ARIZONA STATE SENATE
RESEARCH STAFF

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LEGISLATIVE RESEARCH ANALYST
EDUCATION COMMITTEE
Telephone: (602) 926 -3171

TO: Douglas A. Ducey, Governor
Senator Andy Biggs, President of the Senate
David Gowan, Speaker of the House of Representatives

CC: Michelle Reagan, Secretary of State

DATE: December 29, 2015

SUBJECT: Study Committee on Community College Finance and Expenditure Limits

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Attached is the final report of the Study Committee on Community College Finance and Expenditure Limits. This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona
The Honorable Douglas A. Ducey

President of the Senate
Senator Andy Biggs

Speaker of the House of Representatives
Representative David Gowan

Members of the Study Committee on Community College Finance and Expenditure Limits

Senator Sylvia Allen, Co-Chair
Senator Carlyle Begay
Senator John Kavanagh
Harald Harrington
Chancellor Lee Lambert
Sean McCarthy
Brent McEuen

Representative Bob Thorpe, Co-Chair
Representative Randall Friese
Representative Justin Olson
J.D. Rottweiler
Heidi Schaefer
Jeanne Swarthout
Vice Chancellor Debra Thompson

Auditor General
Debra Davenport

Secretary of State
Michelle Reagan

Senate Majority Staff
Senate Research Staff
Senate Minority Staff
Senate Resource Center

House Majority Staff
House Research Staff
House Minority Staff
Chief Clerk

Study Committee on Community College Finance and Expenditure Limits

Background

The Study Committee on Community College Finance and Expenditure Limits (Study Committee) was established by Laws 2015, Chapter 306 to: 1) examine the community college district constitutional expenditure limits prescribed in Article 9, Section 21 of the Arizona Constitution; 2) review the impact of expenditure limits on community college districts, including the impact on financing modern and competitive workforce programs; 3) establish methods to move closer to actual full time student equivalent calculations for funding; 4) study any other relevant topic or issue that may be pertinent to the finances of community college districts; and 5) make recommendations for proposed statutory changes.

The Study Committee is comprised of 15 members appointed by President of the Senate and the Speaker of the House of Representatives. The Study Committee's membership consists of the following:

I. Members appointed by the President of the Senate:
    a. One president or chancellor of a community college district with more than 10,000 full time equivalent students;
    b. One chief business officer of a community college district with less than 10,000 full time equivalent students;
    c. One taxpayer of a community college district located in a county with a population of more than 700,000; and
    d. One member who is affiliated with a major taxpayer organization.
II. Members appointed by the Speaker of the House of Representatives:
    a. One president or chancellor of a community college district with less than 10,000 full time equivalent students;
    b. One chief business officer of a community college district with more than 10,000 full time equivalent students;
    c. One taxpayer of a community college district located in a county with a population of less than 700,000; and
    d. One member who is affiliated with a statewide community college organization.
III. The Auditor General or the Auditor General's designee.

The Study Committee is required to submit a report regarding its findings and recommendations on or before December 31, 2015. The Study Committee met on August 18, 2015, September 9, 2015 and September 30, 2015.

Study Committee on Community College Finance and Expenditure Limits

The Study Committee did not adopt recommendations.

Attachments

1. *Community College District FY 2014 Expenditure Limits - Memo*
2. *Expenditure Limit Cost of Living Adjustment Options - Memo*
3. *Community College District Levy Limit - Memo*

<u>August 18, 2015 Meeting</u>

4. Meeting notice
5. Meeting minutes
6. *Community College State Aid – JLBC*
7. *CCD ELR Study Committee – OAG*

<u>September 9, 2015 Meeting</u>

8. Meeting notice
9. Meeting minutes
10. *Arizona Community College Finance – ATRA*
11. *NPC Presentation*
12. *Presentation to the Study Committee on Community College Finance and Expenditure Limit – MCCD*
13. *Cochise College and Expenditure Limit*

<u>September 30, 2015 Meeting</u>

14. Meeting notice
15. Meeting minutes
16. *Study Committee on Community College Finance and Expenditure Limit – PCC*
17. *MCCD Enterprise Revenues and Contracts Presentation*
18. *Potential Recommendations for the Community College Finance and Expenditure Limit Study Committee*

ARIZONA STATE SENATE
RESEARCH STAFF

MATTHEW SIMON
LEGISLATIVE RESEARCH ANALYST
EDUCATION COMMITTEE
Telephone: (602) 926 -3171

TO: Senator John Kavanagh

CC: Members of the Study Committee on Community College Finance and Expenditure Limits

DATE: Friday, September 11, 2015

SUBJECT: Community College District FY 2014 Expenditure Limits

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At the September 9, 2015 meeting of the Study Committee on Community College Finance and Expenditure Limits, you asked staff to compile data and information on where community college districts are currently in relation to their expenditure limitation. Per your request, I have compiled data from the Economics Estimates Commission (EEC) and the Office of the Auditor General (OAG). Please let me know if you have any questions or if there is anything else I can do for you.

Historical Expenditure Limit Data

Attached, you will find historical expenditure limit data for all community college districts since the creation of the constitutional provision. For the purposes of context, the chart below shows the last four years expenditure limitations calculated by the EEC and the percent change from year to year. Expenditure limits peaked in FY 2014 at $966 million system wide. Based on research, testimony and data, the peak in expenditure limits in FY 2014 was due to an increase in student population during the "Great Recession" and ongoing FTSE projections and estimates. Since the FY 2014 peak in expenditure limits, overall expenditure limit capacity has been reduced by over $100 million.

COMMUNITY COLLEGE DISTRICT	% CHANGE	FY 2016 EL	% CHANGE	FY 2015 EXP. LIMIT	% CHANGE	FY 2014 EXP. LIMIT	% CHANGE	FY 2013 EXP. LIMIT
COCHISE	-18.73%	$50,816,985	-13.05%	$62,525,638	-8.48%	$71,911,314	11.32%	$78,573,112
COCONINO	1.48%	$14,811,935	-0.95%	$14,596,198	-5.09%	$14,735,451	-1.95%	$15,525,510
GILA	-3.45%	$5,580,076	-0.95%	$5,779,415	-15.99%	$5,834,553	-12.76%	$6,945,460
GRAHAM	1.91%	$32,725,875	-13.81%	$32,111,010	31.56%	$37,255,771	8.18%	$28,318,522
MARICOPA	-6.72%	$451,524,053	-7.09%	$484,062,944	1.69%	$520,983,713	4.07%	$512,322,449
MOHAVE	0.32%	$27,785,046	-24.53%	$27,695,757	-1.54%	$36,697,479	2.41%	$37,273,118
NAVAJO	-0.63%	$13,327,460	-9.95%	$13,412,368	-6.78%	$14,894,360	-1.68%	$15,978,265
PIMA	1.91%	$114,444,168	-3.05%	$112,293,950	-8.09%	$115,829,735	0.10%	$126,021,541
PINAL	-2.72%	$46,455,464	-5.58%	$47,753,245	6.68%	$50,575,442	-2.88%	$47,407,363
SANTA CRUZ	1.91%	$2,015,027	0.60%	$1,977,168	0.13%	$1,965,323	-53.77%	$1,962,848
YAVAPAI	0.66%	$42,312,883	-3.91%	$42,036,867	1.09%	$43,747,725	-8.33%	$43,278,034
YUMA/LA PAZ	0.73%	$52,266,576	-0.65%	$51,887,392	0.33%	$52,228,002	6.34%	$52,056,426
TOTAL	**-4.69%**	**$854,065,548**	**-7.30%**	**$896,131,953**	**0.10%**	**$966,658,867**	**2.66%**	**$965,662,650**

Current Status of Community College Expenditure Limits

The most recent data available from the OAG is from FY 2014, when expenditure limits had peaked. Community college districts are required to submit their FY 2015 expenditure limit report (ELR) by March 31, 2016. The data below is reflective of the FY 2014 ELRs submitted by the community college districts. It is important to note that ELRs are used to demonstrate compliance with the expenditure limit and not to show the extent of compliance. Community college districts are not required to report all excludable revenues; therefore, a community college district may actually be further below their expenditure limit than what is reported due to the fact that they only reported excludable revenues that achieved compliance with

the expenditure limitation prescribed in the Constitution. A good example of this is in Cochise Community College District's (Cochise College). Under this example, Cochise College's total spending is under their expenditure limit before they exclude any revenues. Therefore in their ELR they do not go through the process of excluding tuition or other forms of revenues that are eligible to be excluded per the Constitution. The only items that were adjusted for were Prop 301 workforce development monies. Based on the ELR submitted by Cochise College there is no way of knowing how much further below the expenditure limit they are. Based on FY 2014 reporting Navajo, Pinal and Yavapai were at their respective expenditure limits, while system wide community colleges utilized 85.85% of expenditure limit capacity. Without having FY 2015 audited ELRs from community college districts, it is unclear to know where they may stand in relation to their most current expenditure limit. However, if you were to assume that FY 2014 total budgeted expenditures remained constant for FY 2016 and applied the FY 2016 expenditure limit some community colleges may be facing a different situation with regards to reaching that limit.

COMMUNITY COLLEGE DISTRICT	FY 2014 TOTAL BUDGETED EXPENDITURES	FY 2014 EXPENDITURE LIMIT	AMOUNT SUBJECT TO LIMIT	AMOUNT UNDER EXP. LIMIT	% OF EXPENDITURE LIMIT USED	TOTAL SPENDING OUTSIDE OF EXP. LIMIT[1]
COCHISE	$47,693,653	$71,911,314	$46,602,453	$25,308,861	64.81%	$0
COCONINO	$24,651,780	$14,735,451	$11,792,201	$2,943,250	80.03%	$9,916,329
GILA[2]	N/A	$5,834,553	N/A	N/A	N/A	$0
GRAHAM	$46,352,274	$37,255,771	$31,963,151	$5,292,620	85.79%	$9,096,503
MARICOPA	$1,050,655,119	$520,983,713	$443,286,498	$77,697,215	85.09%	$529,671,406
MOHAVE	$54,130,356	$36,697,479	$31,844,482	$4,852,997	86.78%	$17,432,877
NAVAJO	$28,219,699	$14,894,360	$14,894,360	$0	100.00%	$13,325,339
PIMA	$210,400,321	$115,829,735	$108,736,671	$7,093,064	93.88%	$94,570,586
PINAL	$82,231,072	$50,575,442	$50,575,441	$1	100.00%	$31,655,630
SANTA CRUZ	$1,676,478	$1,965,323	$1,648,715	$316,608	83.89%	$0
YAVAPAI	$85,055,300	$43,747,725	$43,747,724	$1	100.00%	$41,307,575
YUMA/LA PAZ	$79,454,005	$52,228,002	$39,752,359	$12,475,643	76.11%	$27,226,003
TOTAL[3]	**$1,710,520,057**	**$960,824,314**	**$824,844,055**	**$135,980,259**	**85.85%**	**$749,695,743**

[1] This column represents the difference of total reported budgeted expenditures and the corresponding limit. This does not equal the amount of exclusions that have been taken with regards to the expenditure limit.
[2] Gila Provisional Community College District has not submitted ELRs since FY 2008. Data is not available to conduct this analysis.
[3] Gila Provisional Community College District has been omitted from the totals in order to reflect accurate data.

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Telephone: (602) 926 -3171

TO: Senator John Kavanagh

CC: Members of the Study Committee on Community College Finance and Expenditure Limits

DATE: Friday, September 11, 2015

SUBJECT: Expenditure Limit Cost of Living Adjustment Options

At the September 9, 2015 meeting of the Study Committee on Community College Finance and Expenditure Limits, you asked staff to look into the impact of using different inflation factors for calculating the expenditure limitation for community college districts. Per your request, I have put together an analysis of the potential impact of using two different inflation factors: the Consumer Price Index (CPI) and the Higher Education Price Index (HEPI). Please let me know if you have any questions or if there is anything else I can do for you.

Introduction and Background

Article 9, Section 21 of the Arizona Constitution prescribes an expenditure limitation for community college districts. The expenditure limitation is adjusted using changes in student populations (FTSE) and the cost of living. The Constitution defines cost of living as *"the price of goods and services as measured by the implicit price deflator for the gross national product or its successor as reported by the United States department of commerce, or its successor agency."* Currently, the Economics Estimate Commission (EEC) uses the implicit price deflator for the Gross Domestic Product (GDP price deflator) prescribed in the Constitution. The GDP price deflator is calculated by the Bureau of Economic Analysis within the U.S. Department of Commerce. The GDP price deflator is a measure of the level of prices of all new, domestically produced, final goods and services in the economy. GDP is the total value of all final goods and services produced within that economy during a specified period.

For the purposes of this analysis, the Consumer Price Index (CPI) and the Higher Education Price Index (HEPI) are used to demonstrate the potential impact of using a different cost of living adjustment (inflation factor) in the calculation of community college district expenditure limits. The CPI is calculated by the Bureau of Labor Statistics within the U.S. Department of Labor. This price index is similar to the GDP price deflator in that its purpose is to demonstrate the impact of inflation in the economy. However, the CPI utilizes a fixed "basket" of goods and services to calculate its index, whereas the GDP is the level of prices of all domestic goods and services. Furthermore, the CPI is calculated using data from urban areas and markets. The CPI has two main indices that are produced: 1) the CPI for all urban consumers (CPI-U) and 2) the CPI for Urban Wage Earners and Clerical Workers (CPI-W). The CPI is also calculated on a specific urban environment, which the metro-Phoenix area is one of the areas that the CPI is calculated. It is important to note that the CPI data for metro-Phoenix only dates back to 2001 whereas the Constitution requires that there be a data point for 1978. For the purposes of this analysis, the national CPI-U data has been used.

