

## Arizona Community Colleges

|   | FY 2020<br>ACTUAL | FY 2021<br>ESTIMATE | FY 2022<br>BASELINE     |
|---|-------------------|---------------------|-------------------------|
| <b>SPECIAL LINE ITEMS</b>                               |                   |                     |                         |
| Operating State Aid                                     |                   |                     |                         |
| Cochise   | 4,623,500         | 4,690,700           | 4,373,500               |
| Coconino  | 1,703,400         | 1,698,400           | 1,626,500               |
| Gila  | 293,700           | 296,300             | 271,500                 |
| Graham  | 2,389,600         | 2,338,800           | 1,936,100               |
| Mohave  | 1,175,300         | 1,138,900           | 1,205,500               |
| Navajo  | 1,567,700         | 1,554,800           | 1,512,300               |
| Pinal   | 1,452,000         | 1,128,300           | 1,356,500               |
| Santa Cruz  | 0                 | 0                   | 17,100                  |
| Yavapai   | 601,400           | 585,800             | 590,500                 |
| Yuma/La Paz   | 2,399,500         | 2,384,800           | 2,391,900               |
| <i>Subtotal - Operating State Aid</i>                   | 16,206,100        | 15,816,800          | 15,281,400              |
| STEM and Workforce Programs State Aid                   |                   |                     |                         |
| Cochise   | 996,200           | 1,014,500           | 928,400                 |
| Coconino  | 399,200           | 397,400             | 371,800                 |
| Gila  | 135,000           | 136,000             | 127,200                 |
| Graham  | 645,800           | 627,600             | 484,200                 |
| Maricopa  | 1,600,000         | 1,600,000           | 1,600,000 <sup>1/</sup> |
| Mohave  | 455,000           | 441,900             | 465,700                 |
| Navajo  | 339,500           | 334,800             | 319,700                 |
| Pima  | 400,000           | 400,000             | 400,000 <sup>1/</sup>   |
| Pinal   | 96,500            | 96,500              | 96,500                  |
| Santa Cruz  | 26,900            | 23,700              | 29,800                  |
| Yavapai   | 703,100           | 697,500             | 699,200                 |
| Yuma/La Paz   | 1,030,200         | 1,024,900           | 1,027,400               |
| <i>Subtotal - STEM and Workforce Programs State Aid</i> | 6,827,400         | 6,794,800           | 6,549,900               |
| Equalization Aid  |                   |                     |                         |
| Cochise   | 6,389,500         | 7,227,100           | 7,925,300               |
| Graham  | 16,506,200        | 17,469,100          | 18,193,200              |
| Navajo  | 7,751,900         | 8,444,300           | 9,171,000               |
| Yuma/La Paz   | 0                 | 155,200             | 616,700                 |
| <i>Subtotal - Equalization Aid</i>                      | 30,647,600        | 33,295,700          | 35,906,200              |
| Rural Community College Aid                             |                   |                     |                         |
| Cochise   | 3,140,100         | 0                   | 0                       |
| Coconino  | 1,003,100         | 0                   | 0                       |
| Gila  | 343,200           | 0                   | 0                       |
| Graham  | 1,568,100         | 0                   | 0                       |
| Mohave  | 1,152,100         | 0                   | 0                       |
| Navajo  | 889,200           | 0                   | 0                       |
| Pinal   | 1,795,400         | 0                   | 0                       |
| Santa Cruz  | 64,200            | 0                   | 0                       |
| Yavapai   | 1,761,300         | 0                   | 0                       |
| Yuma/La Paz   | 2,483,300         | 0                   | 0                       |
| <i>Subtotal - Rural Community College Aid</i>           | 14,200,000        | 0                   | 0                       |
| Rural County Allocation                                 | 3,420,800         | 3,658,200           | 3,658,200 <sup>2/</sup> |
| Rural County Reimbursement Subsidy                      | 1,273,800         | 1,273,800           | 1,273,800 <sup>3/</sup> |
| Tribal Community Colleges                               | 2,856,100         | 2,856,100           | 2,856,100 <sup>4/</sup> |
| Additional Gila Workforce Development Aid               | 200,000           | 200,000             | 200,000                 |
| Dine College Remedial Education                         | 1,000,000         | 1,000,000           | 1,000,000 <sup>5/</sup> |
| Maricopa Health Care Specialty Expansion                | 5,800,000         | 0                   | 0                       |

