

# Arizona Community Colleges

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
<b>SPECIAL LINE ITEMS</b>			
<b>Equalization Aid</b>			
Cochise	7,925,300	8,771,400	9,759,600
Graham	18,193,200	19,114,000	19,912,000
Navajo	9,171,000	9,912,900	11,189,600
Yuma/La Paz	616,700	530,200	716,100
<i>Subtotal - Equalization Aid</i>	35,906,200	38,328,500	41,577,300
<b>Operating State Aid</b>			
Cochise	4,373,500	4,230,000	4,423,700
Coconino	1,626,500	1,369,600	1,415,900
Gila	271,500	155,300	151,400
Graham	1,936,100	1,532,300	1,661,900
Mohave	1,205,500	903,000	924,400
Navajo	1,512,300	1,393,400	1,346,100
Pima	0	0	2,000,000
Pinal	1,356,500	818,200	1,090,900
Santa Cruz	17,100	0	0
Yavapai	590,500	300,400	373,000
Yuma/La Paz	2,391,900	1,898,200	2,260,700
<i>Subtotal - Operating State Aid</i>	15,281,400	12,600,400	15,648,000
<b>STEM and Workforce Programs State Aid</b>			
Cochise	928,400	895,200	954,700
Coconino	371,800	293,800	309,500
Gila	127,200	91,900	88,700
Graham	484,200	361,500	409,700
Maricopa	1,600,000	8,584,900	7,927,600
Mohave	465,700	373,800	378,600
Navajo	319,700	283,600	262,500
Pima	400,000	1,776,600	1,769,000
Pinal	96,500	551,100	656,700
Santa Cruz	29,800	21,800	21,200
Yavapai	699,200	611,100	637,200
Yuma/La Paz	1,027,400	877,500	777,700
<i>Subtotal - STEM and Workforce Programs State Aid</i>	6,549,900	14,722,800	14,193,100
<b>Urban Aid</b>			
Maricopa	10,400,000	0	0
Pima	2,600,000	0	0
<i>Subtotal - Urban Aid</i>	13,000,000	0	0
<b>Rural Aid</b>			
Cochise	6,251,000	5,267,500	5,769,700
Coconino	1,907,300	1,343,400	1,520,600
Gila	652,300	421,800	439,500
Graham	2,483,700	1,633,200	1,917,800
Mohave	2,388,900	1,714,400	1,866,800
Navajo	1,640,200	1,305,600	1,322,400
Pinal	3,666,000	2,476,600	3,110,400
Santa Cruz	153,000	97,800	97,000
Yavapai	3,586,900	2,782,200	3,084,400
Yuma/La Paz	5,270,700	3,957,500	4,871,400
<i>Subtotal - Rural Aid</i>	28,000,000	21,000,000	24,000,000
<b>Additional Rural Aid</b>			
Rural County Allocation	4,337,300	4,582,000	5,722,300 <sup>1/</sup>
Rural County Reimbursement Subsidy	1,773,800	1,082,900	1,082,900 <sup>2/</sup>
<i>Subtotal - Additional Rural Aid</i>	6,111,100	5,664,900	6,805,200

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
<b>Workforce Development Aid</b>			
Arizona Western College CTE Workforce	0	0	15,000,000
Additional Gila Workforce Development Aid	200,000	200,000	200,000
Santa Cruz Provisional Community College Funding	0	0	200,000
<i>Subtotal – Workforce Development Aid</i>	200,000	200,000	15,400,000
<b>Tribal Aid</b>			
Tribal Community Colleges	1,220,900	1,220,900	1,220,900 <sup>3/</sup>
Diné College Capital Improvements	0	0	10,000,000 <sup>4/</sup>
Diné College Remedial Education	1,000,000	1,000,000	1,000,000 <sup>5/</sup>
Diné College Student Center	0	8,000,000	0
Navajo Technical University Laboratory	0	4,000,000	0
Tohono O'odham Community College Remedial Education	0	0	2,000,000 <sup>6/</sup>
San Carlos Apache College Remedial Education	0	0	2,000,000 <sup>7/</sup>
<i>Subtotal – Tribal Aid</i>	2,220,900	14,220,900	16,220,900
<b>Capital Aid</b>			
Cochise First Responders Academy	0	6,250,000	0
<b>AGENCY TOTAL</b>	<b>107,269,500</b>	<b>112,987,500</b>	<b>133,844,500 <sup>8/</sup></b>