The HEPI is calculated by the Commonfund Institute. According to their website, the HEPI "is an inflation index designed specifically to track the main cost drivers in higher education." Upon initial research, there seems to be more continuity and regular use of the GDP price deflator and the CPI. The GDP price deflator and the CPI are developed using more widespread economic indicators and reflect the broader market, whereas the HEPI uses data points specific to higher education institutions. The main components of the HEPI are based on individual institutional behavior rather than economic indicators. For example, salaries of faculty and administrators are not the same as cost increases outside of the control of educational

institutions like energy or the cost of transportation. Although the HEPI does not demonstrate broad economic conditions or the impact of inflation on the broader economy, it does have the ability to show the growth in expenditures based on the decisions of institutions in the higher education market place. Like the CPI, the HEPI has developed several indices for various purposes. The HEPI has an overall index to demonstrate the entire higher education market place as well as indices for graduate institutions, 4-year institutions, 2-year institutions and public or private institutions. However, as the Constitution requires that there be a data point for 1978 and in order to complete an analysis, the national HEPI was used rather than the 2-year or public institution data point because no such data point exists for 1978.

Although the Constitution specifically requires that the GDP price deflator be used in calculating the expenditure limit, the Constitution does allow the Legislature to prescribe a different measure or index of the cost of living in determining the expenditure limit. This would require a concurrent resolution and an affirmative vote of two-thirds of the Legislature. The Constitution further prescribes that *"such measure or index shall apply for subsequent fiscal years, except it shall not apply for the fiscal year following the adoption of such measure or index if the measure or index is adopted after March 1 of the preceding fiscal year."* It is important to note that the language of the Constitution does not delineate if the new inflation factor approved by the Legislature can exclusively apply to community college districts or if it must also apply to the aggregate school district expenditure limit prescribed in the same section of the Constitution. Furthermore, there may be challenges depending on the new inflation factor that is chosen. For example, there may be timeline issues based on the publication of the different indices due to the fact that the Constitution requires that the expenditure limit be published prior to April 1 of each year. Other issues that may need to be addressed are based on the characteristics of the index regarding if they are calculated using a fiscal year or a calendar year and whether the data exists for the time period required by the Constitution. Along with the requirement of the concurrent resolution, other statutory changes may be necessary.

Data and Methodology Overview

Community college expenditure limits are calculated by determining the population factor, the inflation factor and then multiplying those products to the FY 79/80 base limit. The formula below is used in calculating the FY 2016 community college expenditure limits:

$$\underbrace{\frac{\textbf{2016 FTSE Estimate}}{\textbf{1980 FTSE}}}_{\textbf{(Population Factor)}} \times \underbrace{\frac{\textbf{2014 GDP Implicit Price Deflator}}{\textbf{1978 GDP Implicit Price Deflator}}}_{\textbf{(Inflation Factor)}} \times \textbf{FY 1979-1980 Base Limit} = \textbf{FY 2015-2016 Expenditure Limitation (EL)}$$

The data tables below show the current computation of community college expenditure limits using the GDP price deflator and the calculations using the HEPI and the CPI. The calculations of these two options are just preliminary estimates and should not be deemed as actual expenditure limits if they were selected. Table 1 is the current expenditure limitations as calculated by the EEC for FY 2015–2016. Table 2 shows the impact of using the CPI as the inflation factor. Using the CPI would increase expenditure limit capacity by approximately $222,753,021 or 26.08% across the community college system. Table 3 shows the impact of using the HEPI as the inflation factor. Using the HEPI would increase expenditure limit capacity by approximately $530,374,752 or 62.10% across the community college system. The HEPI would effectively eliminate the expenditure limit across the community college system. FY 2015-2016 budgeted general fund expenditures for the community college system are approximately $1.2 billion whereas the total expenditure limit using the HEPI would be $1.3 billion (Table 4).

Data Tables

Table 1: Current Community College Expenditure Limits Using the GDP Price Deflator

CCD	15/16 FTSE	79/80 FTSE	Population Factor	2014 GDP	1978 GDP	Inflation Factor	79/80 Base Limit	FY 15/16 EL
Cochise	6,300	2,156	2.9221	108.287	37.602	2.8798	$6,038,815	$50,816,985
Coconino	2,091	1,000	2.0910	108.287	37.602	2.8798	$2,459,758	$14,811,935
Gila	900	905	0.9945	108.287	37.602	2.8798	$1,948,412	$5,580,076
Graham	3,350	1,329	2.5207	108.287	37.602	2.8798	$4,508,230	$32,725,875
Maricopa	81,000	27,299	2.9671	108.287	37.602	2.8798	$52,841,755	$451,524,053
Mohave	3,150	1,033	3.0494	108.287	37.602	2.8798	$3,163,993	$27,785,046
Navajo	1,950	1,566	1.2452	108.287	37.602	2.8798	$3,716,543	$13,327,460
Pima	23,000	11,038	2.0837	108.287	37.602	2.8798	$19,071,763	$114,444,168
Pinal	5,250	2,452	2.1411	108.287	37.602	2.8798	$7,534,121	$46,455,464
Santa Cruz	325	700	0.4643	108.287	37.602	2.8798	$1,507,059	$2,015,027
Yavapai	4,000	1,568	2.5510	108.287	37.602	2.8798	$5,759,613	$42,312,883
Yuma/ La Paz	5,700	1,952	2.9201	108.287	37.602	2.8798	$6,215,322	$52,266,576
Total	137,016	52,998	2.5853	108.287	37.602	2.8798	$114,765,384	$854,065,548

Table 2: Estimates of Community College Expenditure Limits Using the CPI.

CCD	15/16 FTSE	79/80 FTSE	Population Factor	2014 CPI	1978 CPI	Inflation Factor	79/80 Base Limit	FY 15/16 EL	Increased Capacity	% Increase
Cochise	6,300	2,156	2.9221	236.736	65.2	3.6309	$6,038,815	$64,070,812	$13,253,827	26.08%
Coconino	2,091	1,000	2.0910	236.736	65.2	3.6309	$2,459,758	$18,675,108	$3,863,173	26.08%
Gila	900	905	0.9945	236.736	65.2	3.6309	$1,948,412	$7,035,443	$1,455,367	26.08%
Graham	3,350	1,329	2.5207	236.736	65.2	3.6309	$4,508,230	$41,261,271	$8,535,396	26.08%
Maricopa	81,000	27,299	2.9671	236.736	65.2	3.6309	$52,841,755	$569,288,254	$117,764,201	26.08%
Mohave	3,150	1,033	3.0494	236.736	65.2	3.6309	$3,163,993	$35,031,800	$7,246,754	26.08%
Navajo	1,950	1,566	1.2452	236.736	65.2	3.6309	$3,716,543	$16,803,460	$3,476,000	26.08%
Pima	23,000	11,038	2.0837	236.736	65.2	3.6309	$19,071,763	$144,292,912	$29,848,744	26.08%
Pinal	5,250	2,452	2.1411	236.736	65.2	3.6309	$7,534,121	$58,571,742	$12,116,277	26.08%
Santa Cruz	325	700	0.4643	236.736	65.2	3.6309	$1,507,059	$2,540,577	$525,549	26.08%
Yavapai	4,000	1,568	2.5510	236.736	65.2	3.6309	$5,759,613	$53,348,713	$11,035,830	26.08%
Yuma/ La Paz	5,700	1,952	2.9201	236.736	65.2	3.6309	$6,215,322	$65,898,478	$13,631,902	26.08%
Total	137,016	52,998	2.5853	236.736	65.2	3.6309	$114,765,384	$1,076,818,569	$222,753,021	26.08%

Table 3: Estimates of Community College Expenditure Limits Using the HEPI.

CCD	15/16 FTSE	79/80 FTSE	Population Factor	2014 HEPI	1978 HEPI	Inflation Factor	79/80 Base Limit	FY 15/16 EL	Increased Capacity	% Increase
Cochise	6,300	2,156	2.9221	306.7	65.7	4.6682	$6,038,815	$82,374,336	$31,557,350	62.10%
Coconino	2,091	1,000	2.0910	306.7	65.7	4.6682	$2,459,758	$24,010,147	$9,198,212	62.10%
Gila	900	905	0.9945	306.7	65.7	4.6682	$1,948,412	$9,045,303	$3,465,227	62.10%
Graham	3,350	1,329	2.5207	306.7	65.7	4.6682	$4,508,230	$53,048,645	$20,322,770	62.10%
Maricopa	81,000	27,299	2.9671	306.7	65.7	4.6682	$52,841,755	$731,920,515	$280,396,461	62.10%
Mohave	3,150	1,033	3.0494	306.7	65.7	4.6682	$3,163,993	$45,039,561	$17,254,515	62.10%
Navajo	1,950	1,566	1.2452	306.7	65.7	4.6682	$3,716,543	$21,603,814	$8,276,353	62.10%
Pima	23,000	11,038	2.0837	306.7	65.7	4.6682	$19,071,763	$185,514,002	$71,069,834	62.10%
Pinal	5,250	2,452	2.1411	306.7	65.7	4.6682	$7,534,121	$75,304,310	$28,848,846	62.10%
Santa Cruz	325	700	0.4643	306.7	65.7	4.6682	$1,507,059	$3,266,360	$1,251,332	62.10%
Yavapai	4,000	1,568	2.5510	306.7	65.7	4.6682	$5,759,613	$68,589,185	$26,276,302	62.10%
Yuma/ La Paz	5,700	1,952	2.9201	306.7	65.7	4.6682	$6,215,322	$84,724,123	$32,457,547	62.10%
Total	137,016	52,998	2.5853	306.7	65.7	4.6682	$114,765,384	$1,384,440,300	$530,374,752	62.10%

Table 4: Comparison of Community College Expenditure Limits Using Different Inflation Factors.

CCD	FY 15/16 Budgeted GF Expenditures	FY 15/16 EL (GDP)	FY 15/16 EL (CPI)	FY 15/16 EL (HEPI)
Cochise	$40,266,315	$50,816,985	$64,070,812	$82,374,336
Coconino	$18,460,827	$14,811,935	$18,675,108	$24,010,147
Gila	$7,115,533	$5,580,076	$7,035,443	$9,045,303
Graham	$41,455,336	$32,725,875	$41,261,271	$53,048,645
Maricopa	$731,059,890	$451,524,053	$569,288,254	$731,920,515
Mohave	$32,065,033	$27,785,046	$35,031,800	$45,039,561
Navajo	$26,077,253	$13,327,460	$16,803,460	$21,603,814
Pima	$169,378,000	$114,444,168	$144,292,912	$185,514,002
Pinal	$49,200,000	$46,455,464	$58,571,742	$75,304,310
Santa Cruz	$1,797,239	$2,015,027	$2,540,577	$3,266,360
Yavapai	$44,110,000	$42,312,883	$53,348,713	$68,589,185
Yuma/ La Paz	$42,562,579	$52,266,576	$65,898,478	$84,724,123
Total	$1,203,548,005	$854,065,548	$1,076,818,569	$1,384,440,300

Arizona House of Representatives
House Majority Research
MEMORANDUM

Aaron Solop Wonders
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1700 W. Washington
Phoenix, AZ 85007
DIRECT (602)926-3458

To: **Members of the Study Committee on Community College Finance and Expenditure Limits**

Re: **Community College District Levy Limits**

Date: 10/22/15

Dear Members,

During the previous meeting of the Study Committee on Community College Finance and Expenditure Limits staff was asked to provide a one-pager on community college district levy limits. I have provided a brief description of community college district levy limitations as well as a table showing the limits in 2015. Please let me know if you have any questions.

Community College District Levy Limits

Arizona Revised Statutes § 42-17051 establishes a limitation on the annual levy a community college district may collect through primary property taxes. To determine the levy limit in the current fiscal year, the district increases the maximum limit from the previous year by 2% and adds any levies generated through new construction. The resulting number is the levy limit in the current year.

Current Year Levy Limit Calculation

prior year levy limit x 2% + levies generated from new construction = current year levy limit

The following table provides an overview of the 2015 levy limits for the community college districts.

District	Primary Rate	Levy Limit	Levy Limit Used	% of Limit Used
Cochise	2.1756	$20,028,212	$20,028,212	100%
Coconino	0.4864	$7,478,002	$7,478,002	100%
Gila	0.8522	$4,111,994	$4,111,994	100%
Graham	2.8860	$5,887,078	$5,887,078	100%
Maricopa	1.2628	$469,150,733	$437,227,709	93.20%
Mohave	1.2927	$21,792,188	$21,792,188	100%
Navajo	1.7423	$14,509,355	$14,509,355	100%
Pima	1.3689	$104,315,120	$104,315,120	100%
Pinal	2.3000	$56,722,470	$47,323,593	83.43%
Santa Cruz	0.4675	$4,565,380	$1,483,708	32.50%
Yavapai	1.8721	$45,403,613	$42,667,700	93.79%
Yuma/La Paz	2.1650	$28,623,364	$28,623,364	100%

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ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE
OPEN TO THE PUBLIC

STUDY COMMITTEE ON COMMUNITY COLLEGE FINANCE AND EXPENDITURE LIMITS

Date: **Tuesday, August 18, 2015**

Time: **10:00 A.M.**

Place: **SHR 1**

AGENDA

1. Call to Order
2. Roll Call
3. Introduction of Members
4. Background, History and Purpose of Study Committee
5. Overview of Community College Finance
   - Joint Legislative Budget Committee
6. Community College District Expenditure Limits
   - Office of the Auditor General
7. Public Comments
8. Discussion by Committee Members
9. Adjourn

Members:

Senator Sylvia Allen, Co-Chair
Senator Carlyle Begay
Senator John Kavanagh
Debra Davenport
Harald Harrington
Lee Lambert
Sean McCarthy
Brent McEuen

Representative Bob Thorpe, Co-Chair
Representative Randall Friese
Representative Justin Olson
J.D. Rottweiler
Heidi Schaefer
Dr. Jeanne Swarthout
Vice Chancellor Deborah Thompson

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Resource

ARIZONA STATE LEGISLATURE

STUDY COMMITTEE ON COMMUNITY COLLEGE FINANCE AND EXPENDITURE LIMITS

Minutes of the Meeting
August 18, 2015
10:00 a.m., Senate Hearing Room 109

Members Present:
Senator Sylvia Allen, Co-Chair
Senator Carlyle Begay
Senator John Kavanagh
Lee Lambert
Sean McCarthy
Brent McEuen
J.D. Rottweiler
Representative Bob Thorpe, Co-Chair
Representative Randall Friese
Representative Justin Olson
Heidi Schaefer
Michael Stelpstra, Auditor General's designee
Dr. Jeanne Swarthout
Vice Chancellor Deborah Thompson

Members Absent:
Harald Harrington

Staff:
Matthew Simon, Senate Research Analyst
Katy Proctor, House Majority Staff Director of Research

Co-Chairman Allen called the meeting to order at 10:06 a.m. and attendance was taken.