|                                      | FY 2020<br>ACTUAL  | FY 2021<br>ESTIMATE | FY 2022<br>BASELINE             |
|--------------------------------------|--------------------|---------------------|---------------------------------|
| Pima Aviation Center Expansion       | 15,000,000         | 0                   | 0                               |
| <b>AGENCY TOTAL</b>                  | <b>97,431,800</b>  | <b>64,895,400</b>   | <b>66,725,600 <sup>6/</sup></b> |
| <b>FUND SOURCES</b>                  |                    |                     |                                 |
| General Fund                         | 97,431,800         | 64,895,400          | 66,725,600                      |
| <b>SUBTOTAL - Appropriated Funds</b> | <b>97,431,800</b>  | <b>64,895,400</b>   | <b>66,725,600</b>               |
| Other Non-Appropriated Funds         | 23,219,000         | 23,873,200          | 23,873,200                      |
| <b>TOTAL - ALL SOURCES</b>           | <b>120,650,800</b> | <b>88,768,600</b>   | <b>90,598,800</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, Certificate of Completion, or transfer to a Baccalaureate degree-granting college or university.

**FOOTNOTES**

- 1/ The following amounts are appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the following Arizona community college districts for STEM and workforce development:
  1. Maricopa \$1,600,000
  2. Pima \$400,000 (FY 2020 General Appropriation Act footnote)
- 2/ 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 2022, that amount is estimated to be \$3,658,200. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.
- 3/ 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)
- 4/ 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.
- 5/ On or before October 15, 2021, 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 2020-2021 academic year. (General Appropriation Act footnote)
- 6/ General Appropriation Act funds are appropriated as District-by-District Special Line Items.

**Operating State Aid**

The Baseline includes \$15,281,400 from the General Fund in FY 2022 for Operating State Aid. FY 2022 adjustments are as follows:

**Enrollment Changes**

The Baseline includes a decrease of \$(535,400) from the General Fund in FY 2022 to fund the statutory formula for Operating State Aid.

This amount funds statutory formula costs for a (782), or (2.8)%, decrease in Full Time Student Equivalent (FTSE) students in rural community colleges (see Table 1). The (782) net FTSE decrease consists of a (1,034) FTSE

decrease in non-dual enrollment students and a 252 FTSE increase 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.

Unaudited enrollment figures indicate a decline in student enrollment in FY 2021 as a result of the COVID-19 pandemic. The number of students decreased by 15% across multiple districts. However, given that the Operating State Aid formula funds the current fiscal year based on enrollment changes from 2 years prior, enrollment declines would not affect operating state aid until FY 2023.

**Table 1****Community College Enrollment**

|                        | <u>FY 2019</u><br><u>FTSE</u> | <u>FY 2020</u><br><u>FTSE</u> | <u>Percentage</u><br><u>Change</u> |
|------------------------|-------------------------------|-------------------------------|------------------------------------|
| <u>Rural Districts</u> |                               |                               |                                    |
| Cochise                | 6,376                         | 5,829                         | (8.6)%                             |
| Coconino               | 1,986                         | 1,877                         | (5.5)%                             |
| Gila                   | 683                           | 655                           | (4.1)%                             |
| Graham                 | 3,033                         | 2,348                         | (22.6)%                            |
| Mohave                 | 2,228                         | 2,370                         | 6.4%                               |
| Navajo                 | 1,742                         | 1,648                         | (5.4)%                             |
| Pinal                  | 3,033                         | 3,432                         | 13.2%                              |
| Santa Cruz             | 113                           | 142                           | 25.7%                              |
| Yavapai                | 3,472                         | 3,520                         | 1.4%                               |
| Yuma/La Paz            | <u>4,942</u>                  | <u>5,005</u>                  | <u>1.3%</u>                        |
| <i>Subtotal</i>        | <i>27,608</i>                 | <i>26,826</i>                 | <i>(2.8)%</i>                      |
| <u>Urban Districts</u> |                               |                               |                                    |
| Maricopa               | 67,498                        | 67,472                        | 0%                                 |
| Pima                   | <u>14,058</u>                 | <u>13,874</u>                 | <u>(1.3)%</u>                      |
| <b>Total</b>           | <b>109,164</b>                | <b>108,172</b>                | <b>(0.9)%</b>                      |

