Given the language of A.R.S. § 42-5031.01, these monies do not appear in the General Appropriation Act. (*Please see the FY 2020 Appropriations Report for more information.*)

Additional Gila Workforce Development Aid

The Baseline includes \$200,000 from the General Fund for Additional Gila Workforce Development Aid in FY 2023. This amount is unchanged from FY 2022.

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*).

Diné College Remedial Education

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for Diné College Remedial Education. This amount is unchanged from FY 2022.

This line item provides additional funding to Diné College to provide remedial education to help students prepare for college-level courses such as reading, writing and mathematics. In addition, the Baseline continues a General Appropriation Act footnote that requires the Diné college board of regents to submit a report that details the course completion rate for students who received remedial education during the 2022-2023 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2023.

Other Issues

Statutory Changes

The Baseline would:

- As session law, continue to suspend the Operating State Aid funding at levels specified in the General Appropriation Act, which effectively means

suspending the formula in FY 2023 for only Maricopa and Pima Counties.

- As session law, continue to set the Science, Technology, Engineering and Mathematics and Workforce Programs district funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2023 for only Maricopa, Pima and Pinal Counties.

Long-Term Budget Impacts

Beyond FY 2023 Baseline changes, the JLBC Staff estimates that Community College statutory caseload changes will require an additional \$4,160,100 in FY 2024 above FY 2023 spending and an additional \$2,740,400 in FY 2025 above FY 2024 spending.

These estimates assume:

- An increase of \$1,263,400 for Operating State Aid in FY 2024 above FY 2023 due to enrollment increases in rural districts. The COVID-19 pandemic resulted in a decline in student enrollment in FY 2021. Unaudited enrollment figures indicate a rebound in enrollment in rural districts in FY 2022. Given that the Operating State Aid funding is based on enrollment changes from 2 years prior, enrollment increases in FY 2022 would not affect Operating State Aid until FY 2024.

- An increase of \$317,500 for STEM and Workforce Programs State Aid in FY 2024 above FY 2023. As with Operating State Aid, STEM and Workforce Programs State Aid funding is based on enrollment from 2 years prior. Therefore, enrollment increases in FY 2022 would not affect STEM and Workforce Programs State Aid until FY 2024.
- An increase of \$2,579,200 for Equalization Aid in FY 2024 above FY 2023 and \$2,740,400 in FY 2025 above FY 2024. These estimates assume total Net Assessed Value (NAV) growth of 5.4% in FY 2024 and 5.5% in FY 2025 based on the statewide average. The counties receiving aid would see an average NAV increase of 4.5% in FY 2024 and 4.6% in FY 2025. 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.

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 3.0% of their revenues (excluding bond proceeds) from state aid.

Table 4

Total Estimated Community College Revenues – FY 2022

District	State Aid ^{1/}	Tuition/Fees	Property Taxes	Grants ^{2/}	Other ^{3/}	FY 2022 Total ^{4/}	FY 2021 Total ^{5/}	% Change from FY 2021
Cochise	\$16,379,100	\$6,381,000	\$24,314,900	\$29,141,200	\$12,977,300	\$89,193,500	\$61,218,000	45.7%
Cocconino	3,204,800	7,508,500	8,715,600	12,620,100	809,000	32,858,000	24,794,700	32.5%
Gila ^{6/}	271,500	0	5,374,300	591,200	351,000	6,588,000	6,356,100	3.6%
Graham	20,129,300	7,494,000	7,424,700	23,370,100	8,781,900	67,200,000	53,919,600	24.6%
Maricopa	0	201,749,700	597,210,100	291,480,900	240,885,500	1,331,326,200	978,844,900	36.0%
Mohave	1,205,500	8,506,000	26,510,100	16,635,500	543,100	53,400,200	48,291,100	10.6%
Navajo	12,323,500	4,400,000	15,955,400	8,250,000	2,682,500	43,611,400	39,718,300	9.8%
Pima	0	44,707,000	123,461,100	124,009,000	6,192,000	298,369,100	219,095,800	36.2%
Pinal	1,356,500	9,185,000	61,454,900	32,133,800	7,796,200	111,926,400	89,542,900	25.0%
Santa Cruz ^{6/}	17,100	10,000	1,727,000	224,000	11,700	1,989,800	1,866,300	6.6%
Yavapai	4,096,500	10,574,000	48,329,600	23,394,500	5,434,300	91,828,900	80,890,600	13.5%
Yuma/La Paz	8,008,600	12,407,500	39,376,100	55,928,000	8,805,100	124,525,300	80,064,200	55.5%
Total ^{7/}	\$66,992,400	\$312,922,600	\$959,853,800	\$617,778,300	\$295,269,600	\$2,252,816,800	\$1,684,602,500	33.7%

^{1/} State Aid revenue includes Operating State Aid and Equalization Aid.