Introduction of Members

Senator Allen requested that the members of the Committee introduce themselves.

Background, History and Purpose of Study Committee

Matthew Simon, Senate Research Analyst, gave an overview of the Committee and its purpose.

Overview of Community College Finance

Tom Ritland, Joint Legislative Budget Committee Staff, distributed a copy of his presentation entitled "Community College State Aid" (Attachment A) and gave an overview of the funding formulas for Community Colleges. Mr. Ritland answered questions posed by the Committee.

Community College District Expenditure Limits

Michael Stelpstra, Office of the Auditor General, distributed a copy of his presentation entitled "Community College District Expenditure Limits" (Attachment B) and gave an overview of expenditure limits and exclusions. Mr. Stelpstra answered questions posed by the Committee.

Mr. Simon answered questions posed by the Committee.

Public Comments

Kristen Boilini, Arizona Community College Coordinating Council, explained challenges for the Community Colleges. Ms. Boilini answered questions posed by the Committee.

Discussion by Committee Members

The members of the Committee discussed the funding and expenditure limits for the Community College system in Arizona. The Committee discussed information needed and subjects to discuss in future meetings and how often to meet.

There being no further business, the meeting was adjourned at 11:59 a.m.

Respectfully submitted,

Shelley Ponce

Shelley Ponce
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at http://www.azleg.gov)

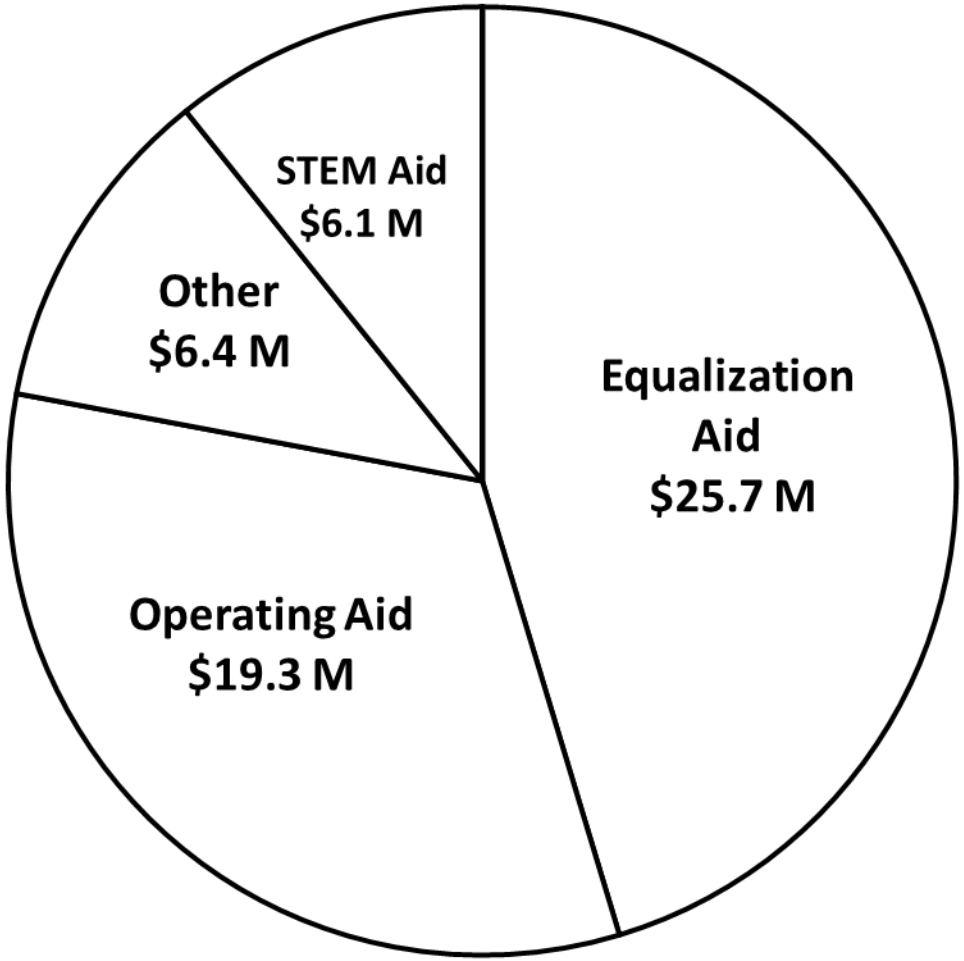
Community College State Aid

August 18, 2015

Study Committee on Community College Finance and Expenditure Limits

JLBC

Community Colleges
- General Fund by Function (FY 2017 Estimates)



FY 2017 Baseline Total = $57.5 Million

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Community Colleges
- State Funding Formulas

- Operating State Aid 1/
  - For maintenance and operations
  - Based on FTSE counts
- STEM and Workforce Programs Aid 1/
  - For STEM- related programs and capital expenditures
  - Based on FTSE counts
- Equalization Aid
  - For districts with low property tax base
  - Based on difference from minimum assessed value

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1/ Laws 2015, Chapter 16 permanently eliminates Operating and STEM Aid for Maricopa and Pima

Community Colleges
- Other State Funding

- Rural County Allocation
  - Payments for students enrolled in community colleges from counties not part of an established district (Apache and Greenlee)
  - Currently $2.5 M
  - Offset with corresponding reductions is the counties' sales tax apportionment
- Rural County Reimbursement Subsidy
  - Subsidizes costs for Apache and Greenlee to pay for their residents enrolled in community college districts
  - Currently $1.3 M
- Tribal TPT Revenue
  - Tribal colleges can receive 10% of TPT revenue generated within the tribal land, up to $1.75 M
  - A technical college located on the same reservation can receive 5% of TPT revenue generated within the tribal land, up to $875,000
  - Currently $2.6 M

Community Colleges
- Total Estimated FY 2017 Baseline Funding

General Fund	
Operating State Aid	$ 19,334,400
Equalization Aid	25,660,600
STEM Aid	6,072,900
Other GF	6,422,200
Non-Appropriated Prop 301 Funds	18,199,300
Total Resources	$75,687,300

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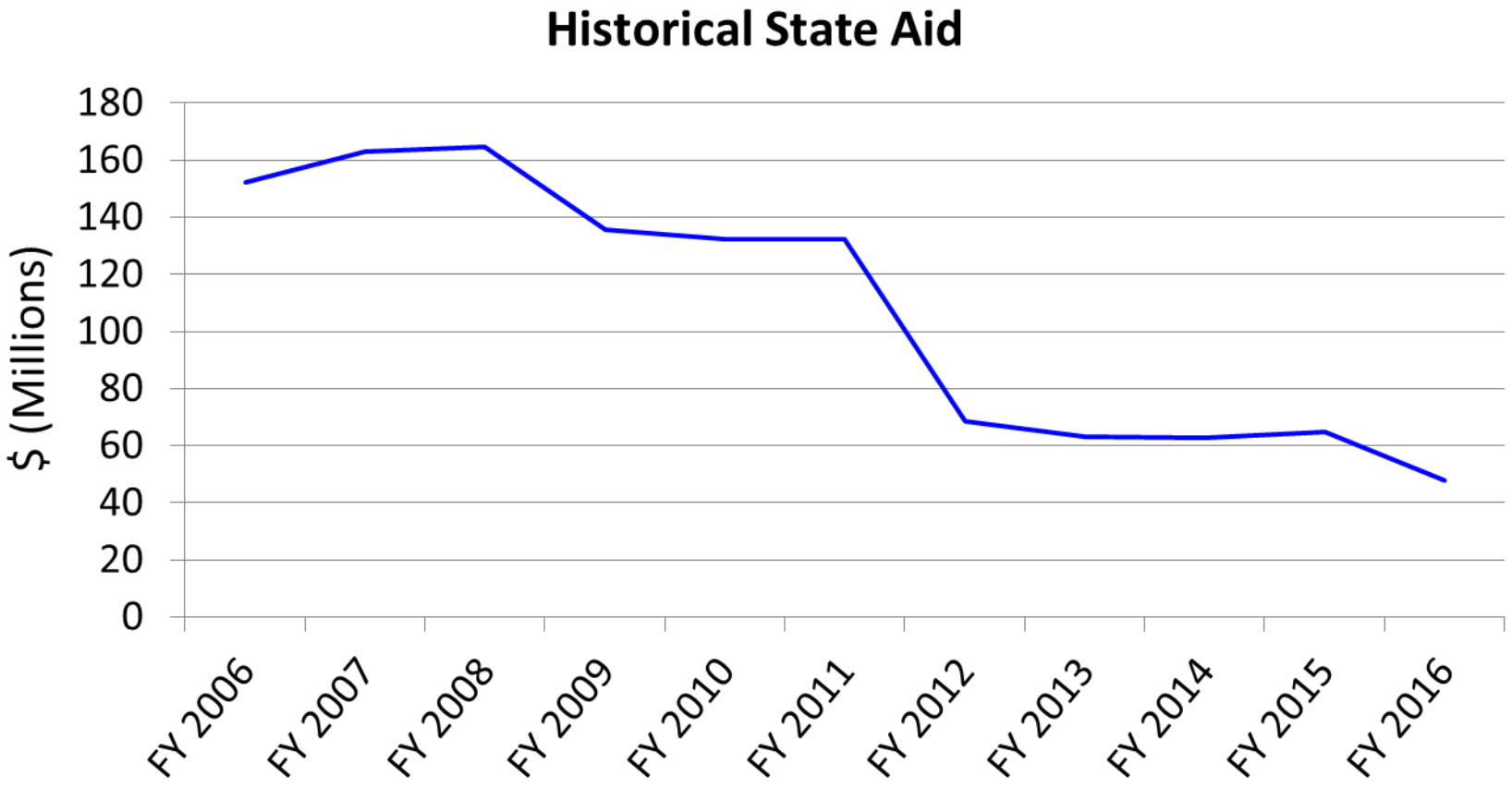
Community Colleges
- General Fund State Aid FY 2006 – FY 2016



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Community Colleges

- State Aid as a Percentage of Total Revenues

Fiscal Year	State Aid	Total Revenues 1/	State Aid %
2008	$ 164,600,800	$ 1,506,236,100	10.9%
2009	$ 135,735,800	$ 1,429,178,100	9.5%
2010	$ 132,426,300	$ 1,672,486,000	7.9%
2011	$ 132,426,300	$ 1,693,697,500	7.8%
2012	$ 68,577,300	$ 1,659,474,400	4.1%
2013	$ 63,343,800	$ 1,631,602,500	3.9%
2014	$ 62,766,500	$ 1,633,681,100	3.8%