*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 2022, the last actual FTSE data was from FY 2020.)

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 2022. 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.

|  |
|--|
| <b>STEM and Workforce Programs State Aid</b> |
|--|

The Baseline includes \$6,549,900 from the General Fund in FY 2022 for Science, Technology, Engineering and Mathematics (STEM) and Workforce Programs State Aid. FY 2022 adjustments are as follows:

**Enrollment Changes**

The Baseline includes a decrease of \$(244,900) from the General Fund in FY 2022 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 2020.

*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 2020 and FY 2021 Higher Education BRBs suspended this formula and funded districts as specified in the FY 2020 and FY 2021 General Appropriation Acts. The FY 2022 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 \$618,100.
- 3) 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. Because this funding was advance appropriated, it will not appear in the FY 2022 General Appropriation Act. Fully funding Maricopa and Pima according to the formula would cost an additional \$8,723,000 for Maricopa and \$1,771,700 for Pima.

|                         |
|-------------------------|
| <b>Equalization Aid</b> |
|-------------------------|

The Baseline includes \$35,906,200 from the General Fund in FY 2022 for Equalization Aid. FY 2022 adjustments are as follows:

**Property Value Changes**

The Baseline includes an increase of \$2,610,500 from the General Fund in FY 2022 to reflect increased formula costs for funding Equalization Aid due to assessed valuation changes. Detail of specific district changes is shown in Table 2.

**Table 2****FY 2022 Equalization Funding Changes**

| <u>District</u> | <u>FY 2020</u>      | <u>Year-over-<br/>Year Change</u> | <u>FY 2021</u>      |
|-----------------|---------------------|-----------------------------------|---------------------|
| Cochise         | \$ 7,227,100        | \$ 698,200                        | \$ 7,925,300        |
| Graham          | 17,469,100          | 724,100                           | 18,193,200          |
| Navajo          | 8,444,300           | 726,700                           | 9,171,000           |
| Yuma/La Paz     | <u>155,200</u>      | <u>461,500</u>                    | <u>616,700</u>      |
| <b>Total</b>    | <b>\$33,295,700</b> | <b>\$2,610,500</b>                | <b>\$35,906,200</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 5.6% higher in TY 2020 than in the preceding year. Therefore, for the FY 2022 Equalization Aid formula calculation, the minimum assessed valuation increased 5.6% to approximately \$1.6 billion. (See Table 3 for the calculation of the growth rate.)

In any one year a district’s equalization assistance will depend on 1) whether the district falls below the minimum threshold (\$1.55 billion in FY 2022), 2) whether the district’s change in assessed value was less than the rural districts’ average change, and 3) the applicable tax rate.

**Rural County Allocation**

The Baseline includes \$3,658,200 from the General Fund in FY 2022 for Rural County Allocation. This amount is unchanged from FY 2021.

**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 2020, the JLBC Staff reported the amount to be \$3,658,200 for FY 2021.

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 2022 for Rural County Reimbursement Subsidy. This amount is unchanged from FY 2021.

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 that allocates \$699,300 to Apache and \$574,500 to Greenlee.