^{2/} Includes federal coronavirus-related grants.

^{3/} Includes auxiliary programs, interest income, workforce development funds, and transfers.

^{4/} Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are estimated to be \$2,561,553,100 for FY 2022.

^{5/} Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are \$1,778,770,400 for FY 2021.

^{6/} 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.

^{7/} Columns may not add to total due to rounding.

For FY 2022, base operating revenues from all sources are estimated to be \$2,252,816,800. (See Table 4 for a summary of FY 2022 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 42.6% 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 TY 2021 property tax rates.)

<u>District</u>	<u>Primary Rate</u>	<u>Secondary Rate</u>	<u>Combined Rate</u>	<u>% Change Combined Rate from TY 2020</u>
Cochise	\$2.44	\$0.00	\$2.44	1.7%
Coconino	0.44	0.00	0.44	(2.2)%
Gila	0.96	0.00	0.96	0.0%
Graham	3.10	0.00	3.10	(0.6)%
Maricopa	1.11	0.11	1.22	(5.4)%
Mohave	1.24	0.00	1.24	(3.9)%
Navajo	1.75	0.00	1.75	(1.7)%
Pima	1.27	0.00	1.27	(5.2)%
Pinal	1.98	0.17	2.15	(6.5)%
Santa Cruz	0.46	0.00	0.46	(2.1)%
Yavapai	1.56	0.01	1.57	(7.1)%
Yuma/La Paz	2.13	0.34	2.47	(3.5)%

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 13.9% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2022 weighted average tuition (weighted for each district’s proportion of the statewide FTSE count) is \$2,580 if a full-time student attends for 30 hours a year. The FY 2022 amount represents a decrease of (14.2)% from FY 2021. (See Table 6 for FY 2022 resident tuition and fee rates.)

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they account for approximately 40.5% of community college revenues.

<u>District</u>	<u>Average Cost Per Credit Hour</u>	<u>Annual Cost ^{1/}</u>	<u>% Change from FY 2021</u>
Cochise	\$91	\$2,730	0.0%
Coconino	113	3,390	0.0%
Gila	90	2,700	0.0%
Graham	90	2,700	0.0%
Maricopa	85	2,550	25.0%
Mohave	81	2,430	0.0%
Navajo	82	2,460	3.8%
Pima	87	2,610	0.0%
Pinal	86	2,580	0.0%
Santa Cruz	44	1,305	(48.5)%
Yavapai	76	2,280	0.0%
Yuma/La Paz	90	2,700	2.3%
Weighted Average	\$86	\$2,580	(14.2)%

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

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 2022 community college expenditures. In FY 2022, total budgeted expenditures are \$2,549,359,400. As mentioned previously, base operating revenues for FY 2022 are \$2,252,816,800; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,561,553,100. Of the total \$2,549,359,400 in budgeted expenditures, \$2,107,949,500, or 82.7%, of these expenditures are from the community colleges’ General and Restricted Funds. This includes \$542,259,900, or 21.3%, for instruction and \$425,392,200, or 16.7%, for institutional support. Expenditures for auxiliary enterprises, including revenue-generating retail and business services such as parking lots, bookstores, and food service, are \$76,072,100, or 3.0% of the total. Plant Fund expenditures, which generally include capital costs, are \$281,523,300, or 11.0% of the total. The remaining \$83,814,500, or 3.3%, is for debt service.

Community College Expenditure Limitations

The Arizona Constitution requires the Economic Estimates Commission to calculate the expenditures limitation for community college districts based on FY 1980 expenditures. The base limit is adjusted each year for enrollment and inflation.