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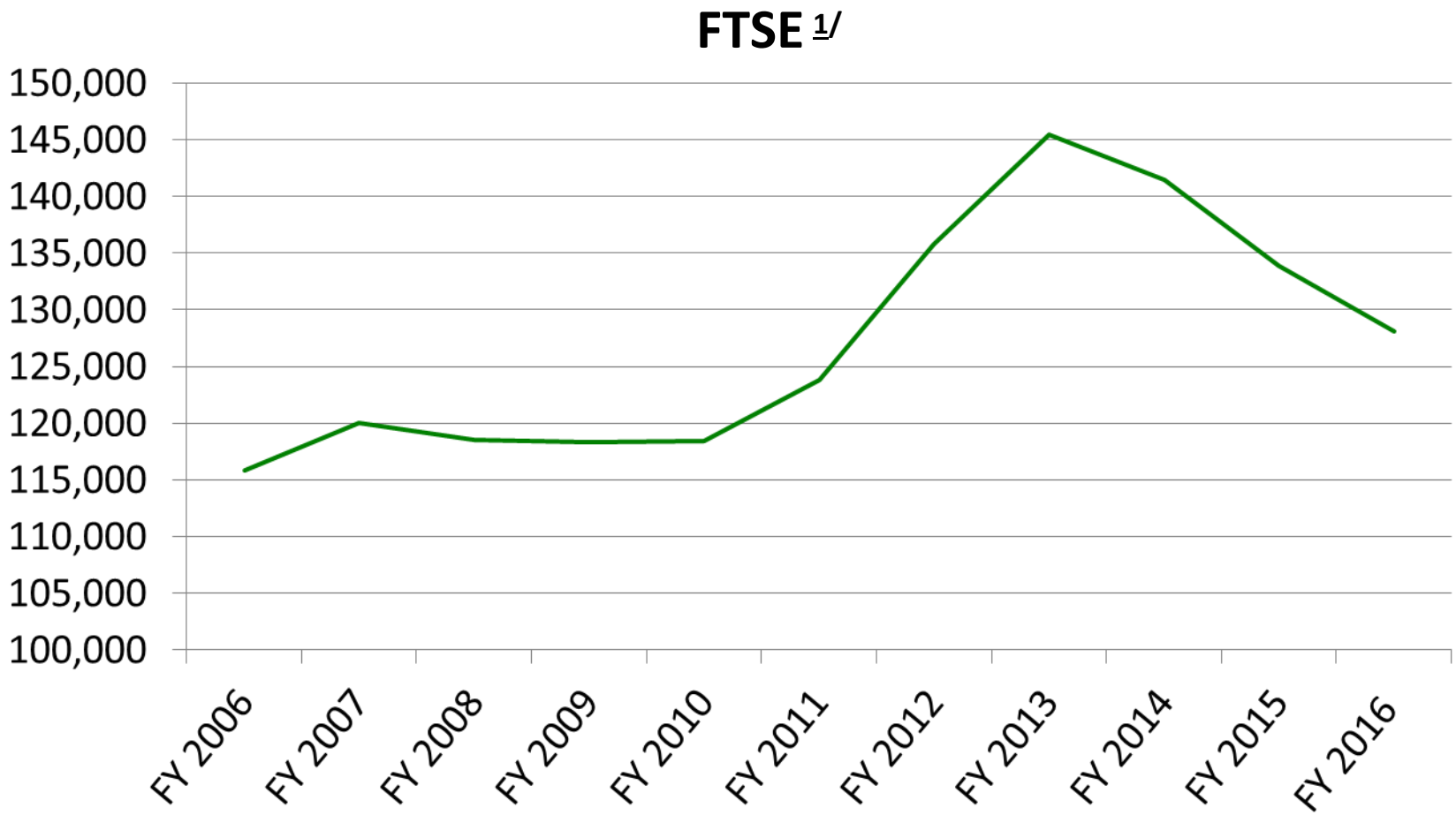
Community Colleges
- Full Time Student Equivalent (FTSE) Trend



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1/ FTSE is based on the actual audited count 2 years prior to the funded amount. For example, the FTSE count from FY 2014 is shown in the FY 2016 column since the FY 2014 count is used to determine FY 2016 funding.

Community Colleges
- Website links

- Community College FY 2016 Appropriations Report – http://www.azleg.gov/jlbc/16AR/acc.pdf
- Community College Funding History – http://www.azleg.gov/jlbc/accgfapp06-14.pdf

Appendix

Operating State Aid

Provides each community college with funds for continuing operating and maintenance expenses

- Most Recent Appropriated Operating Aid $ Total / Most Recent Audited FTSE = Avg $ Per FTSE
  - FY 2015 Avg $ Per FTSE = $257
  - FY 2016 Avg $ Per FTSE = $254
- Avg $ Per FTSE x Change in FTSE for Each District (Dual Enrollment students count as ½ a FTSE) = District $ Change
  - FY 2015 District $ Decrease = $(2.0) million
  - FY 2016 District $ Decrease = $(1.5) million
- Current Year District Operating Aid $ + District $ Change = Operating State Aid
  - FY 2015 Total Operating State Aid = $32.5 million
  - FY 2016 Total Operating State Aid = $18.2 million (Maricopa and Pima funding eliminated in FY 16)

Example District – Cochise

FY 2016 Avg $ Per FTSE = $254

Growth/Decrease in FTSE = (541)

$254* (541) = $(137,400)

FY 2015 Appropriation = $5,343,400

FY 2016 Formula Amount = $5,206,000

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STEM and Workforce Programs State Aid

Provides community college districts with funds for STEM programs as well as capital and equipment needs

- District's Most Recent Audited FTSE x Statutory $ Rate
  - Statutory Rate for Districts with < 5,000 FTSE = $210
  - Statutory Rate for Districts with > 5,000 FTSE = $160
- FY 2015 Total STEM Aid = $8.2 million
- FY 2016 Total STEM Aid = $5.1 million (Maricopa and Pima STEM Aid was completely eliminated in FY 2016, as well as part of Pinal's funding)

Example Districts – Yavapai and Yuma/La Paz

Yavapai

3,837 FTSE * $210
FY 2016 Formula Amount = $805,700

Yuma/La Paz

5,421 FTSE * $160
FY 2016 Formula Amount = $867,300

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Equalization Aid

Provides additional state aid to qualifying community college districts whose tax base is insufficient to provide adequate funding for continuing operations and maintenance

- Avg. % Change in Rural Districts' 2 Most Recent Year's Total Primary Assessed Valuation (AV)
  - FY 2015 Avg % AV Decrease = (6.75)%
  - FY 2016 Avg % AV Decrease = (1.37)%
- Avg % AV Change X Current Minimum Assessed Value Requirement (MAVR) = New Minimum
- Compare New Minimum with District Value: If Minimum Value is greater than District Value, the difference is multiplied by $.0137 = Equalization Aid
  - If MAVR < District AV = $Ø aid
  - FY 2015 Total Equalization Aid = $24.2 million
  - FY 2016 Total Equalization Aid = $24.7 million

Example District - Graham

FY 2016 MAVR = $1,271,979,400

FY 2014 Graham AV = $210,752,684

Difference = $1,061,226,716

$1,061,226,716 * $.0137

FY 2016 Formula Amount = $14,538,800

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COMMUNITY COLLEGE DISTRICT EXPENDITURE LIMITS

Study Committee on Community College Finance and Expenditure Limits

August 18, 2015

Michael Stelpstra,
Professional Practice Manager

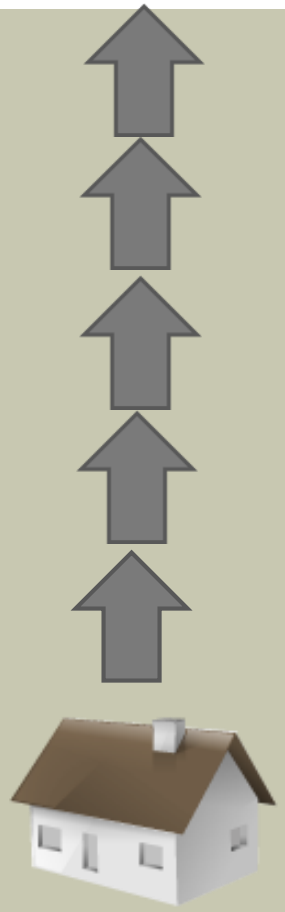
Office of the Auditor General

OUTLINE

- History and background of expenditure limits
- What expenditures are subject to the expenditure limit
- Carryforward exclusions

Online Webinars: www.azauditor.gov

US…CIRCA 1960-1970



Property Values

California

Property Taxes

ARIZONA CONSTITUTION, ARTICLE IX, §21

Expenditure Limitations

- Local Revenues
- Base Year: 1979-80
- Adjusted annually for:
  - Inflation
  - Population

Economic Estimates Commission

- Calculates & Publishes Expenditure Limitations
- Preliminary - February 1st
- Final – April 1st

STATE IMPOSED EXPENDITURE LIMIT CALCULATION

EEC Calculation

$$\frac{\text{2016 Population Estimate}}{\text{1980 Population Estimate}} \times \frac{\text{GDP Implicit Price Deflator 2014}}{\text{GDP Implicit Price Deflator 1978}} \times \text{FY 1979 - 80 Base Limit} = \text{FY 2016 Budgeted Expenditure Limitation}$$

Voter-Approved Option

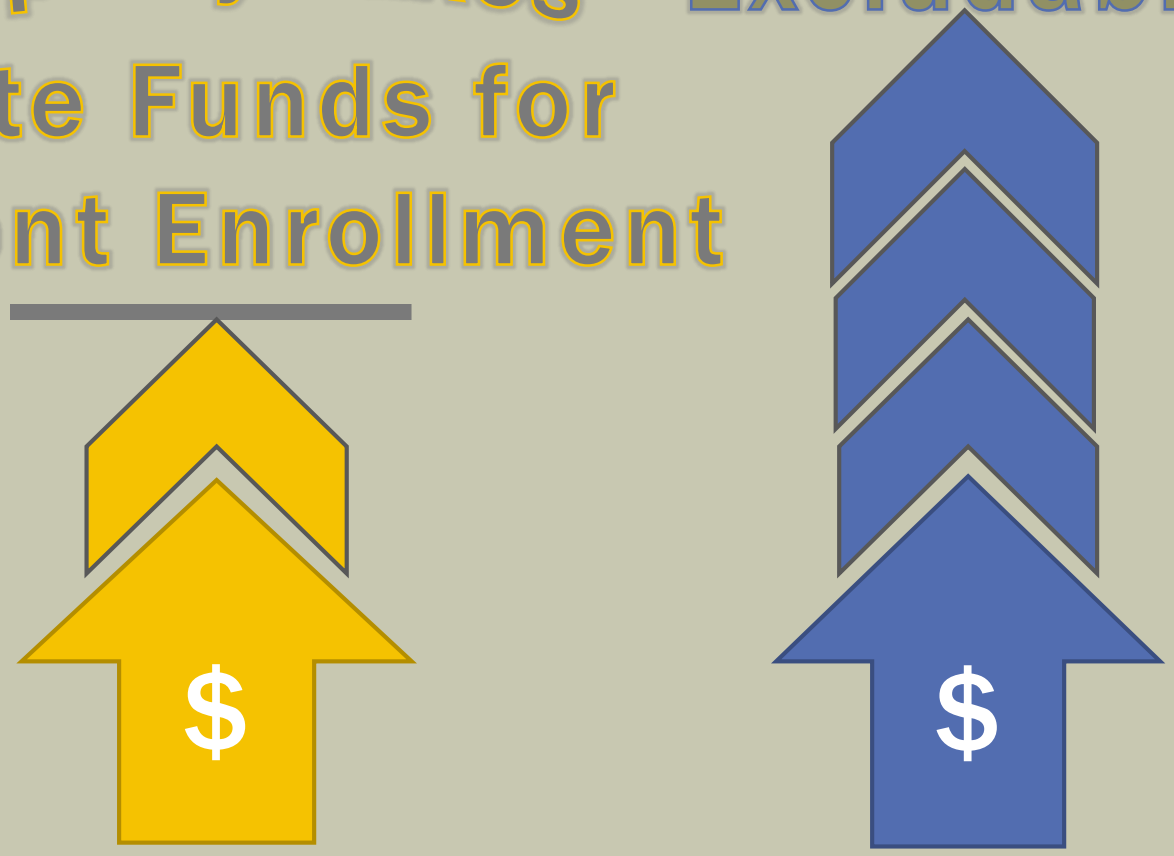
Modified Expenditure Limit

- Increases EEC calculated limitation by specified percentage approved by voters
- Modified expenditure limit may be effective from 2 to 7 years

WHAT DOES THE EXPENDITURE LIMIT DO?

