

# State Aid for Community Colleges

## Community Colleges Program Summary

### **Program Overview**

The Arizona Community College system was established in 1962 and is currently comprised of 10 community 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 associate degrees, baccalaureate degrees, Certificates of Completion, or transfer to a baccalaureate degree-granting college or university.

### **Program Funding**

The bulk of the state aid that is appropriated to the community colleges is determined using 3 statutory formulas known as Operating Aid; Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid; and Equalization Aid. Each type of aid is calculated and expended as required by statute.

Operating Aid provides each community college district with funds for continuing maintenance and operating expenses, pursuant to A.R.S. § 15-1466. Since FY 2016, statute or session law has excluded Maricopa and Pima Counties. Laws 2017, Chapter 310 restored Maricopa and Pima's eligibility for the funding, but current session law has continued to exclude the 2 counties. The Operating Aid formula adjusts state aid by 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 audited FTSE for each district by the average state aid per FTSE appropriated in the current fiscal year.

STEM and Workforce Programs State Aid provides community college districts with funds for partnerships, faculty, technology equipment, student services, facilities, and property needs, pursuant to A.R.S § 15-1464. From FY 2016 to FY 2022, statute or session law excluded Maricopa and Pima Counties and capped Pinal County funding at \$96,500. However, the FY 2023 budget provided full STEM Aid restoration for Maricopa, Pima, and Pinal. The statutory funding formula is based on the district's size and the most recent actual audited FTSE (2 years prior to the budget year). Statute also provides that, subject to legislative appropriation, the per-capita amounts be adjusted for inflation each year, though the inflation adjustment has not been made since FY 1995. Currently, districts with less than 5,000 FTSE receive \$210 per FTSE and districts with 5,000 FTSE or more receive \$160 per FTSE.

Equalization Aid provides additional state aid to community college districts with property tax bases that are less than the minimum assessed value, which is calculated according to A.R.S. § 15-1402. Under the funding 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. 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 given year, a district's Equalization Aid will depend on 1) whether the district falls below the minimum assessed value and 2) the applicable tax rate.

The [FY 2023 Appropriations Report](#) shows the amounts provided by these funding formulas to each community college district.

### ***Other State Funding***

In addition to statutory formula funding, the state also provides community colleges with aid for Rural County Reimbursement, Tribal Colleges, and Rural Aid.

### ***Rural County Reimbursement and Subsidy***

Counties that do not have an organized community college district are responsible for the cost of their residents attending community college in counties that are part of an organized district. A.R.S. § 15-1469.01 requires the General Fund to pay the initial cost for these counties. The state then withholds these counties' sales tax revenues to offset a portion of that cost. The only counties that are not currently part of an established community college district are Apache and Greenlee Counties.

The FY 2023 budget made changes to permanent law affecting out-of-county reimbursements. Beginning in FY 2023, the General Fund will continue to pay the initial cost for Apache and Greenlee residents attending community college districts. However, the amount withheld from these counties' sales tax revenues will be the primary property tax levy share of the community college districts' costs, rather than the districts' overall operating costs. The state General Fund will then pay the difference between the primary property tax levy and the districts' overall operating costs. For FY 2023, this new formula provides \$2,293,500 from the General Fund to effectively reduce Apache and Greenlee's net costs to \$2,288,500. (See Table 1).

The state further reduces the net cost for Apache and Greenlee Counties via a Rural County Reimbursement Subsidy to partially offset the cost of their residents attending community colleges in other counties. Table 1 shows a history of the subsidy distribution, the reimbursement to community college districts, and the percent of reimbursement that was offset by the subsidy from FY 2014 through FY 2023. For FY 2023, the appropriation for the Rural County Reimbursement Subsidy is \$1,082,900, which reduces Apache County's net cost to \$1,205,600 and Greenlee County's net cost to \$0.

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
<b>Subsidy Distribution <sup>1/</sup></b>										
<b>Apache</b>	466,000	699,300	699,300	699,300	699,300	699,300	699,300	699,300	973,800	1,973,600
<b>Greenlee</b>	<u>382,800</u>	<u>574,500</u>	<u>574,500</u>	<u>574,500</u>	<u>574,500</u>	<u>574,500</u>	<u>574,500</u>	<u>574,500</u>	<u>800,000</u>	<u>1,402,800</u>
<b>Total</b>	<b>848,800</b>	<b>1,273,800</b>	<b>1,273,800</b>	<b>1,273,800</b>	<b>1,273,800</b>	<b>1,273,800</b>	<b>1,273,800</b>	<b>1,273,800</b>	<b>1,773,800</b>	<b>3,376,400</b>
<b>Reimbursement to Community College Districts</b>										
<b>Apache</b>	2,592,200	2,517,500	1,824,300	1,981,200	1,860,800	2,040,000	2,462,800	2,908,500	2,827,200	3,179,200
<b>Greenlee</b>	<u>676,200</u>	<u>678,000</u>	<u>699,100</u>	<u>749,400</u>	<u>735,900</u>	<u>862,300</u>	<u>958,000</u>	<u>749,700</u>	<u>1,510,100</u>	<u>1,402,800</u>
<b>Total</b>	<b>3,268,400</b>	<b>3,195,500</b>	<b>2,523,400</b>	<b>2,730,600</b>	<b>2,596,700</b>	<b>2,902,300</b>	<b>3,420,800</b>	<b>3,658,200</b>	<b>4,337,300</b>	<b>4,582,000</b>
<b>Percent Offset by Subsidy</b>										
<b>Apache</b>	18.0%	27.8%	38.3%	35.3%	37.6%	34.3%	28.4%	24.0%	34.4%	62.1%
<b>Greenlee</b>	56.6%	84.7%	82.2%	76.7%	78.1%	66.6%	60.0%	76.6%	53.0%	100.0%
<sup>1/</sup> Beginning in FY 2023, state subsidy amounts include appropriations for the Rural County Reimbursement Subsidy and the General Fund share of the Out-of-County Reimbursement formula.										