#### FUND SOURCES

General Fund	107,269,500	112,987,500	133,844,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>107,269,500</b>	<b>112,987,500</b>	<b>133,844,500</b>
Other Non-Appropriated Funds	76,215,100	70,224,300	70,224,300
<b>TOTAL - ALL SOURCES</b>	<b>183,484,600</b>	<b>183,211,800</b>	<b>204,068,800</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 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 2024, that amount is estimated to be \$5,722,300. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 2/ Of the \$1,082,900 appropriated to the rural county reimbursement subsidy line item, Apache county receives \$699,300 and Greenlee county receives \$383,600. (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/ Laws 2023, Chapter 135 (the Capital Outlay Bill) appropriated \$10,000,000 from the General Fund in FY 2024 for Diné College Capital Improvements.
- 5/ On or before October 15, 2024, 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 2023-2024 academic year. (General Appropriation Act footnote)
- 6/ On or before October 15, 2024, the Tohono O'odham community college board of trustees 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 2023-2024 academic year. (General Appropriation Act Footnote)

- 7/ On or before October 15, 2024, the San Carlos Apache 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 2023-2024 academic year. (General Appropriation Act Footnote)
- 8/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

**Equalization Aid**

The budget includes \$41,577,300 from the General Fund in FY 2024 for Equalization Aid. Adjustments are as follows:

**Property Value Changes**

The budget includes an increase of \$3,248,800 from the General Fund in FY 2024 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in *Table 1*.

District	FY 2023	Year-over-Year Change	FY 2024
Cochise	\$ 8,771,400	\$988,200	\$ 9,759,600
Graham	19,114,000	798,000	19,912,000
Navajo	9,912,900	1,276,700	11,189,600
Yuma/La Paz	530,200	185,900	716,100
<b>Total</b>	<b>\$38,328,500</b>	<b>\$3,248,800</b>	<b>\$41,577,300</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, according to the most recent decennial census data. Actual assessed valuation for rural districts was 6.2% higher in TY 2022 than in the preceding year. Therefore, for the FY 2024 Equalization Aid formula calculation, the minimum assessed valuation increased 6.2% to approximately \$1.74 billion. (See *Table 2 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.

In any one year a district’s equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.74 billion in FY 2024), 2) whether

the district’s dollar change in assessed value was less than the rural districts’ average change, and 3) the applicable tax rate.

**Table 2**

**Equalization Growth Factor for Tax Years (TY) 2021-2022**

District	TY 2021 Primary AV	TY 2022 Primary AV	TY 2021-2022 % Growth
Cochise*	\$ 994,800,800	\$ 1,023,219,900	2.9 %
Graham*	239,863,700	282,173,500	17.6 %
Navajo*	911,478,100	918,845,900	0.8 %
Yuma/La Paz*	1,596,348,900	1,683,333,600	5.4 %
Coconino	1,983,520,000	2,077,032,200	4.7 %
Mohave	2,143,344,600	2,298,472,300	7.2 %
Pinal	2,868,880,600	3,118,901,200	8.7 %
Yavapai	3,143,221,200	3,333,228,500	6.0 %
<b>Total</b>	<b>\$13,881,457,800</b>	<b>\$14,735,207,000</b>	<b>6.2 %</b>
<b>Minimum AV</b>	<b>\$1,635,047,200</b>	<b>\$1,735,602,600</b>	<b>6.2 %</b>

\* These districts qualify to receive Equalization Aid under the state funding formula in FY 2024 since they fall below the minimum assessed value threshold of \$1.74 billion.