**Table 3**

**Equalization Growth Factor  
for Tax Years (TY) 2019-2020**

| District          | TY 2019<br>Primary AV   | TY 2020<br>Primary AV   | TY 2019-<br>2020<br>% Growth |
|-------------------|-------------------------|-------------------------|------------------------------|
| Cochise*          | \$ 941,485,600          | \$ 973,084,500          | 3.4 %                        |
| Graham*           | 193,896,000             | 223,604,200             | 15.3 %                       |
| Navajo*           | 852,640,200             | 882,158,100             | 3.5 %                        |
| Yuma/LaPaz*       | 1,457,683,800           | 1,506,557,400           | 3.4 %                        |
| Cocconino         | 1,831,089,300           | 1,929,724,100           | 5.4 %                        |
| Mohave            | 1,908,201,500           | 2,010,693,400           | 5.4 %                        |
| Pinal             | 2,521,252,100           | 2,689,422,200           | 6.7 %                        |
| Yavapai           | 2,765,677,100           | 2,957,724,700           | 6.9 %                        |
| <b>Total</b>      | <b>\$12,471,925,600</b> | <b>\$13,172,968,600</b> | <b>5.6 %</b>                 |
| <b>Minimum AV</b> | <b>\$1,469,014,000</b>  | <b>\$1,551,572,600</b>  | <b>5.6 %</b>                 |

\* These districts qualify to receive Equalization Aid under the state funding formula in FY 2022.

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 3, the average rural district assessed value increased by 5.6% in TY 2020. In comparison, Cochise increased by 3.4%, Navajo increased by 3.5%, and Yuma/La Paz increased by 3.4%. Because their primary assessed value increased by less than the average rural district, Cochise, Navajo, and Yuma/La Paz qualify for more aid. While Graham increased by 15.3%, more than the average rural district, its assessed value remains below the minimum assessed value. In TY 2019, the Yuma/La Paz assessed value dropped below the minimum assessed value, making it eligible for equalization aid in FY 2021. The last time Yuma/La Paz received equalization aid was FY 2012.

### **Tribal Community Colleges**

The Baseline includes \$2,856,100 from the General Fund in FY 2022 for Tribal Community Colleges. This amount is unchanged from FY 2021.

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 Baseline 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 includes \$231,100 for the Tohono O'odham Community College in FY 2022 based on a projection of 10% of the collected TPT revenues from the reservation. These amounts continue the assumed funding levels in FY 2021.

*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 2021 will depend on FY 2021 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 2022. This amount is unchanged from FY 2021.

*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 2022 for Diné College Remedial Education. This amount is unchanged from FY 2021.

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 Appropriations 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 2020-2021 academic year to the JLBC, Governor's office, and legislative leaders on or before October 15, 2021.

### **Other Issues**

#### **Statutory Changes**

The Baseline would:

- As session law, continue to suspend the Operating State Aid funding formula in FY 2022 for Maricopa and Pima Counties.
- As session law, continue to suspend Maricopa, Pima, and Pinal's Science, Technology, Engineering and Mathematics and Workforce Programs funding formula for FY 2022. The Pinal funding of \$96,500 continues to be specified in the General Appropriation Act. Since the FY 2020 budget already appropriated \$1,600,000 for Maricopa County and \$400,000 for Pima County STEM and Workforce Funding for each of FY 2020, FY 2021, and FY 2022, the funding for FY 2022 for these 2 districts would not be specified in the General Appropriation Act.

#### **Long-Term Budget Impacts**

Beyond FY 2022 Baseline changes, the JLBC Staff estimates that Community College statutory caseload changes will require an additional \$2,207,900 in FY 2023 above FY 2022 spending and an additional \$2,307,000 in FY 2024 above FY 2023 spending.