Property Taxes
State Funds for
Student Enrollment

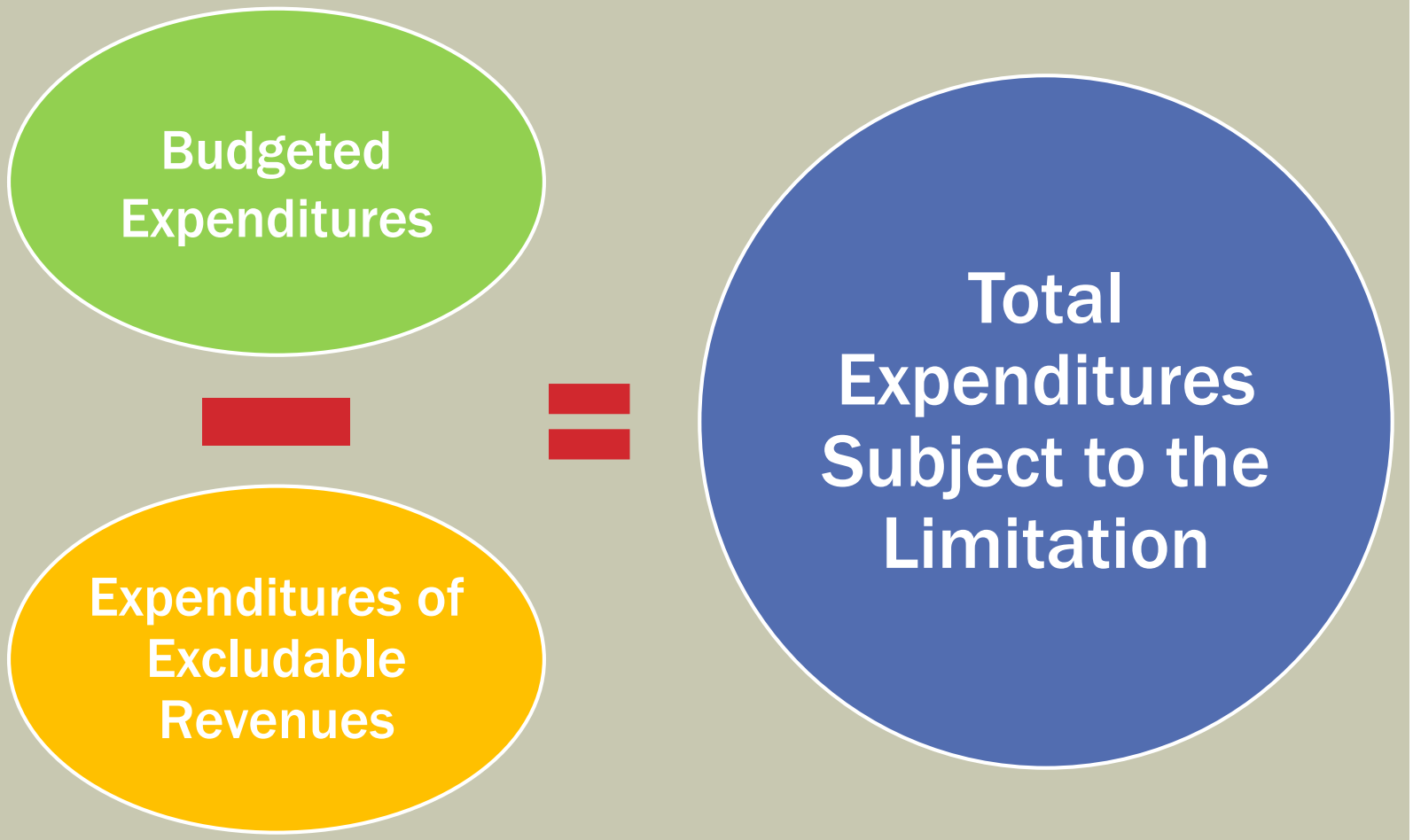
Excludable



Local Revenues

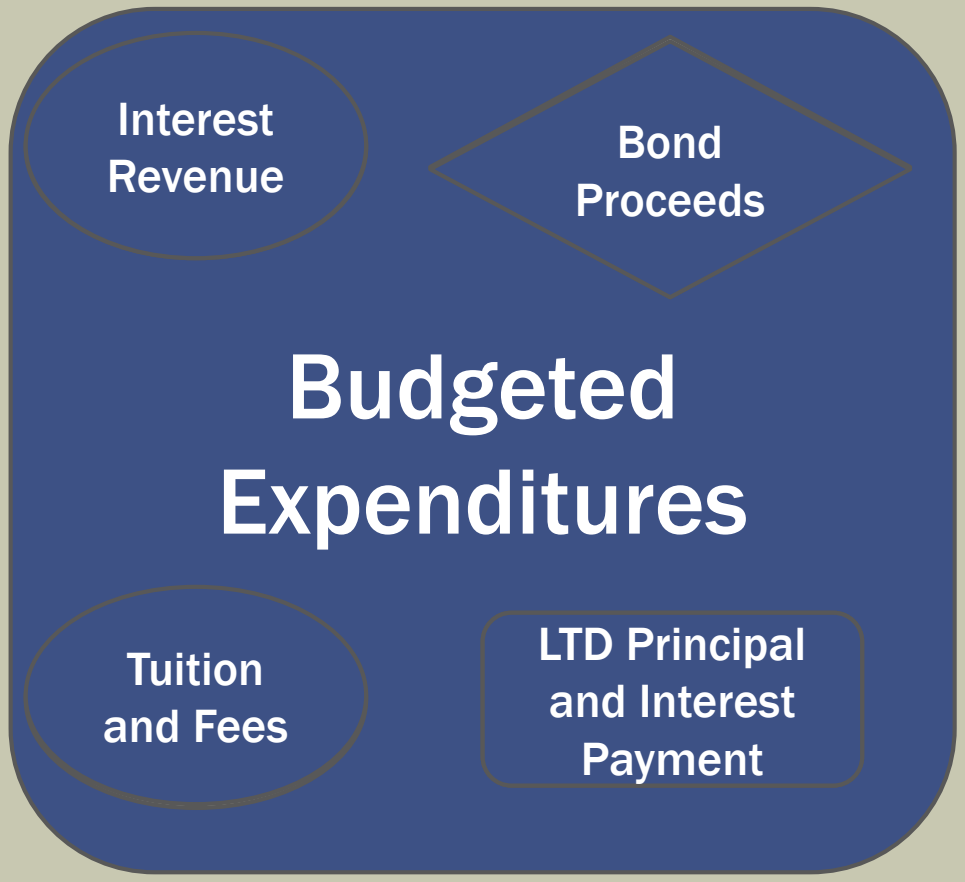
Non-Local Revenues

DETERMINING COMPLIANCE



WHAT IS A LOCAL REVENUE?

Local Revenues



Exclusions

NON-LOCAL REVENUES

- Debt proceeds
- Debt service payments
- Investment income
- Trustee or custodian
- Federal grants and contract revenue
- Private grants, aid, contributions, or gifts
- State aid for land and buildings
- Amounts accumulated for land and buildings
- Contract revenue from the State, counties, other colleges, municipalities, and school districts
- Tuition and fees

STATUTORY ADJUSTMENTS

CONSTITUTIONAL AUTHORIZATION

- Article XI, §21(1):

  The governing board of any community college district shall not authorize expenditures of local revenues in excess of the limitation prescribed in this section, except in the manner provided by law.

- See Attorney General Opinion I01-015

ADJUSTMENTS

- Workforce development accounts—Proposition 301 (A.R.S. §15-1472)
- Grand Canyon Diploma (A.R.S. §15-792.03)
- Competency-based college-ready educational pathways (A.R.S. §15-795.01)

CARRYFORWARDS

- Definition:

  constitutionally excludable revenues unexpended in the year recorded that are accumulated and eligible for exclusion when expended in subsequent fiscal years
- Specific revenues
- Flow assumptions
  - Maximize carryforward
  - Maximize exclusions
- Restricted vs. unrestricted revenues

QUESTIONS??

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ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE
OPEN TO THE PUBLIC

STUDY COMMITTEE ON COMMUNITY COLLEGE FINANCE AND EXPENDITURE LIMITS

Date: **Wednesday, September 9, 2015**

Time: **10:00 A.M.**

Place: **SHR 109**

AGENDA

1. Call to Order
2. Roll Call
3. Overview of Community College Financial Information
   - Arizona Tax Research Association
4. Community College Presentations
   - Navajo Community College District
   - Maricopa Community College District
   - Cochise Community College District
5. Public Testimony
6. Discussion by Committee Members
7. Adjourn

Members:

Senator Sylvia Allen, Co-Chair
Senator Carlyle Begay
Senator John Kavanagh
Debra Davenport
Harald Harrington
Lee Lambert
Sean McCarthy
Brent McEuen

Representative Bob Thorpe, Co-Chair
Representative Randall Friese
Representative Justin Olson
J.D. Rottweiler
Heidi Schaefer
Dr. Jeanne Swarthout
Vice Chancellor Deborah Thompson

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ARIZONA STATE LEGISLATURE

STUDY COMMITTEE ON COMMUNITY COLLEGE FINANCE AND EXPENDITURE LIMITS

Minutes of the Meeting
September 9, 2015
10:00 a.m., Senate Hearing Room 109

Members Present:
Senator Sylvia Allen, Co-Chair
Senator Carlyle Begay
Senator John Kavanagh
Michael Stelpstra, Auditor General's designee
Harald Harrington
Lee Lambert
Sean McCarthy
Representative Bob Thorpe, Co-Chair
Representative Randall Friese
Brent McEuen
J.D. Rottweiler
Dr. Jeanne Swarthout
Vice Chancellor Debra Thompson

Members Absent:
Representative Justin Olson
Heidi Schaefer

Staff:
Matt Simon, Senate Research Analyst
Aaron Wonder, House Research Analyst

Co-Chairman Thorpe called the meeting to order at 10:05 a.m. and attendance was noted.

OVERVIEW OF COMMUNITY COLLEGE FINANCIAL INFORMATION

Arizona Tax Research Association

Sean McCarthy, Arizona Tax Research Association, distributed handouts entitled "Arizona Community College Finance" (Attachment A), "FY 2016 Community College District Financial Information" (Attachment B), "Community College District Expenditure Limit Quick Reference Guide" (Attachment C) and provided information regarding community college expenditure limits. Mr. McCarthy answered questions posed by the Committee.

COMMUNITY COLLEGE PRESENTATIONS

Navajo Community College District

Dr. Jeanne Swarthout, President, Northland Pioneer College, distributed a handout entitled "Northland Pioneer College Service Area" (Attachment D) and explained the differences with today's students and the students at the time the expenditure limit formulas were adopted. Dr. Swarthout answered questions posed by the Committee.

Maricopa Community College District

Rufus Glasper, Chancellor, Maricopa Community College District, distributed a handout entitled "Maricopa Community Colleges" (Attachment E) and explained how the community college districts are addressing student needs. Mr. Glasper gave an overview of the expenditure system and how it is restricting the colleges. Mr. Glasper answered questions posed by the Committee.

Senator Kavanagh requested specific ideas from the Community Colleges on how the Legislature can help fix the expenditure limits system.

Cochise Community College District

J.D. Rottweiler, President, Cochise Community College, distributed a handout entitled "Cochise College and Expenditure Limitation" (Attachment F) and explained the problems with the FTSE (Full Time Student Equivalent) formulas. Mr. Rottweiler answered questions posed by the Committee.

DISCUSSION BY COMMITTEE MEMBERS

Mr. Harrington requested clarification on the formulas used for funding and expenditure limits.

Committee members requested specific ideas from the Community Colleges on how the Legislature can help fix the expenditure limits system.

There being no further business, the meeting was adjourned at 11:57 a.m.

Respectfully submitted,

Shelley Ponce

Shelley Ponce
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at http://www.azleg.gov)

Arizona Community College Finance

September 2015

Recap

- Rationale for the EL study committee
  - Relief options for college districts
  - Using more accurate FTSE counts
- Sources of funding: State, Local, Federal, Tuition
- EL dollars: Property tax + state aid $ spent in GF
- Non EL dollars: everything else

FINAL FY 2015/16 EXPENDITURE LIMITS: COMMUNITY COLLEGES

COMMUNITY COLLEGE DISTRICT	POPULATION** 2015/16	POPULATION** 1979/80	POPULATION FACTOR	INFLATION FACTOR*	FY 1979/80 BASE LIMIT	FINAL FY 2015/16 EXPENDITURE LIMITATION	
COCHISE	6,300	2,156	2.9221	2.8798	$6,038,815	**$50,816,985**	$2,801
COCONINO	2,091	1,000	2.0910	2.8798	$2,459,758	**$14,811,935**	$2,460
GILA	900	905	0.9945	2.8798	$1,948,412	**$5,580,076**	$2,153
GRAHAM	3,350	1,329	2.5207	2.8798	$4,508,230	**$32,725,875**	$3,392
MARICOPA	81,000	27,299	2.9671	2.8798	$52,841,755	**$451,524,053**	$1,936
MOHAVE	3,150	1,033	3.0494	2.8798	$3,163,993	**$27,785,046**	$3,063
NAVAJO	1,950	1,566	1.2452	2.8798	$3,716,543	**$13,327,460**	$2,373
PIMA	23,000	11,038	2.0837	2.8798	$19,071,763	**$114,444,168**	$1,728
PINAL	5,250	2,452	2.1411	2.8798	$7,534,121	**$46,455,464**	$3,072
SANTA CRUZ	325	700	0.4643	2.8798	$1,507,059	**$2,015,027**	$2,153
YAVAPAI	4,000	1,568	2.5510	2.8798	$5,759,613	**$42,312,883**	$3,673
YUMA/LA PAZ	5,700	1,952	2.9201	2.8798	$6,215,322	**$52,266,576**	$3,184
TOTAL	**137,016**	**52,998**	**2.5853**		**$114,765,384**	**$854,065,548**	

Baseline EL per FTSE amount

* SOURCE: (2014 GDP Implicit Price Deflator - BEA, February 2014)/(1978 GDP Implicit Price Deflator) = 108.287 / 37.602

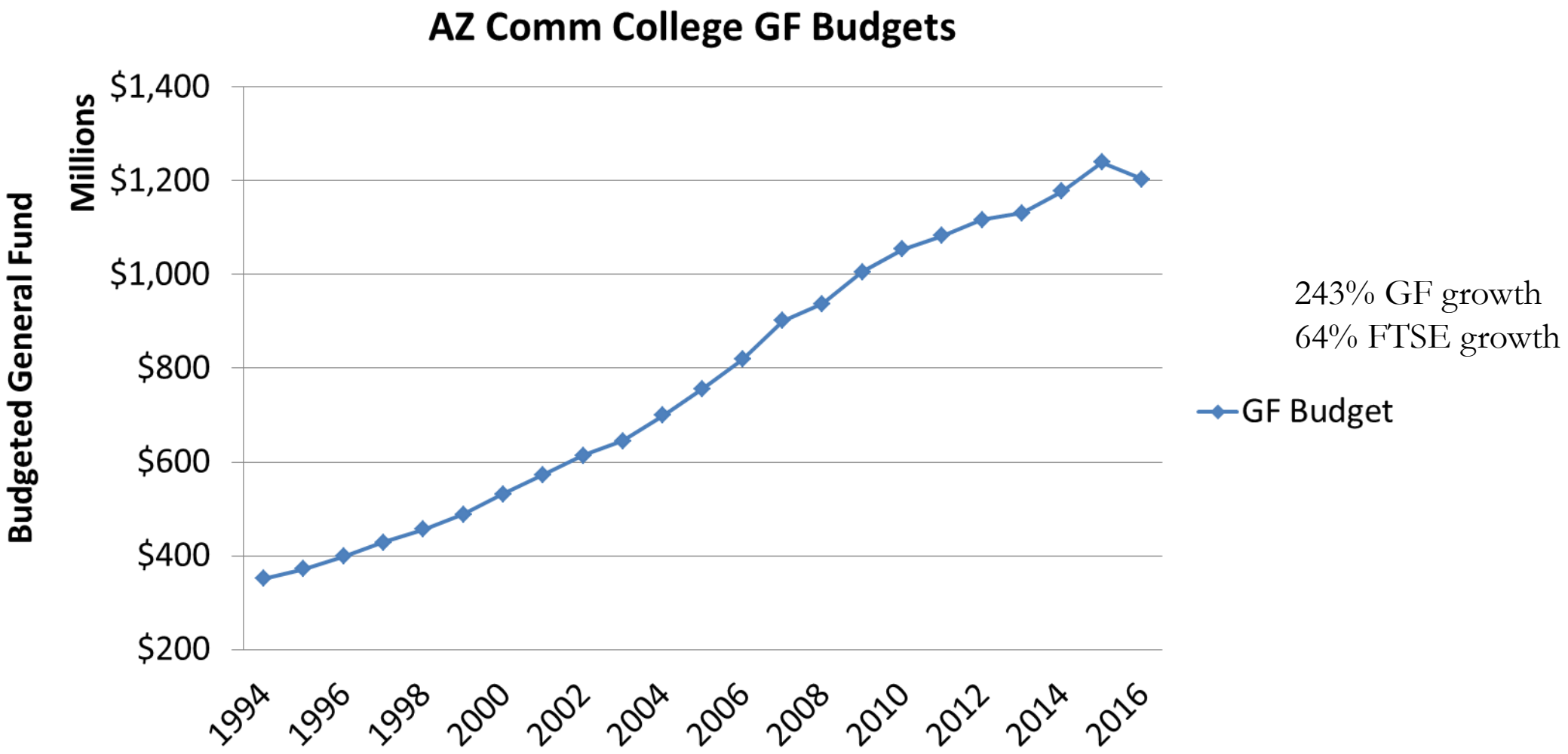
** FTSE counts are provided by Community College Business Officials.