**Operating State Aid**

The budget includes \$15,648,000 from the General Fund in FY 2024 for Operating State Aid. Adjustments are as follows:

**Enrollment Changes**

The budget includes an increase of \$1,047,600 from the General Fund in FY 2024 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a 2,124, or 9.3%, increase in Full Time Student Equivalent (FTSE) students in rural community colleges (see *Table 3*). The 2,124 net FTSE increase consists of a 1,656 FTSE increase in non-dual enrollment students and a 468 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.

**Table 3**  
**Community College Enrollment**

	<u>FY 2021</u> <u>FTSE</u>	<u>FY 2022</u> <u>FTSE</u>	<u>Percentage</u> <u>Change</u>
<u>Rural Districts</u>			
Cochise	5,620	5,999	6.7%
Coconino	1,491	1,581	6.0%
Gila	472	457	(3.2)%
Graham	1,770	1,994	12.7%
Mohave	1,914	1,941	1.4%
Navajo	1,468	1,375	(6.3)%
Pinal	2,655	3,234	21.8%
Santa Cruz	104	101	(2.9)%
Yavapai	3,062	3,207	4.7%
Yuma/La Paz	<u>4,274</u>	<u>5,065</u>	<u>18.5%</u>
<i>Subtotal</i>	<i>22,830</i>	<i>24,954</i>	<i>9.3%</i>
<u>Urban Districts</u>			
Maricopa	56,417	52,588	(6.8)%
Pima	<u>11,488</u>	<u>11,462</u>	<u>(0.2)%</u>
<b>Total</b>	<b>90,735</b>	<b>89,004</b>	<b>(1.9)%</b>

**One-Time Pima Operating Aid**

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2024 for Pima Community College District operating aid. This appropriation is not based on the statutory formula.

*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 2024, the last actual FTSE data was from FY 2022.)

Maricopa and Pima Counties 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 be calculated. 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 \$14,193,100 from the General Fund in FY 2024 for Science, Technology, Engineering and

Mathematics (STEM) and Workforce Programs State Aid. Adjustments are as follows:

**Enrollment Changes**

The budget includes a decrease of \$(529,700) from the General Fund in FY 2024 to fund decreased formula costs for STEM and Workforce Programs State Aid. This reduction is the result of a net decline in enrollment in 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 FY 2024 budget continues to suspend the inflation adjustment required by statute and provides \$210 per FTSE for districts with 5,000 or less FTSE and \$160 per FTSE for districts with greater than 5,000 FTSE.

**Rural Aid**

The budget includes \$24,000,000 from the General Fund in FY 2024 for Rural Aid. Adjustments are as follows:

**Remove One-Time FY 2023 Rural Aid**

The budget includes a decrease of \$(7,000,000) from the General Fund in FY 2024 for the elimination of one-time aid to the 10 rural community college districts.

In FY 2023, this funding was allocated to the 10 rural community college districts based on each district’s share of actual FY 2021 enrollment.

**One-Time FY 2024 Rural Aid**

The budget includes a one-time increase of \$10,000,000 from the General Fund in FY 2024 for aid to the 10 rural community college districts.

In FY 2024, rural aid is allocated based on each district’s share of actual FY 2022 enrollment.

**Additional Rural Aid**

**Rural County Allocation**

The budget includes \$5,722,300 from the General Fund in FY 2024 for Rural County Allocation. Adjustments are as follows:

### Technical Adjustment

The budget includes an increase of \$1,140,300 from the General Fund in FY 2024 for a technical adjustment associated with changes in 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. In practice, this provision affects Apache and Greenlee Counties. A.R.S. § 15-1469.01 provides that the General Fund will pay the initial cost for these counties and that the state will then withhold these counties' Transaction Privilege Tax (TPT) revenues to offset a portion of that cost.

A.R.S. § 15-1469C prescribes the formula that calculates the amount that is owed by Apache and Greenlee Counties to the out of county community college districts. The formula is based on the number Apache and Greenlee students who attended school in an established community college district, as well as the average operating cost per student of that district. In calculating the TPT withholding for Apache and Greenlee Counties, however, the state only counts the average operating aid per student generated by the primary property tax levy. The difference between the average per student operating cost generated by primary property taxes and the average overall operating cost is effectively absorbed by the state General Fund.