These estimates assume:

- Flat enrollment growth (so no change in costs for Operating State Aid or STEM and Workforce Programs State Aid for FY 2023 and FY 2024).
- A reduction of \$(2,000,000) in FY 2023 below FY 2022 to remove Maricopa and Pima STEM and Workforce Programs funding appropriated in the FY 2020 budget for each of FY 2020, FY 2021, and FY 2022.
- An increase of \$2,207,900 for Equalization Aid in FY 2023 above FY 2022 and \$2,307,000 in FY 2024 above FY 2023. These estimates assume total Net Assessed Value (NAV) growth of 4.5% in FY 2023 and FY 2024 based on the statewide average. The counties receiving aid would see an average of 3.3% NAV increase. This would cause NAV in those districts to grow farther from the statewide NAV average for

**Table 4**

**Total Estimated Community College Revenues – FY 2021**

| District                   | State Aid <sup>1/</sup> | Tuition/Fees         | Property Taxes       | Grants               | Other <sup>2/</sup> | FY 2021 Total <sup>3/</sup> | FY 2020 Total <sup>4/</sup> | % Change from FY 2020 |
|----------------------------|-------------------------|----------------------|----------------------|----------------------|---------------------|-----------------------------|-----------------------------|-----------------------|
| Cochise                    | \$11,917,800            | \$9,915,900          | 23,373,500           | 10,475,700           | \$1,272,000         | \$56,954,900                | \$55,341,500                | 2.9%                  |
| Coconino                   | 1,698,400               | 7,177,300            | 8,664,500            | 5,792,000            | 799,100             | 24,131,300                  | 24,823,100                  | (2.8)%                |
| Gila <sup>5/</sup>         | 296,300                 | 0                    | 5,267,500            | 511,000              | 35,000              | 6,109,800                   | 5,783,400                   | 5.6%                  |
| Graham                     | 19,807,900              | 7,560,800            | 6,988,800            | 11,926,000           | 10,505,000          | 56,788,500                  | 55,220,000                  | 2.8%                  |
| Maricopa                   | 0                       | 225,492,600          | 588,718,500          | 210,012,100          | 38,745,000          | 1,062,968,200               | 1,047,634,500               | 1.5%                  |
| Mohave                     | 1,138,900               | 8,150,000            | 25,903,800           | 8,393,200            | 620,000             | 44,205,900                  | 44,574,200                  | (0.8)%                |
| Navajo                     | 9,999,100               | 2,600,000            | 15,726,200           | 6,000,000            | 2,734,800           | 37,060,100                  | 38,269,100                  | (3.2)%                |
| Pima                       | 0                       | 48,354,000           | 122,107,000          | 47,836,000           | 7,999,100           | 226,296,100                 | 248,578,000                 | (9.0)%                |
| Pinal                      | 1,128,300               | 11,449,000           | 48,141,300           | 17,832,000           | 1,883,000           | 80,433,600                  | 87,110,100                  | (7.7)%                |
| Santa Cruz <sup>5/</sup>   | 0                       | 20,000               | 1,704,200            | 45,000               | 11,700              | 1,780,900                   | 1,738,900                   | 2.4%                  |
| Yavapai                    | 585,800                 | 11,647,000           | 49,749,700           | 14,851,000           | 3,678,100           | 80,511,600                  | 80,988,800                  | (0.6)%                |
| Yuma/La Paz                | <u>2,540,000</u>        | <u>14,000,100</u>    | <u>38,529,500</u>    | <u>28,500,000</u>    | <u>8,323,600</u>    | <u>91,893,200</u>           | <u>87,848,600</u>           | <u>4.6%</u>           |
| <b>Total <sup>6/</sup></b> | <b>\$49,112,500</b>     | <b>\$346,366,700</b> | <b>\$934,874,500</b> | <b>\$362,174,100</b> | <b>\$76,606,300</b> | <b>\$1,769,134,100</b>      | <b>\$1,777,910,200</b>      | <b>(0.5)%</b>         |

<sup>1/</sup> State Aid revenue includes Operating State Aid and Equalization Aid.

<sup>2/</sup> Includes auxiliary programs, interest income, workforce development funds, and transfers. Federal coronavirus-related funds are not included.

<sup>3/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are estimated to be \$2,057,042,500 for FY 2021.