Expenditure Limits

- Historically: Expenditure limits represented ~85% of total GF budgets
- FY2016: 71%

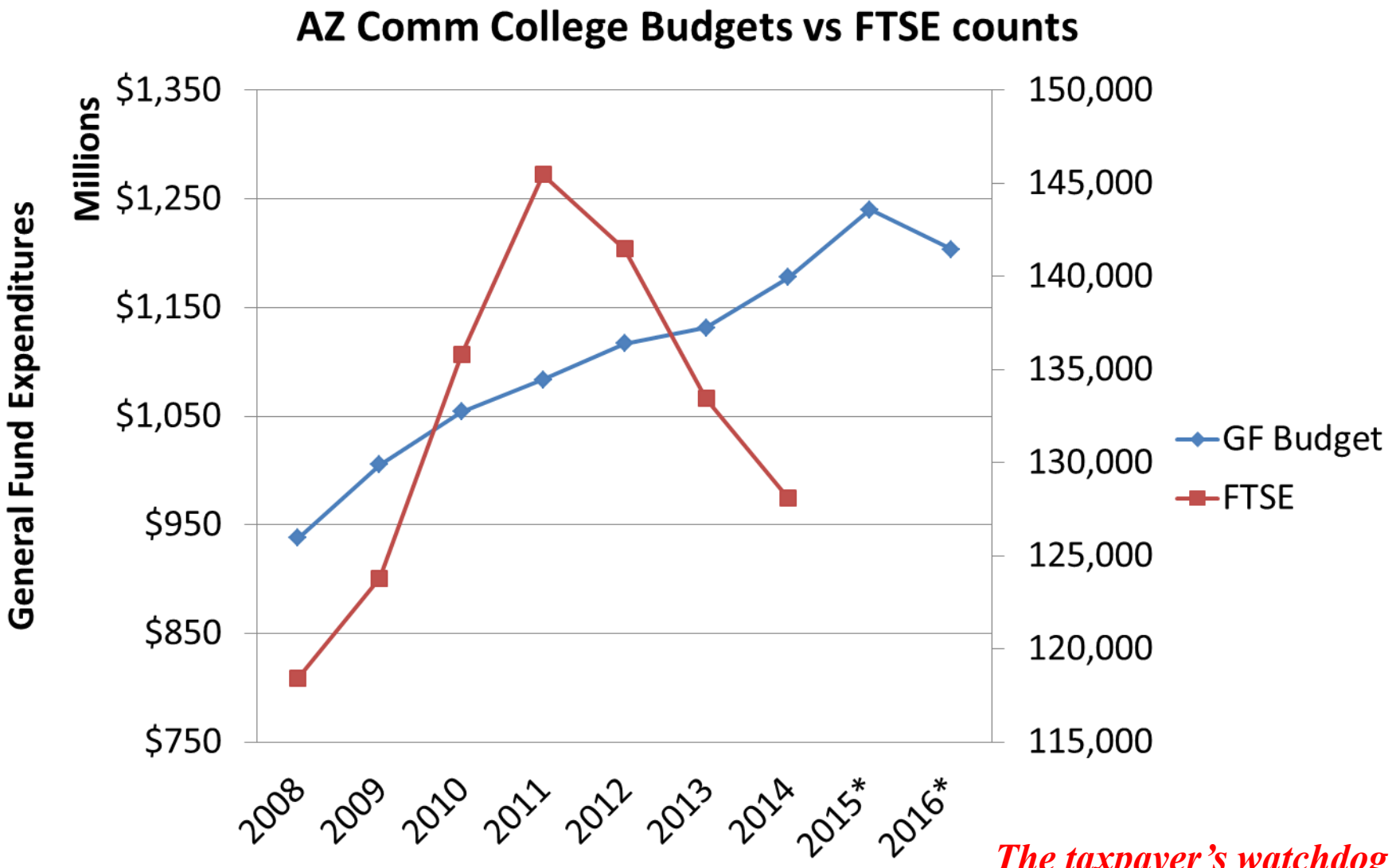
FY 2016 General Fund Expenditures			Budgeted GF		EL % of
CCD	**Expenditure Limit**	**% Change**	**Expenditures**	**% Change**	**GF budget**
Cochise	$50,816,985	-18.7%	$40,266,315	-0.6%	126%
Coconino	$14,811,935	-0.5%	$18,460,827	3.4%	80%
Gila	$5,580,076	-3.4%	$7,115,533	11.3%	78%
Graham	$32,725,875	1.9%	$41,455,336	2.6%	79%
Maricopa	$451,524,053	-6.7%	$731,059,890	-5.6%	62%
Mohave	$27,785,046	-1.5%	$32,065,033	0.1%	87%
Navajo	$13,327,460	-0.6%	$26,077,253	1.0%	51%
Pima	$114,444,168	1.9%	$169,378,000	-0.5%	68%
Pinal	$46,455,464	-2.7%	$48,200,000	2.6%	96%
Santa Cruz	$2,015,027	1.9%	$1,797,239	18.3%	112%
Yavapai	$42,312,883	-0.5%	$44,110,000	4.9%	96%
Yuma/La Paz	$52,266,576	0.7%	$42,562,579	4.6%	123%
Total	**$854,065,548**	**-4.8%**	**$1,202,548,005**	**-3.0%**	**71%**

20 Year Total GF Budget Growth

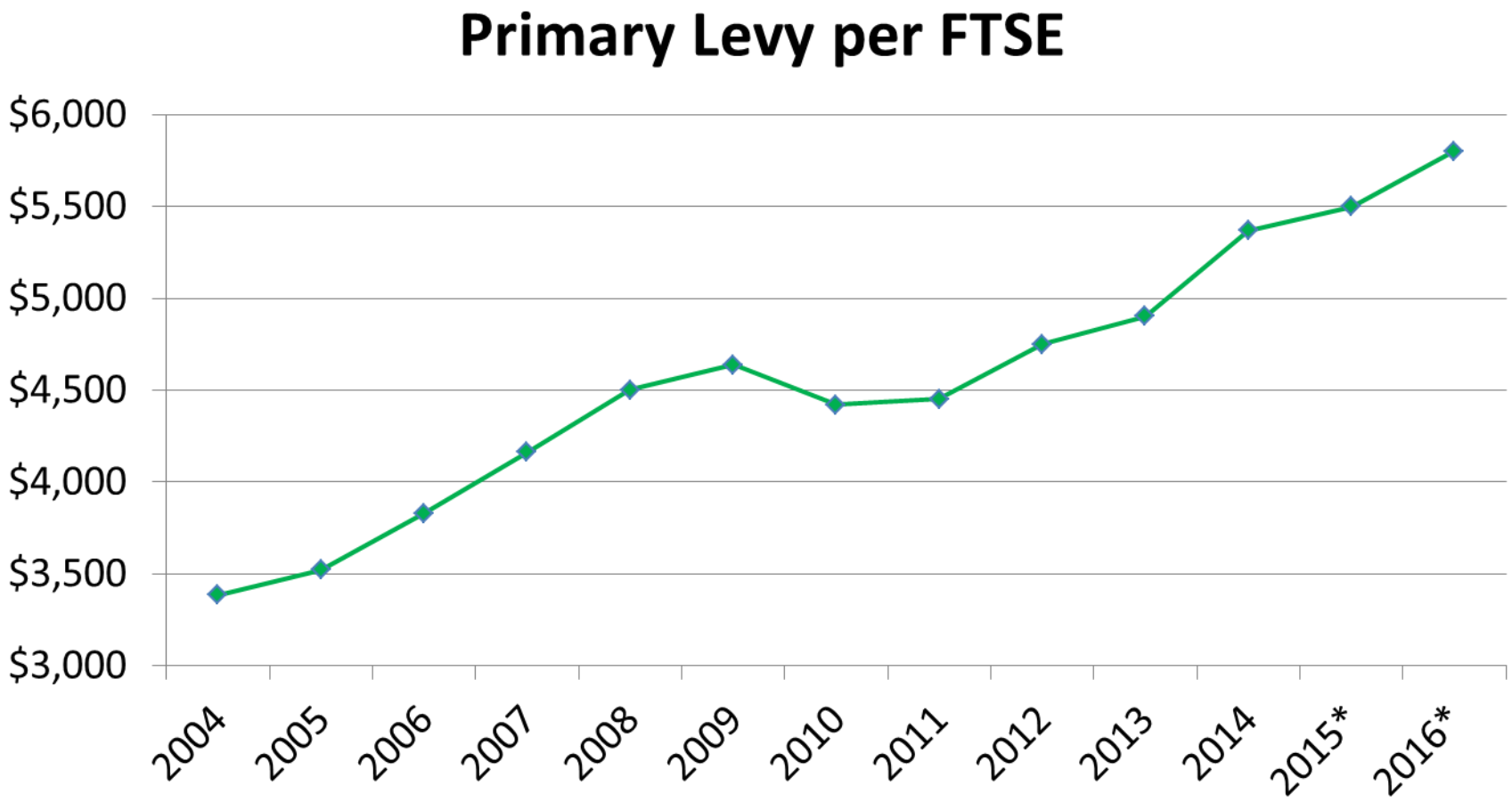


243% GF growth
64% FTSE growth

GF Budgets over Students



Local Property Tax Levies per FTSE



Taxpayer Weight of Effort

FY 2016 Taxpayer Weight of Effort per FTSE

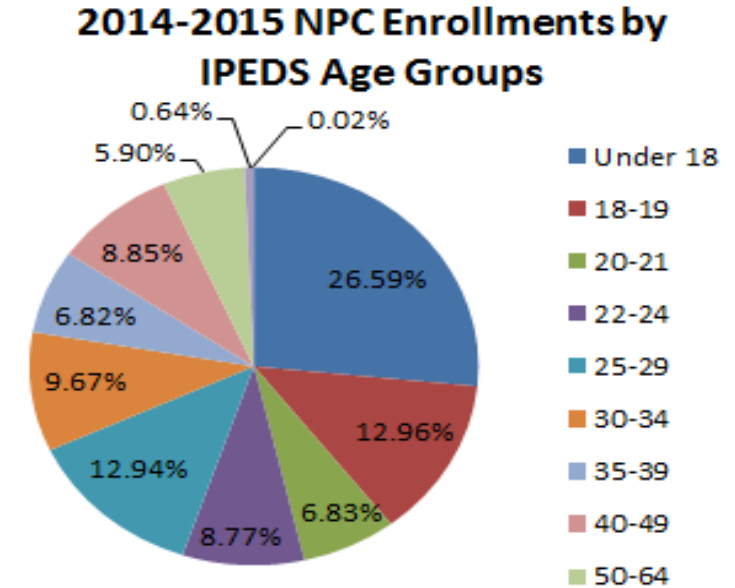
	Primary Levy	State Aid	Taxpayer Contr	FTSE	$$/FTSE
Cochise	$20,028,212	$10,688,800	$30,717,012	6,300	$4,876
Coconino	$7,478,002	$2,194,400	$9,672,402	2,091	$4,626
Gila	$4,111,994	$529,000	$4,640,994	900	$5,157
Graham	$5,887,078	$17,283,900	$23,170,978	3,350	$6,917
Maricopa	$437,227,709	$0	$437,227,709	81,000	$5,398
Mohave	$21,792,188	$2,101,700	$23,893,888	3,150	$7,585
Navajo	$14,509,355	$7,762,000	$22,271,355	1,950	$11,421
Pima	$104,315,120	$0	$104,315,120	18,000	$5,795
Pinal	$47,323,593	$2,000,000	$49,323,593	5,250	$9,395
Santa Cruz	$1,483,708	110,400	$1,594,108	270	$5,904
Yavapai	$42,667,700	$1,696,000	$44,363,700	4,000	$11,091
Yuma/La Paz	$28,623,364	$3,569,800	$32,193,164	5,700	$5,648
Total	**$735,448,023**	**$47,936,000**	**$783,384,023**	**131,961**	**$ 5,936**