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 2023, the JLBC Staff reported that the General Fund would pay a total \$5,722,300 in FY 2024, of which \$2,351,500 would be withheld from the two unestablished counties (\$1,794,100 for Apache and \$557,400 for Greenlee). After TPT revenue withholdings, the General Fund net cost is \$3,370,800.

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 \$1,082,900 from the General Fund in FY 2024 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2023.

This line item partially offsets the remaining cost to counties that are not part of an established community college district. The funding is appropriated to Apache and Greenlee. The budget continues a General Appropriation Act footnote allocating these monies. Of the \$1,082,900 subsidy, \$699,300 is distributed to Apache and \$383,600 to Greenlee.

After the reimbursement subsidy, net costs are \$1,094,300 to Apache and \$173,800 to Greenlee.

### Workforce Development Aid

#### Arizona Western College CTE Workforce

The budget includes \$15,000,000 from the General Fund in FY 2024 for Arizona Western College CTE Workforce. Adjustments are as follows:

##### One-Time Funding

The budget includes a one-time increase of \$15,000,000 from the General Fund in FY 2024 for Career Technical Education (CTE) Workforce programs at Arizona Western College.

#### Additional Gila Workforce Development Aid

The budget includes \$200,000 from the General Fund in FY 2024 for Additional Gila Workforce Development Aid. This amount is unchanged from FY 2023.

*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*).

#### Santa Cruz Provisional Community College Funding

The budget includes \$200,000 from the General Fund in FY 2024 for Santa Cruz Provisional Community College Funding. Adjustments are as follows:

##### One-Time Funding

The budget includes a one-time increase of \$200,000 from the General Fund in FY 2024 for Santa Cruz Provisional Community College funding.

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## **Tribal Aid**

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### **Tribal Community Colleges**

The budget includes \$1,220,900 from the General Fund in FY 2024 for Tribal Community Colleges. This amount is unchanged from FY 2023.

The FY 2024 Baseline assumed tribal community colleges would receive \$3,014,800 from the General Fund in FY 2023 and FY 2024 based on prior year TPT distributions. This included \$2,625,000 to Navajo Nation based on the maximum allowed under statute and \$389,800 for Tohono O'odham Community College based on a percentage of prior year TPT revenues remaining below the statutory limit.

Primarily due to recent changes in the Navajo Nation's TPT collections as a result of the closure of the Navajo Generating Station, the budget adjusts the assumption downward to \$1,082,900. This includes a distribution of \$890,700 to the Navajo Nation, comprised of \$591,800 for Diné College and \$298,900 for Navajo Technical College based on a projection of 15% of the collected TPT revenues from the reservation. The budget also assumes \$330,200 will be distributed to Tohono O'odham Community College based on a projection of 10% of the collected TPT revenues from the reservation.

As described below, each of these amounts will depend on actual FY 2024 TPT revenue collections and the FY 2024 appropriation will adjust automatically.

*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 2024 will depend on FY 2024 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.)*

The monies received are used to support maintenance, renewal, and capital expenses on each college campus.

### **Diné College Capital Improvements**

The budget includes \$10,000,000 from the General Fund in FY 2024 for Diné College Capital Improvements. Adjustments are as follows:

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

The budget includes a one-time increase of \$10,000,000 from the General Fund in FY 2024 for Diné College Capital Improvements.

### **Diné College Remedial Education**

The budget includes \$1,000,000 from the General Fund in FY 2024 for Diné College Remedial Education. This amount is unchanged from FY 2023.

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 budget 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 2023-2024 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2024.

### **Diné College Student Center**

The budget includes no funding in FY 2024 for the Diné College Student Center. Adjustments are as follows:

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

The budget includes a decrease of \$(8,000,000) from the General Fund in FY 2024 for the elimination of one-time funding for construction of a Diné College Student Center.

### **Navajo Technical University Laboratory**

The budget includes no funding in FY 2024 for the Navajo Technical University Laboratory. Adjustments are as follows:

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

The budget includes a decrease of \$(4,000,000) from the General Fund in FY 2024 for the elimination of one-time funding for construction of an environmental testing laboratory at Navajo Technical College.