<sup>4/</sup> Total revenues do not include bond proceeds or district fund balances. Including these amounts total revenues are \$1,775,406,200 for FY 2020.

<sup>5/</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>6/</sup> Columns may not add to total due to rounding.

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 2.0% of their revenues (excluding bond proceeds) from state aid.

For FY 2021, base operating revenues from all sources are estimated to be \$1,769,134,100, which would be a decrease of (0.5)% from FY 2020. (See Table 4 for a summary of FY 2021 total revenue estimates.)

Property taxes are the single largest revenue source for the community colleges, accounting for 52.8% 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 FY 2021 property tax rates.)

**Table 5**

**Community College Tax Rates – TY 2020**

| District    | Primary Rate | Secondary Rate | Combined Rate | % Change Combined Rate from TY 2019 |
|-------------|--------------|----------------|---------------|-------------------------------------|
| Cochise     | \$2.40       | \$0.00         | \$2.40        | (2.0)%                              |
| Coconino    | 0.45         | 0.00           | 0.45          | (2.2)%                              |
| Gila        | 0.96         | 0.00           | 0.96          | 0.0%                                |
| Graham      | 3.12         | 0.00           | 3.12          | (6.9)%                              |
| Maricopa    | 1.13         | 0.16           | 1.29          | (3.0)%                              |
| Mohave      | 1.29         | 0.00           | 1.29          | (3.0)%                              |
| Navajo      | 1.78         | 0.00           | 1.78          | (2.2)%                              |
| Pima        | 1.34         | 0.00           | 1.34          | (2.9)%                              |
| Pinal       | 2.02         | 0.28           | 2.30          | 4.1%                                |
| Santa Cruz  | 0.47         | 0.00           | 0.47          | (2.1)%                              |
| Yavapai     | 1.61         | 0.08           | 1.69          | (8.2)%                              |
| Yuma/La Paz | 2.19         | 0.36           | 2.56          | (0.4)%                              |

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 19.6% of total revenues. Tuition and fees are assessed on a per credit hour basis. FY 2021 weighted

**Table 6**

**Community College Resident Tuition and Fees – FY 2021**

| <u>District</u>         | <u>Average Cost Per Credit Hour</u> | <u>Annual Cost <sup>1/</sup></u> | <u>% Change from FY 2020</u> |
|-------------------------|-------------------------------------|----------------------------------|------------------------------|
| Cochise                 | \$91                                | \$2,730                          | 3.4%                         |
| Coconino                | 113                                 | 3,390                            | 1.8%                         |
| Gila                    | 90                                  | 2,700                            | 12.5%                        |
| Graham                  | 90                                  | 2,700                            | 0.0%                         |
| Maricopa                | 68                                  | 2,040                            | (20.0)%                      |
| Mohave                  | 81                                  | 2,430                            | 0.0%                         |
| Navajo                  | 79                                  | 2,370                            | 2.6%                         |
| Pima                    | 87                                  | 2,610                            | 3.0%                         |
| Pinal                   | 86                                  | 2,580                            | 0.0%                         |
| Santa Cruz              | 85                                  | 2,535                            | 0.0%                         |
| Yavapai                 | 76                                  | 2,280                            | 4.4%                         |
| Yuma/La Paz             | 88                                  | 2,640                            | 2.3%                         |
| <b>Weighted Average</b> | <b>\$75</b>                         | <b>\$2,259</b>                   | <b>(11.6)%</b>               |

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

average tuition (weighted for each district’s proportion of the statewide FTSE count) is \$2,259 if a full-time student attends for 30 hours a year. The FY 2021 amount represents a decrease of (11.6)% from FY 2020. (See Table 6 for FY 2021 resident tuition and fee rates.)