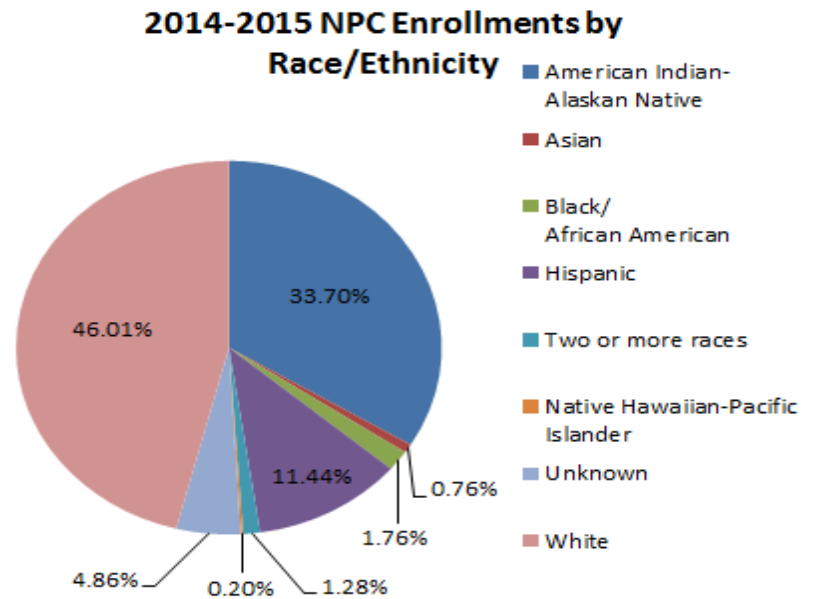
Constitutionality

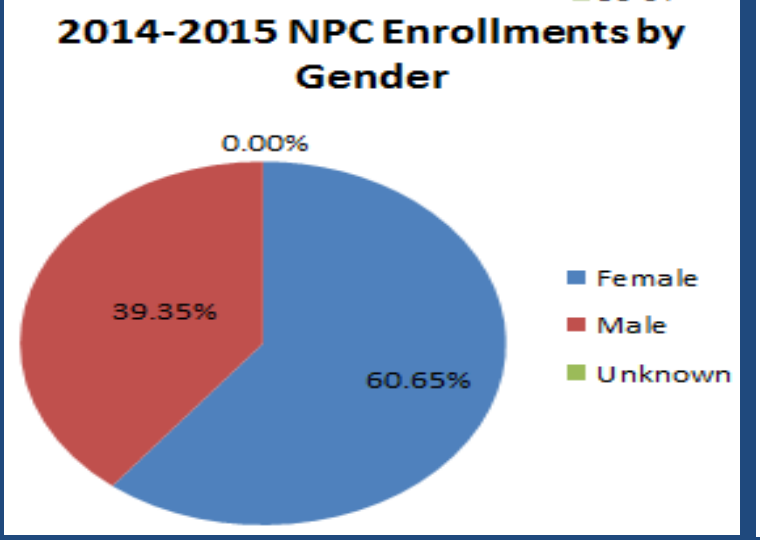
- What the Constitution contemplates:
  - Direct relationship between spending and students
  - Local voters may provide relief from Expenditure Limits
- Exemptions and EL formula are not statutory
- EL violations are statutory; enforced via state aid

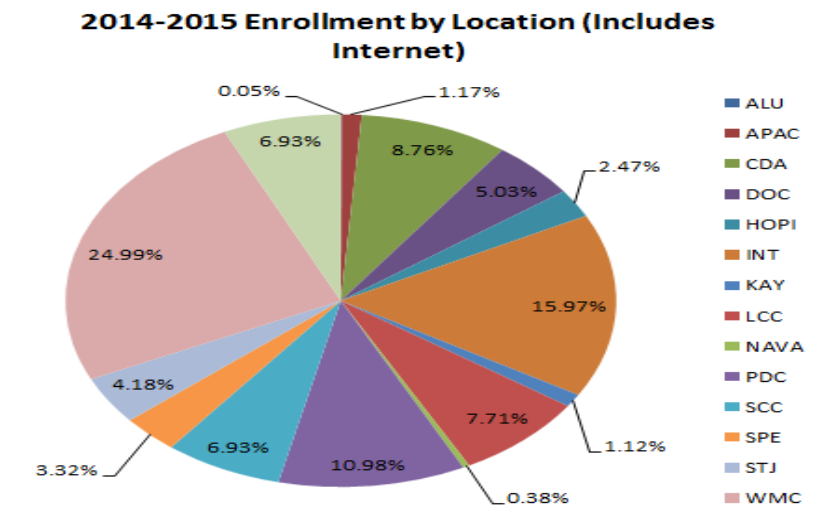
Questions?

Northland Pioneer College Service Area









Northland Pioneer College

Student Demographics

Maricopa Community Colleges

Presentation to the Study Committee on Community College Finance and Expenditure Limits

September 9, 2015

ONE Maricopa: 10 Colleges…One World-Class System

MARICOPA COMMUNITY COLLEGES®

MISSION

Open access, meeting the lifelong learning needs of our diverse students and communities

In FY 2013–14, we served

213,000 credit students

27,000 non-credit / special interest students

through our **994** degree and certificate programs

=

resulting in **26,800** degrees and certificates awarded

Over the course of three years

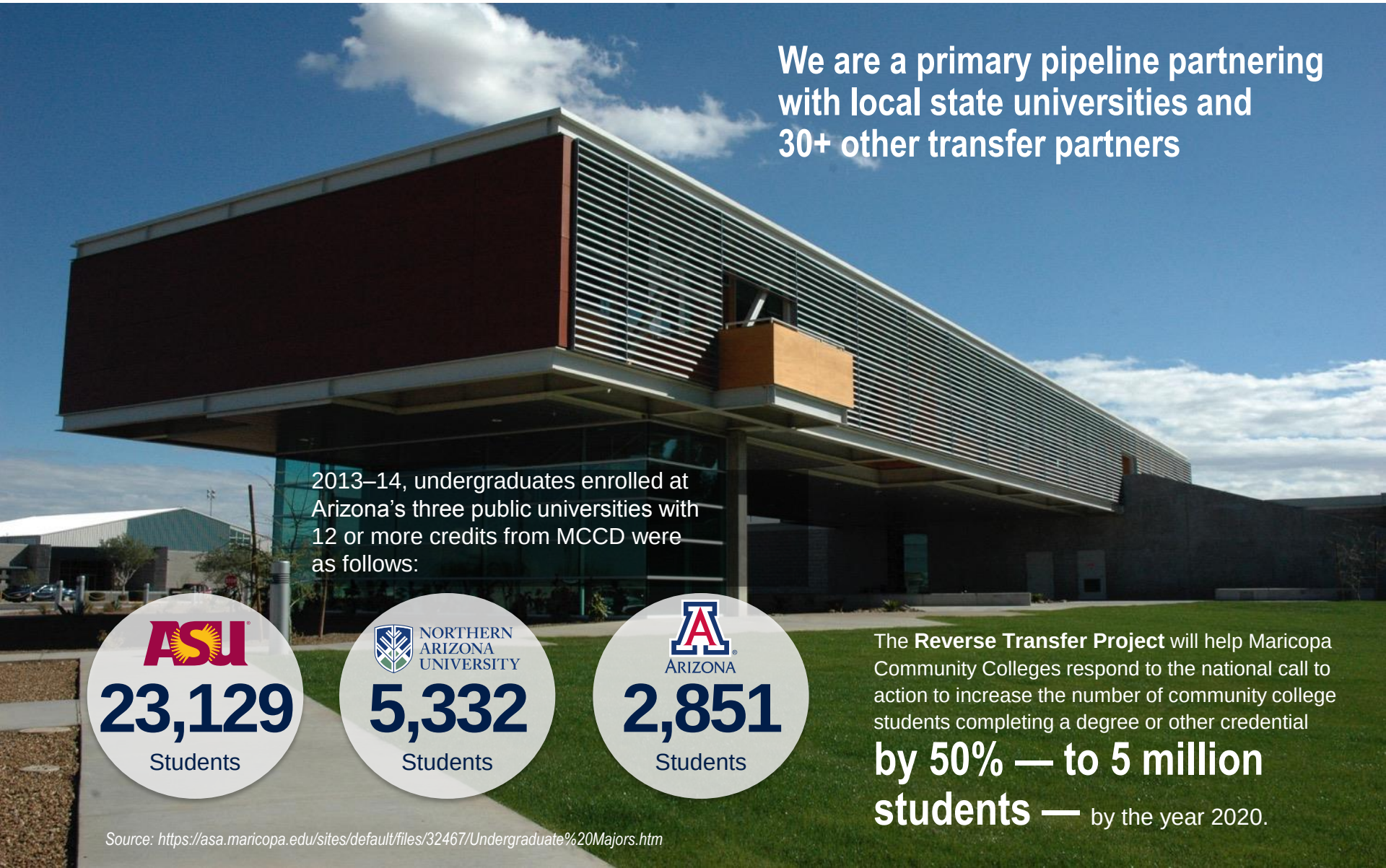
60,000

students will take courses at more than one college in our district.

We can leverage scale and scope of diverse program offerings across the district via an integrated system.

Everywhere you are!

Helping Students Advance Toward Educational Goals…whatever they may be



We are a primary pipeline partnering with local state universities and 30+ other transfer partners

2013–14, undergraduates enrolled at Arizona's three public universities with 12 or more credits from MCCD were as follows:

ASU
23,129
Students

NORTHERN ARIZONA UNIVERSITY
5,332
Students

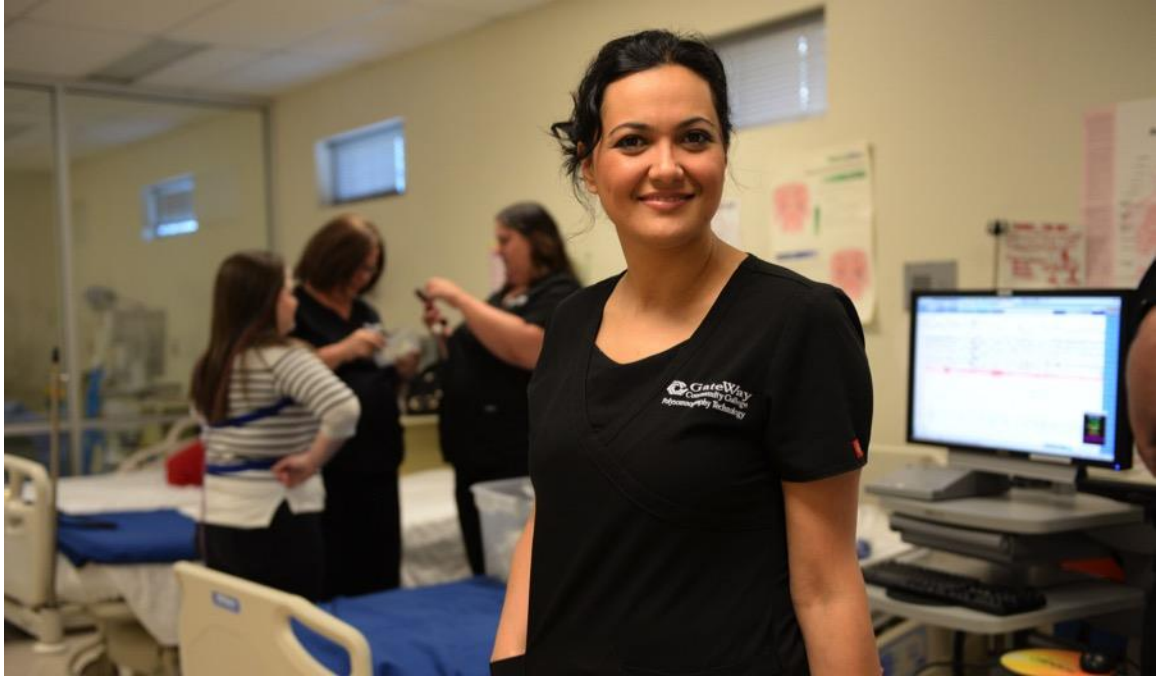
ARIZONA
2,851
Students

The **Reverse Transfer Project** will help Maricopa Community Colleges respond to the national call to action to increase the number of community college students completing a degree or other credential **by 50% — to 5 million students —** by the year 2020.

Source: https://asa.maricopa.edu/sites/default/files/32467/Undergraduate%20Majors.htm

#1 in Arizona workforce training for

- Computer systems networking
- RN nurses and nurse assistants
- Emergency medical technicians
- Nuclear medical technologists
- Fire science
- Criminal justice / police



Source: Integrated Postsecondary Education Data System, 2013

Professional Education / Corporate Training Programs

MARICOPA CORPORATE COLLEGE

- Harnesses system-wide training capacity through one centralized entity
- Customized corporate training
- Offers strategic consulting, needs assessment

MCOR has provided training for:

amazon

NISSAN

Ford

Marriott HOTELS · RESORTS · SUITES

Walgreens

Maricopa is an Economic Engine

State-wide Economic Impact of $7.3 billion approximately equal to 3.8% of the Gross Regional Product (GRP)

Student ROI

In return for the monies invested in college, MCCCD students will receive a present value of $6 billion in increased earnings over their working lives.

Social ROI

Arizona society will receive a present value of $25.7 billion in added state income over the course of students' working lives, and $337.9 billion in present value social savings related to reduced crime, lower unemployment, and increased health and well-being.