**Tohono O'odham Community College Remedial Education**

The budget includes \$2,000,000 from the General Fund in FY 2024 for Tohono O'odham Community College Remedial Education. Adjustments are as follows:

**One-Time Funding**

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2024 for Tohono O'odham Community College Remedial Education.

This line item provides additional funding to Tohono O'odham Community College to provide remedial education to help students prepare for college-level courses such as reading, writing and mathematics. In addition, the budget includes a General Appropriation Act footnote that requires the Tohono O'odham Community College Board of Trustees to submit a report that details the course completion rate for students who received remedial education during the 2023-2024 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2024.

**San Carlos Apache College Remedial Education**

The budget includes \$2,000,000 from the General Fund in FY 2024 for San Carlos Apache Community College Remedial Education. Adjustments are as follows:

**One-Time Funding**

The budget includes a one-time increase of \$2,000,000 from the General Fund in FY 2024 for San Carlos Apache College Remedial Education.

This line item provides additional funding to San Carlos Apache College to provide remedial education to help students prepare for college-level courses such as reading, writing and mathematics. In addition, the budget includes a General Appropriation Act footnote that requires the San Carlos Apache College Board of Regents to submit a report that details the course completion rate for students who received remedial education during the 2023-2024 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2024.

**Capital Aid**

**Cochise First Responders Academy**

The budget includes no funding in FY 2024 for the Cochise First Responders Academy. Adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(6,250,000) from the General Fund in FY 2024 for the elimination of one-time funding for the construction of a Cochise First Responders Academy.

**Other Issues**

**Statutory Changes**

The Higher Education BRB makes the following statutory changes:

- As session law, continues to suspend the Operating State Aid funding at levels specified in the General Appropriation Act, which effectively means suspending the formula in FY 2024 for only Maricopa and Pima Counties.
- As session law, continues 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 inflation adjustment in FY 2024 for all community college districts.

**Long-Term Budget Impacts**

As part of the budget's 3-year spending plan, Community College General Fund costs are projected to decrease by \$(37,991,000) in FY 2025 above FY 2024 spending and to increase by \$3,409,500 in FY 2026 above FY 2025 spending.

These estimates are based on:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2025 and FY 2026).
- An increase of \$3,209,000 for Equalization Aid in FY 2025 spending above FY 2024 and \$3,409,500 in FY 2026 above FY 2025 spending. These estimates assume total Net Assessed Value (NAV) growth of 5.7% in FY 2025 and FY 2026.
- A \$(15,000,000) decrease in FY 2025 to remove one-time funding for CTE Workforce programs at Arizona Western College.
- A \$(10,000,000) decrease in FY 2025 to remove one-time rural aid.
- A \$(10,000,000) decrease in FY 2025 to remove one-time funding for Diné College Capital Improvements.
- A \$(2,000,000) decrease in FY 2025 to remove one-time operating aid for Pima.