Table 7

Community Colleges - FY 2022 Budgeted Expenditures

<u>General/Restricted Funds</u>	<u>Total</u>	<u>% of Total</u>
Instruction	\$ 542,259,900	21.3%
Public Service	55,341,500	2.2%
Academic Support	187,150,000	7.3%
Student Services	213,215,600	8.4%
Institutional Support	425,392,200	16.7%
Operation & Maintenance	141,971,100	5.6%
Scholarships & Grants	433,298,100	17.0%
Contingency	<u>109,321,000</u>	<u>4.3%</u>
Subtotal ^{1/}	\$2,107,949,500	82.7%
Auxiliary Enterprises Fund	\$ 76,072,100	3.0%
Plant Fund	281,523,300	11.0%
Debt Service	<u>83,814,500</u>	<u>3.3%</u>
Total ^{1/}	\$2,549,359,400	100%

^{1/} May not add to subtotal and total due to rounding.

The expenditure limitation does not apply to certain monies received by community college districts, such as tuition and fees or federal grants. A.R.S. § 15-1444 also excludes from the expenditure limitation auxiliary fees, entrepreneurial and commercial activities, research and development agreements, and grants from the state, political subdivisions, tribal governments, or special taxing districts.

As part of the annual budget submission process, the community college districts calculate their expenditures for the current year. These figures are then audited by the Auditor General after the end of each fiscal year.

Table 8 includes the FY 2022 expenditure limits and the estimated expenditures reported by the districts. Of the 12 districts, 7 currently estimate that they will be at the limit in FY 2022.

Table 8

Community College Expenditure Limits – FY 2022

<u>District</u>	<u>Expenditure Limit</u>	<u>Estimated Expenditures</u>
Cochise	\$67,578,287	\$45,369,582
Coconino	16,927,200	15,367,633
Gila*	5,241,566	5,241,566
Graham	36,049,564	34,247,086
Maricopa	472,659,526	472,659,526
Mohave	25,647,407	25,647,407
Navajo	15,503,375	15,503,375
Pima	138,825,309	138,825,309
Pinal	37,374,131	37,374,131
Santa Cruz*	1,441,943	1,441,943
Yavapai	48,002,250	45,866,490
Yuma/La Paz	55,891,071	47,535,530

* indicates provisional community college district

A.R.S. § 41-1279.07 stipulates that a community college district that exceeds its expenditure limitation without authorization will have the following amount of state aid withheld, based on the percentage of the excess expenditure:

- If the excess expenditures are less than 5% of the limitation, the amount withheld is equal to the excess expenditures.
- If the excess expenditures are between 5% and 10% of the limitation or are less than 5% of the limitation and it is at least the second consecutive instance of excess expenditures, the amount withheld is equal to 3 times the excess expenditures.
- If the excess expenditures are equal to 10% or more of the limitation, the amount withheld is equal to 5 times the excess expenditures or one-third of the district's allocation of state aid, whichever is less.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Smart and Safe Arizona Fund (varies by account/A.R.S. § 36-2856)		Non-Appropriated
Source of Revenue: The fund receives revenues from a 16.0% excise tax on the sale of recreational marijuana products and license and registration fees.		
Purpose of Fund: To pay costs incurred by state agencies to implement the provisions of Proposition 207, which legalized the adult use of recreational marijuana. After agencies pay administrative costs, the remaining funds are distributed 33.0% to community college districts, 31.4% to municipal police and fire departments, 25.4% to the Highway User Revenue Fund, 10.0% to the Justice Reinvestment Fund, and 0.2% to the Attorney General.		
Funds Expended	11,433,700	24,860,700
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Tribal Assistance Fund (No Fund Number/A.R.S. § 42-5029)		Non-Appropriated
Source of Revenue: A portion of the 0.6% education sales tax. The law directs each qualifying tribal community college to receive distributions in the same manner as the transfers to individual community college district workforce development accounts. A "qualifying Indian tribe" is an Indian tribe that owns, operates, and charters any community college located on its own reservation in this state.		
Purpose of Fund: To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.		
Funds Expended	857,300	889,100
Year-End Fund Balance	0	0
Workforce Development Accounts (varies by account/A.R.S. § 15-1472)		Non-Appropriated
Source of Revenue: Three percent of collections from the 0.6% education sales tax, after debt service on state school facilities revenue bonds has been paid. This funding was authorized by voter approval of Proposition 301 in the November 2000 General Election.		
Purpose of Fund: To fund workforce development and training activities at the community college districts.		
Funds Expended	22,169,300	25,175,300
Year-End Fund Balance	0	0