Community colleges also receive grants and “other” revenue from a variety of sources. Combined, they account for approximately 24.8% 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 2021 community college expenditures. In FY 2021, total budgeted expenditures are \$1,950,911,900. As mentioned previously, base operating revenues for FY 2021 are \$1,769,134,100; however, this figure does not include allocated fund balances or bond proceeds. Including these amounts, total available revenues are \$2,057,042,500. Of the total \$1,950,911,900 in budgeted expenditures, \$1,662,757,700, or 85.2%, of these expenditures are from the community colleges’ General and Restricted Funds. This includes about \$494,367,800, or 25.3%, for instruction and \$343,481,400, or 17.6%, for institutional support.

Expenditures for auxiliary enterprises, including revenue generating retail and business services such as parking lots, book stores, and food service, are \$73,883,000, or 3.8% of the total. Plant Fund expenditures, which

**Table 7**

**Community Colleges - FY 2021 Budgeted Expenditures**

| <u>General/Restricted Funds</u> | <u>Total</u>           | <u>% of Total</u> |
|---------------------------------|------------------------|-------------------|
| Instruction                     | \$494,367,800          | 25.3%             |
| Public Service                  | \$30,846,000           | 1.6%              |
| Academic Support                | \$140,987,200          | 7.2%              |
| Student Services                | \$173,035,600          | 8.9%              |
| Institutional Support           | \$343,481,400          | 17.6%             |
| Operation & Maintenance         | \$119,547,600          | 6.1%              |
| Scholarships/Grants             | \$307,430,500          | 15.8%             |
| Contingency                     | \$53,061,500           | 2.7%              |
| <b>Subtotal <sup>1/</sup></b>   | <b>\$1,662,757,700</b> | <b>85.2%</b>      |
| Auxiliary Enterprises Fund      | \$73,883,000           | 3.8%              |
| Plant Fund                      | \$213,199,200          | 10.9%             |
| Debt Service                    | \$1,072,000            | 0.1%              |
| <b>Total <sup>1/</sup></b>      | <b>\$1,950,911,900</b> | <b>100%</b>       |

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

generally include capital costs, are \$213,199,200, or 10.9% of the total. The remaining \$1,072,000 is for debt service.

**Higher Education Emergency Relief Fund**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act established the Higher Education Emergency Relief Fund (HEERF). There are 3 components of this funding available for institutions of higher education (IHEs).

Section 18004(a)(1) of the CARES Act distributes HEERF monies to IHEs based 75% on the relative share of full-time equivalent students of in-person Pell grant recipients and 25% on in-person non-Pell grant recipients enrolled at the institution. Low-income students who are enrolled in degree-granting programs may be eligible for Pell Grants. The CARES Act requires that 50% of monies received under this section be distributed to students as emergency financial aid grants.

Section 18004(a)(2) of the CARES Act requires additional monies be distributed according to the above formula to Historically Black Colleges and Universities, American Indian Tribally Controlled Colleges and Universities, Minority Servings Institutions, and Strengthening Institutions Program participants.

Section 18004(a)(3) of the CARES Act allocates funding to ensure all nonprofit IHEs receive at least \$500,000 in HEERF monies.

Arizona community colleges have received a total of \$82,286,855 in HEERF monies. Of this amount, at least

\$36,356,337 must be distributed to students as emergency financial aid grants. Please see *Table 8* for distributions by community college.

Of this amount, 15.0% will be divided equally among each district, 0.5% divided equally among each provisional district, and 84.5% divided among the districts according to enrollment. Please see *Table 9* for distributions by community college district.

**Proposition 207 – Recreational Marijuana**

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative established the Smart and Safe Arizona Fund, which receives monies from a 16.0% excise tax and is used by state agencies to carry out certain requirements of the initiative. After monies in the fund are used by state agencies for administrative costs of the initiative, the community college districts and provisional community college districts will receive a distribution of 33% from the fund. In the third year of recreational marijuana sales, community colleges are estimated to receive a distribution of \$53,241,200. *(Please see the Department of Health Services - Other Issues Section for more information.)*

| <u>District</u> | <u>Distribution</u> |
|-----------------|---------------------|
| Cochise         | \$3,222,900         |
| Coconino        | 1,579,300           |
| Gila*           | 405,500             |
| Graham          | 1,775,100           |
| Maricopa        | 28,860,300          |
| Mohave          | 1,784,300           |
| Navajo          | 1,484,000           |
| Pima            | 6,568,800           |
| Pinal           | 2,226,000           |
| Santa Cruz*     | 192,200             |
| Yavapai         | 2,262,600           |
| Yuma/La Paz     | <u>2,880,200</u>    |
| <b>Total</b>    | <b>\$53,241,200</b> |