**Table 4**

**Total Estimated Community College Revenues – FY 2023 <sup>1/</sup>**

District	State Aid <sup>2/</sup>	Tuition/Fees	Property			FY 2023	FY 2022	% Change from FY 2022
			Taxes	Grants <sup>3/</sup>	Other <sup>4/</sup>	Total <sup>5/</sup>	Total <sup>6/</sup>	
Cochise	\$18,268,900	\$8,591,100	\$24,861,200	\$18,781,000	\$1,486,200	\$71,998,400	\$79,506,800	(9.4)%
Coconino	2,785,300	6,478,700	10,829,100	8,519,700	621,400	29,234,100	31,436,000	(7.0)%
Gila <sup>7/</sup>	577,100	0	5,590,900	615,400	355,000	7,138,400	6,447,300	10.7%
Graham	22,279,500	6,993,000	7,651,700	10,885,900	4,209,600	52,019,700	56,174,100	(7.4)%
Maricopa	0	186,507,300	613,414,100	313,762,600	20,046,000	1,133,730,000	1,091,060,400	3.9%
Mohave	2,617,400	9,501,400	27,347,200	17,650,000	417,400	57,533,500	53,044,800	8.5%
Navajo	12,611,900	4,300,000	16,084,100	10,700,000	3,903,600	47,599,600	42,534,000	11.9%
Pima	0	41,801,000	130,487,900	64,477,500	10,577,300	247,343,700	250,617,700	(1.3)%
Pinal	3,294,800	5,489,000	64,351,300	20,812,400	5,055,000	99,002,500	98,083,500	0.9%
Santa Cruz <sup>7/</sup>	97,800	10,200	1,756,800	243,000	11,700	2,119,500	1,866,300	13.6%
Yavapai	2,143,800	11,860,000	49,860,100	16,698,100	5,522,600	86,084,600	88,078,400	(2.3)%
Yuma/La Paz	<u>6,385,900</u>	<u>14,867,500</u>	<u>40,792,200</u>	<u>36,821,000</u>	<u>3,203,300</u>	<u>102,069,900</u>	<u>116,156,600</u>	<u>(12.1)%</u>
<b>Total <sup>8/</sup></b>	<b>\$71,062,400</b>	<b>\$296,399,200</b>	<b>\$993,026,600</b>	<b>\$519,966,600</b>	<b>\$55,409,100</b>	<b>\$1,935,863,900</b>	<b>\$1,915,005,900</b>	<b>1.1%</b>

- <sup>1/</sup> That data in this table was provided by the Arizona Community College Coordinating Council.
- <sup>2/</sup> State Aid revenue includes Operating State Aid and Equalization Aid.
- <sup>3/</sup> Includes federal coronavirus-related grants.
- <sup>4/</sup> Includes auxiliary programs, interest income, workforce development funds, and transfers.
- <sup>5/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are estimated to be \$2,303,537,800 for FY 2023.
- <sup>6/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts, total revenues are \$2,107,007,600 for FY 2022.
- <sup>7/</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.
- <sup>8/</sup> Columns may not add to total due to rounding.

- A \$(2,000,000) decrease in FY 2025 to remove one-time funding for Tohono O’odham Community College Remedial Education.
- A \$(2,000,000) decrease in FY 2025 to remove one-time funding for San Carlos Apache Community College Remedial Education.
- A \$(200,000) decrease in FY 2025 to remove one-time funding for Santa Cruz Provisional Community College Funding.

**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 3.7% of their revenues (excluding bond proceeds) from state aid.

For FY 2023, base operating revenues from all sources are estimated to be \$1,935,863,900 (See Table 4 for a summary of FY 2023 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 51.3% of their revenues. There are 2 types of property taxes: primary

**Table 5**

**Community College Tax Rates – TY 2022**

District	Primary Rate	Secondary Rate	Combined Rate	% Change Combined Rate from
				TY 2021
Cochise	\$2.43	\$0.00	\$2.43	(0.4)%
Coconino	0.52	0.00	0.52	18.4%
Gila	0.94	0.00	0.94	(1.8)%
Graham	2.71	0.00	2.71	(12.5)%
Maricopa	1.09	0.10	1.19	(2.5)%
Mohave	1.19	0.00	1.19	(4.0)%
Navajo	1.75	0.00	1.75	0.0%
Pima	1.29	0.00	1.29	1.4%
Pinal	1.87	0.19	2.06	(4.3)%
Santa Cruz	0.45	0.00	0.45	(2.0)%
Yavapai	1.50	0.00	1.50	(4.4)%
Yuma/La Paz	2.10	0.32	2.42	(1.9)%

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 2022 property tax rates.)



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 15.3% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2023 weighted average tuition (weighted for each district’s proportion of the statewide FTSE count) is \$2,511 if a full-time student attends for 30 hours a year. The FY 2023 amount represents a decrease of (2.7)% from FY 2022. (See Table 6 for FY 2023 resident tuition and fee rates.)