### Tribal Colleges

A.R.S. § 42-5031.01 allows any qualifying tribal community college to receive \$1,750,000, or 10% of the Transaction Privilege Tax (TPT) revenue collected from all sources located on the reservation, whichever is less. These monies provide tribal community colleges with funding for maintenance, renewal, and capital expenses. Laws 2013, Chapter 9 additionally allows a 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.

This funding is limited to tribes that entered into a compact with the Executive by September 1, 2017. Diné College and Navajo Technical College on the Navajo Nation and the Tohono O'odham Community College qualify to receive TPT revenues. The Tohono O'odham Community College entered into a compact with the Executive in 2017. The Navajo Nation amended compact was signed into law in 2021 and is set to expire in 2041.

Table 2 shows a history of the total Tribal College appropriations from FY 2014 through FY 2023 (FY 2023 figures are projected distributions, as actual TPT data is not yet available as of this publishing).

	Tribal College TPT Distributions									
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 <sup>2/</sup>	FY 2021 <sup>2/</sup>	FY 2022	FY 2023 est
Diné College	\$1,750,000	\$1,851,700	\$1,750,000	\$1,750,000	\$1,750,000	\$1,742,500	\$0	\$3,500,000	\$591,800	\$591,800
Navajo Technical University	875,000	925,900	875,000	875,000	875,000	875,000	870,000	254,364	295,900	295,900
	\$2,625,000	\$2,777,600	\$2,625,000	\$2,625,000	\$2,625,000	\$2,617,500	\$870,000	\$3,754,364	\$887,700	\$887,700
Tohono O'odham Community College <sup>1/</sup>	-	-	-	-	190,500	231,100	214,300	345,200	330,200	330,200
<b>Total</b>	<b>\$2,625,000</b>	<b>\$2,777,600</b>	<b>\$2,625,000</b>	<b>\$2,625,000</b>	<b>\$2,815,500</b>	<b>\$2,848,600</b>	<b>\$1,084,300</b>	<b>\$4,099,564</b>	<b>\$1,217,900</b>	<b>\$1,217,900</b>

<sup>1/</sup> As of 2017, the Tohono O'odham Nation entered into a compact and is able receive the lesser of \$1,750,000, or 10% of the TPT collected on the reservation.

<sup>2/</sup> In FY 2020, Diné College was appropriated \$1,750,000, but these monies lapsed prior to being used. Laws 2021, Chapter 430 re-appropriated these monies in FY 2021. For more information, see the FY 2022 Appropriations Report.

### Rural Aid

The FY 2023 budget appropriated \$21,000,000 from the General Fund for rural aid. Of this amount, \$14,000,000 is ongoing and \$7,000,000 is one-time. Funding was allocated to the 10 rural community college districts based on each district's share of actual FY 2021 enrollment.

### Additional Gila Workforce Development Aid

As a provisional community college district, the Gila County Community College District is not eligible for a \$200,000 annual Workforce Development allocation from Proposition 301 monies (see A.R.S. § 42-5029). The FY 2023 budget provides \$200,000 in General Fund monies to Gila for this purpose.

### Diné College Remedial Education

The FY 2023 budget includes \$1,000,000 for Diné College to provide remedial education to help students prepare for college-level courses such as reading, writing and mathematics. Session law requires Diné College to submit an annual report detailing the course completion rate for students who receive remedial education.

### One-Time Capital Funding

The FY 2023 budget provides \$18,250,000 in one-time capital funding. Of this amount, \$6,250,000 is appropriated to Cochise College for an indoor shooting range and burn tower as part of the First Responders Academy; \$4,000,000 is appropriated to Navajo Technical University for an environmental testing laboratory; and \$8,000,000 is appropriated to Diné College for a Student Center.

### 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.

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.

Table 3 includes the FY 2022 expenditure limits and the estimated expenditures reported by the community college districts. Of the 12 districts, 7 estimated that they were at the limit in FY 2022.

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 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.

<b><u>District</u></b>	<b><u>Expenditure Limit</u></b>	<b><u>Estimated Expenditures</u></b>
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

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