

**Proposition 308
Tuition; Postsecondary Education
Fiscal Analysis**

Estimated Impact

Proposition 308 would allow all students (other than certain nonimmigrant aliens) who attended high school or the homeschool equivalent for at least two years while physically present in Arizona, and who graduated from high school or the homeschool equivalent while physically present in Arizona or obtained a high school equivalency diploma in Arizona, to be eligible for in-state tuition rates at Arizona public universities and community colleges, including students who do not possess lawful immigration status.

The proposition could have General Fund and tuition impacts. The community college funding formulas are tied to total enrollment from two years prior, but are not affected by residency status of students. As a result, changing the residency status of existing students would not have a General Fund impact. However, if the proposition incentivizes new students to enroll in community colleges, General Fund spending would increase two years after the "incentivized" new enrollment, but no sooner than in FY 2025. Due to data limitations, we are unable to provide an estimate for the incentivized new enrollment.

Unlike community college funding, university funding is not linked to enrollment. As a result, we do not anticipate the proposition to affect university General Fund support.

In terms of both university and community college tuition collections, we anticipate two different impacts. We estimate that existing tuition collections would decline by approximately \$(9.9) million as certain existing non-resident students would qualify for lower resident rates. If the proposition incentivizes new student enrollment, however, there would be additional tuition collections that may offset this impact.

Our analysis does not attempt to estimate the proposition's indirect economic impacts, such as an increase in the number of postsecondary degrees or higher levels of immigration.

Analysis

Each of Arizona's public postsecondary education institutions currently sets resident and non-resident tuition rates. The Arizona Board of Regents (ABOR) allows students who attended for at least three years and graduated from an Arizona high school, or attained the equivalent while physically present in Arizona for at least three years, but who are not otherwise eligible for resident tuition status, to receive the non-resident tuition rate of 150% of resident tuition. Each community college district also sets its non-resident tuition rates, which are higher than resident tuition rates. For example, the Yavapai non-resident tuition rate is \$377 per credit, while the resident rate is \$98 per credit. The community college districts' non-resident rates apply to both out-of-state students and Arizona-schooled students who do not otherwise qualify for resident rates.

Table 1 below lists the impact of the proposition on students and tuition revenues for each university and the community college system. ABOR estimates that the residency status of 263 students would be affected by the proposition and that this would result in a decline in tuition collections of \$(1.4) million across Arizona's public university system.

The Arizona Community College Coordinating Council (AC4) estimates that the residency status of 1,471 students would be affected by the proposition. Based on the difference between resident and non-resident tuition rates at each community college district, we estimate the impact on tuition collections could be approximately \$(8.5) million.

(Continued)

Table 1		
Proposition 308 Impact on Universities and Community Colleges		
	<u>Students</u>	<u>Tuition Impact</u>
Arizona State University	210	\$(1,124,300)
Northern Arizona University	6	(25,800)
University of Arizona	<u>47</u>	<u>(265,500)</u>
Universities Subtotal	263	(1,415,600)
Community Colleges	<u>1,471</u>	<u>(8,461,300)</u> ^{1/}
Universities and Community Colleges Total	1,734	\$(9,876,900)

^{1/} The Joint Legislative Budget Committee Staff has projected the tuition impact to community colleges based on the AC4 estimate of the number of affected students.

Across both the public university and community college systems, we estimate that tuition revenues could decline by approximately \$(9.9) million under the proposition. However, as noted above, if the proposition incentivizes new student enrollment, there would be additional tuition collections that may offset this impact.

This estimate may not fully account for the effect of financial aid, which could decrease the amount that students actually pay. The proposition would repeal the prohibition on students without lawful immigration status from being eligible for state assistance, including tuition waivers and other forms of financial aid.

7/22/22