<b>District</b>	<b>Average Cost Per Credit Hour</b>	<b>Annual Cost <sup>1/</sup></b>	<b>% Change from FY 2022</b>
Cochise	\$91	\$2,730	0.0%
Coconino	136	4,068	20.0%
Gila	93	2,790	3.3%
Graham	93	2,790	3.3%
Maricopa	85	2,550	0.0%
Mohave	81	2,430	0.0%
Navajo	85	2,550	3.7%
Pima	89	2,670	2.3%
Pinal	50	1,500	(41.9)%
Santa Cruz	44	1,305	0.0%
Yavapai	78	2,352	3.2%
Yuma/La Paz	<u>92</u>	<u>2,760</u>	<u>2.2%</u>
<b>Weighted Average</b>	<b>\$84</b>	<b>\$2,511</b>	<b>(2.7)%</b>

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

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they account for approximately 29.7% of community college revenues.

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 2023 community college expenditures. In FY 2023, total budgeted expenditures are \$2,302,619,400. As mentioned previously, base operating revenues for FY 2023 are \$1,935,863,900; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,303,537,800. Of the total

\$2,302,619,400 in budgeted expenditures, \$1,845,463,400, or 80.1%, of these expenditures are from the community colleges’ General and Restricted Funds. This includes \$518,537,100, or 22.5%, for instruction and \$290,216,200, or 12.6%, for institutional support. Expenditures for auxiliary enterprises, including revenue-generating retail and business services such as parking lots, bookstores, and food service, are \$74,865,400, or 3.3% of the total. Plant Fund expenditures, which generally include capital costs, are \$299,469,600, or 13.0% of the total. The remaining \$82,821,000, or 3.6%, is for debt service.

<b>General/Restricted Funds</b>	<b>Total</b>	<b>% of Total</b>
Instruction	\$ 518,537,100	22.5%
Public Service	119,251,000	5.2%
Academic Support	179,199,400	7.8%
Student Services	348,227,500	15.1%
Institutional Support	290,216,200	12.6%
Operation & Maintenance	67,174,400	2.9%
Scholarships & Grants	236,553,600	10.3%
Contingency	<u>86,304,200</u>	<u>3.7%</u>
<b>Subtotal <sup>1/</sup></b>	<b>\$1,845,463,400</b>	<b>80.1%</b>
Auxiliary Enterprises Fund	\$ 74,865,400	3.3%
Plant Fund	299,469,600	13.0%
Debt Service	<u>82,821,000</u>	<u>3.6%</u>
<b>Total <sup>1/</sup></b>	<b>\$2,302,619,400</b>	<b>100%</b>

<sup>1/</sup> May not add to subtotal and total due to rounding.

**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.

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****Community College Expenditure Limits – FY 2023**

<u>District</u>	<u>Expenditure Limit</u>	<u>Estimated Expenditures</u>
Cochise	\$69,226,449	\$58,528,942
Coconino	16,739,344	16,739,344
Gila*	5,166,461	4,908,138
Graham	34,492,544	32,767,917
Maricopa	470,676,039	470,676,039
Mohave	25,000,644	25,000,644
Navajo	15,220,497	15,220,497
Pima	137,158,048	137,158,048
Pinal	36,753,233	36,753,233
Santa Cruz*	1,175,815	1,175,815
Yavapai	48,401,894	47,425,710
Yuma/La Paz	55,710,097	51,319,057

\* Indicates provisional community college district

Table 8 includes the FY 2023 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 2023.

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 operating 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.

Laws 2022, Chapter 367 reduces the penalty for a community college district that exceeds its FY 2023 expenditure limitation without authorization. For FY 2023, the amount of operating state aid withheld, based on the percentage of the excess expenditure, will be as follows:

- If the excess expenditures are less than 5% of the limitation, the amount withheld is \$5,000.
- If the excess expenditures are between 5% and 10% of the limitation, the amount withheld is \$15,000.

- If the excess expenditures are between 10% and 12% of the limitation, the amount withheld is \$20,000.
- If the excess expenditures are equal to 12% 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. However, for a provisional community college district, the maximum amount of state aid withheld may not exceed 1% of the district budget.