\* indicates provisional community college district

|                                     | <u>18004(a)(1)</u> | <u>18004(a)(2)</u> | <u>18004(a)(3)</u> | <u>Total</u>      |
|-------------------------------------|--------------------|--------------------|--------------------|-------------------|
| *Chandler-Gilbert                   | 4,350,989          |                    |                    | 4,350,989         |
| Cochise                             | 3,163,235          | 211,918            |                    | 3,375,153         |
| Coconino                            | 1,104,730          | 137,894            |                    | 1,242,624         |
| Diné                                | 1,346,931          | 4,844,910          |                    | 6,191,841         |
| East Valley Institute of Technology | 236,123            |                    | 263,877            | 500,000           |
| Graham                              | 2,222,272          | 111,481            |                    | 2,333,753         |
| *Estrella Mountain                  | 4,856,585          | 307,658            |                    | 5,164,243         |
| *GateWay                            | 2,707,626          | 156,881            |                    | 2,864,507         |
| *Glendale                           | 8,301,836          | 533,479            |                    | 8,835,315         |
| *Mesa                               | 7,352,103          | 478,185            |                    | 7,830,288         |
| Mohave                              | 1,933,935          | 94,646             |                    | 2,028,581         |
| Navajo                              | 643,137            | 83,277             |                    | 726,414           |
| *Paradise Valley                    | 2,586,404          |                    |                    | 2,586,404         |
| *Phoenix                            | 4,772,192          | 304,728            |                    | 5,076,920         |
| Pima                                | 9,989,049          | 640,229            |                    | 10,629,278        |
| Pinal                               | 3,010,509          | 189,817            |                    | 3,200,326         |
| *Rio Salado                         | 2,531,870          |                    |                    | 2,531,870         |
| *Scottsdale                         | 2,386,925          |                    |                    | 2,386,925         |
| *South Mountain                     | 2,098,614          | 132,246            |                    | 2,230,860         |
| Tohono O'odham                      | 199,279            | 798,595            |                    | 997,874           |
| Yavapai                             | 2,389,592          |                    |                    | 2,389,592         |
| Yuma/La Paz                         | <u>4,528,738</u>   | <u>284,360</u>     |                    | <u>4,813,098</u>  |
| <b>Total</b>                        | <b>72,712,674</b>  | <b>9,310,304</b>   | <b>263,877</b>     | <b>82,286,855</b> |

\* indicates institutions in the Maricopa County Community College District.



| SUMMARY OF FUNDS   | FY 2020<br>Actual | FY 2021<br>Estimate     |
|--|-------------------|-------------------------|
| <b>Tribal Assistance Fund</b> (No Fund Number/A.R.S. § 42-5029)  |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> 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. |                   |                         |
| <b>Purpose of Fund:</b> To fund workforce development and job training activities at a community college owned, operated, or chartered by a qualifying Indian tribe.   |                   |                         |
| <b>Funds Expended</b>  | 1,049,800         | 1,097,100               |
| <b>Year-End Fund Balance</b>   | 0                 | 0                       |
| <b>Workforce Development Accounts</b> (varies by account/A.R.S. § 15-1472)   |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> 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.   |                   |                         |
| <b>Purpose of Fund:</b> To fund workforce development and training activities at the community college districts.  |                   |                         |
| <b>Funds Expended</b>  | 22,169,200        | 22,776,100              |
| <b>Year-End Fund Balance</b>   | 0                 | 0                       |