Taxpayer ROI

In FY2013-14, state and local taxpayers in Arizona paid $499 million to support MCCCD operations. This translates into $1.9 billion in added tax revenue from students' higher lifetime incomes and increased output of businesses, and $111.9 million in reduced demand for government-funded services in the state, or $4.00 in benefits for every $1.00 spent.

Sources:
Economic Modeling Specialists International (EMSI), Fiscal Year 2013-14
https://asa.maricopa.edu/sites/default/files/MCCD_FactSheet_1314_F

Assisting Small Businesses

AMERICA'S SBDC ARIZONA

As part of America's Small Business Network, we assist small businesses succeed. On average, every AZSBDC $1 helped Arizona small business clients to increase his/her sales by **$17**

Expenditure Limitation

NEEDED NOW: FY2015-16

- Need a fix for the Expenditure Limitation as we serve students now
- The formula is dated and does not reflect current financial and operational requirements

NEEDED FOR THE FUTURE:

- Need change to allow for entrepreneurial opportunities for the future
- Need flexibility to bring in new entrepreneurial revenues (non-tax) to resource service needs

Why a fix NOW in the Expenditure Limitation?

Each of the 3-pieces of the formula are dated and/or troubled

- 1979/80 Base Year: Spending from a different era
- FTSE: Artificial construct; Maricopa serves nearly 3 times as many students as FTSE; was only 2 times in 79/80
- Inflation: GDP is one of the lowest

In sum, the pieces reflect very different operation and spending needs than 35 years ago

MARICOPA COMMUNITY COLLEGES®

A Community of Colleges

Colleges for the Community

Why a fix for the FUTURE in the Expenditure Limitation?

Entrepreneurial revenues are NOT excludable even though they are not tax dollars

Maricopa has the ability to scale its services/operations to bring in entrepreneurial revenues and use some earnings to reinvest in our own services to students

Because of the flaws in the current formula versus the needs of the system, we are constrained in entering into partnerships to bring in entrepreneurial resources—to incur these expenses and to have funds for our own operations

Examples of partnerships we are constrained to pursue

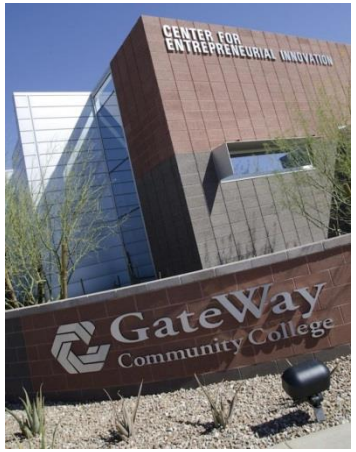
RioLearn

Licensing and royalties from using RioLearns for enrollment services partnerships with out-of-state colleges, in partnership with a private investor

MARICOPA CORPORATE COLLEGE

Custom Workforce Solutions

Management services provided by Maricopa Corporate College for different business functions of out-of-state public or private institutions whether here or out-of-state



CEI CENTER FOR ENTREPRENEURIAL INNOVATION

Investment in private companies served by the Center for Entrepreneurial Innovation (this is a related Constitutional Issue)

Summary

We appreciate the opportunity to share our information about the Maricopa Community Colleges and some experiences with the Expenditure Limitation.

Thank you for the opportunity to consider options around the Expenditure Limitation.

Questions

Chandler-Gilbert | Estrella Mountain | GateWay | Glendale | Maricopa Corporate College | Mesa | Paradise Valley | Phoenix | Rio Salado | Scottsdale | South Mountain

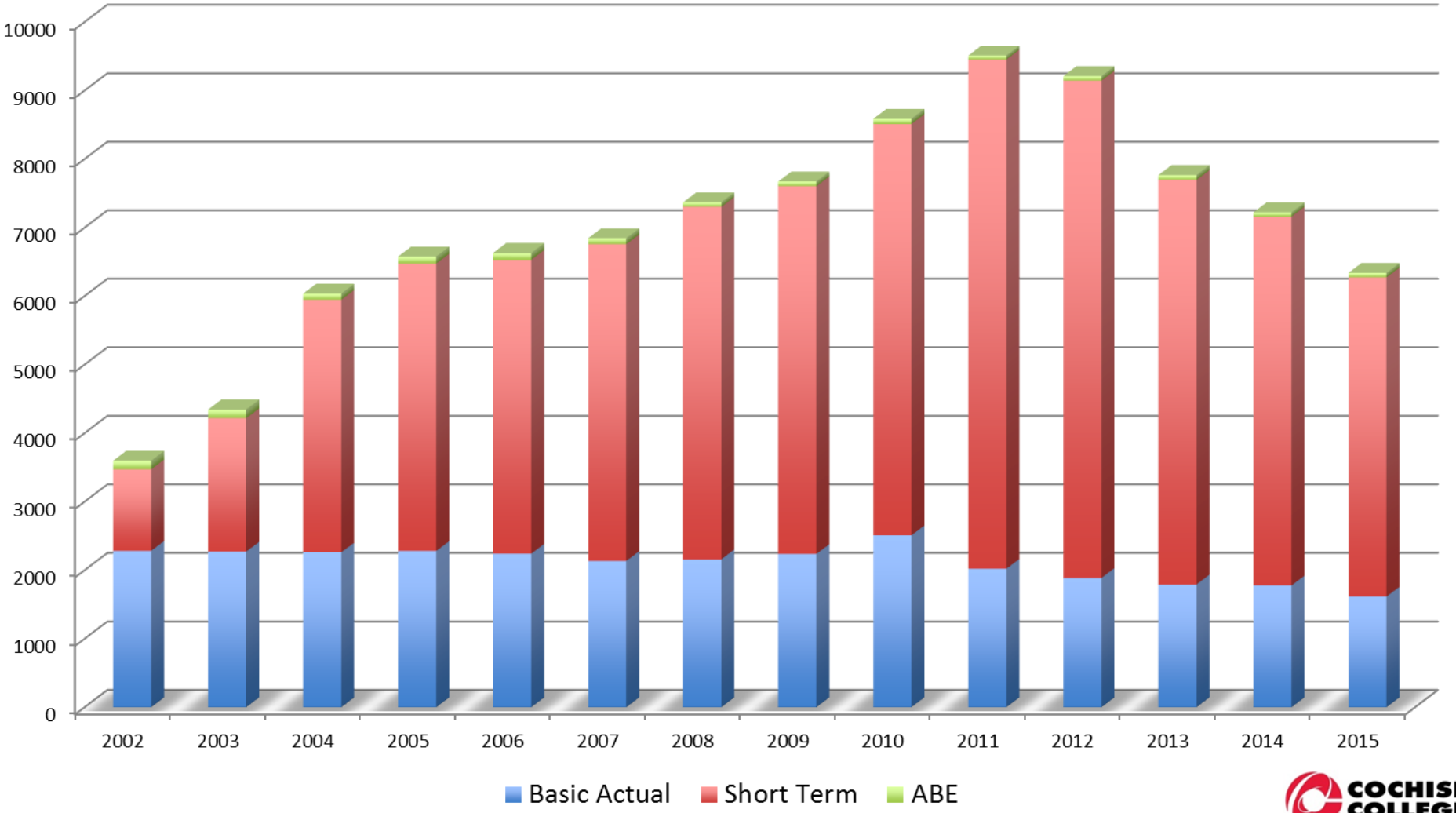
Cochise College and Expenditure Limitation

J.D. Rottweiler, Ph.D.

September 9, 2015

COCHISE COLLEGE

FTSE Breakdown by type for Cochise College 2002-2015



1980 vs. 2015

1980	2015
• Pre-dial up (no internet) • Typing Laboratories (IBM Selectric) • Paper Filing and microfiche • Mimeograph copies • Fulltime, Traditional Students • College and University Transfer	• Wi-Fi connection across campus • Computer on every desk • Management Information Systems • Shared Drives and Cloud printing • Part-time, Non-traditional Students • Comprehensive Community College --Career Tech and Transfer --Workforce Training --Corporate Training --Public/Private Partnerships • Life-long Learning --2nd and 3rd Degree Earners • Technology, Technology, Technology!!

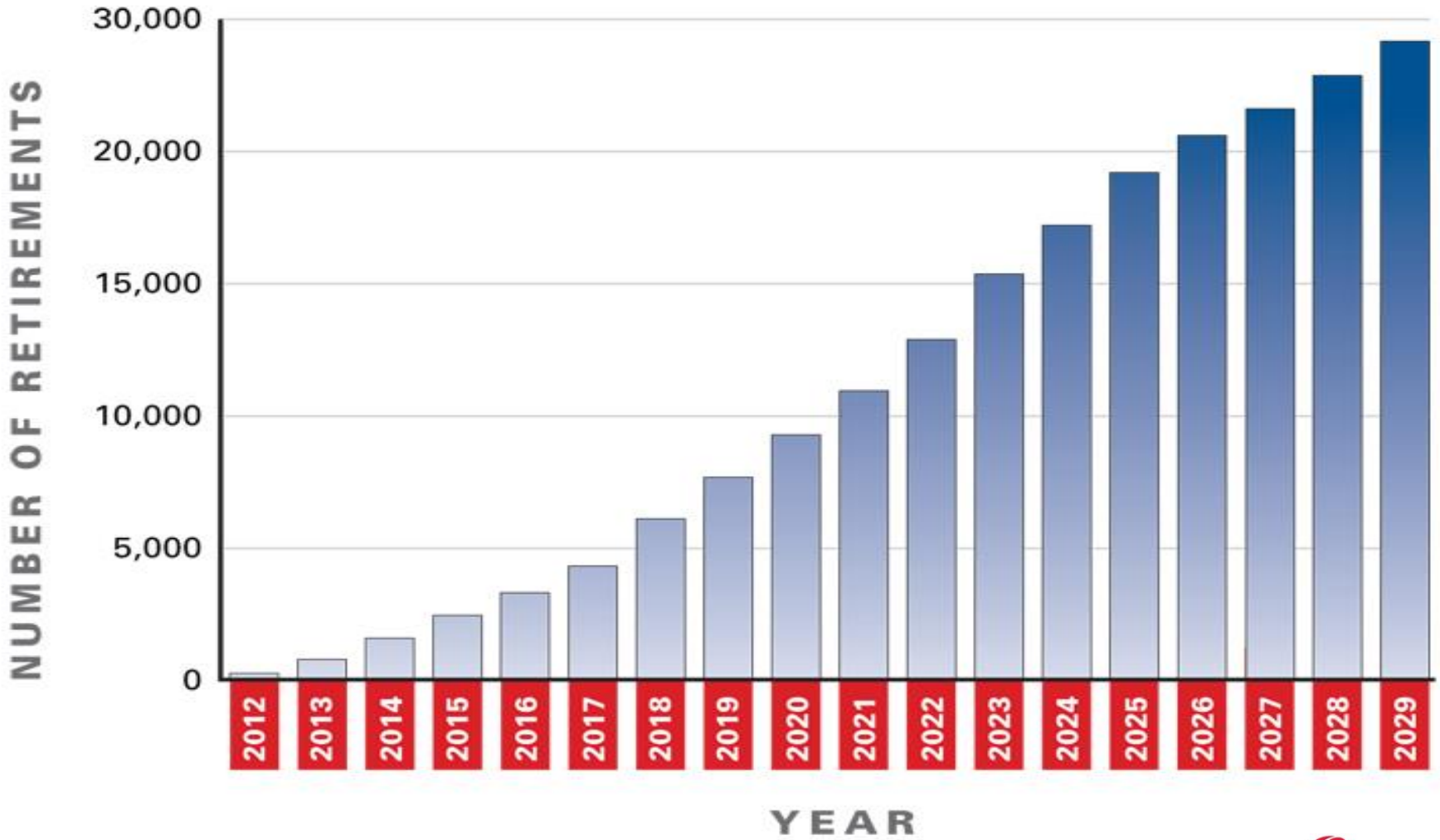
COCHISE COLLEGE

Strategic Anchors:

- Competitive Advantages
  - Academic Programming
    - Aviation
      - Professional Pilot
      - Avionics
      - UAV Technology (Operator and Mech/Tech)
    - Nursing and Allied Health
    - Computer Technology and Cyber Security
    - STEM Programming
    - Military Programming (MOS)
    - Border Studies, Issues, and Security

COCHISE COLLEGE

ATP Certified Pilot Retirements



COCHISE COLLEGE

Aviation:

- Professional Pilot Program (AAS and AGS)
  - Began in the mid 1960's
    - FAA Approved flight school (14CFR Part 141 and Part 61)
      - Private Pilot Airplane Single Engine Land
      - Commercial Pilot Airplane Single Engine Land
      - Instrument Rating- Airplane
      - Additional Aircraft Rating- Multi-engine Land
      - Certificate Flight Instructor- Airplane Single Engine
      - Certificate Flight Instructor- Instrument Airplane
      - Certificate Flight Instructor- Multi-engine
      - Airline Transport Pilot- Airplane Multi-engine Land
    - Training Assets
      - RedHawk (172), Cessna R 182s, Beechcraft Baron 55
      - 2 Red Bird Flight Simulators (AATD)
        - Full motion with Force Feedback Yoke
      - Red Bird Cross Wind Trainer
      - CRJ 700 Simulator

Competitive advantages:

- Facilities and Assets
  - Runway 5/23
    - 72’x5300’ with full length parallel taxi way
    - Full reconstruction (Summer 2012)
  - Fleet Parking
    - 10 covered spaces with lighting
    - Hanger
      - 2 FAA certified mechanics
    - West ramp for transit parking
  - Remodeled Teaching Spaces
  - Full Residential Facilities

1980 vs. 2015

COCHISE COLLEGE

Simulation to increase safety

COCHISE COLLEGE

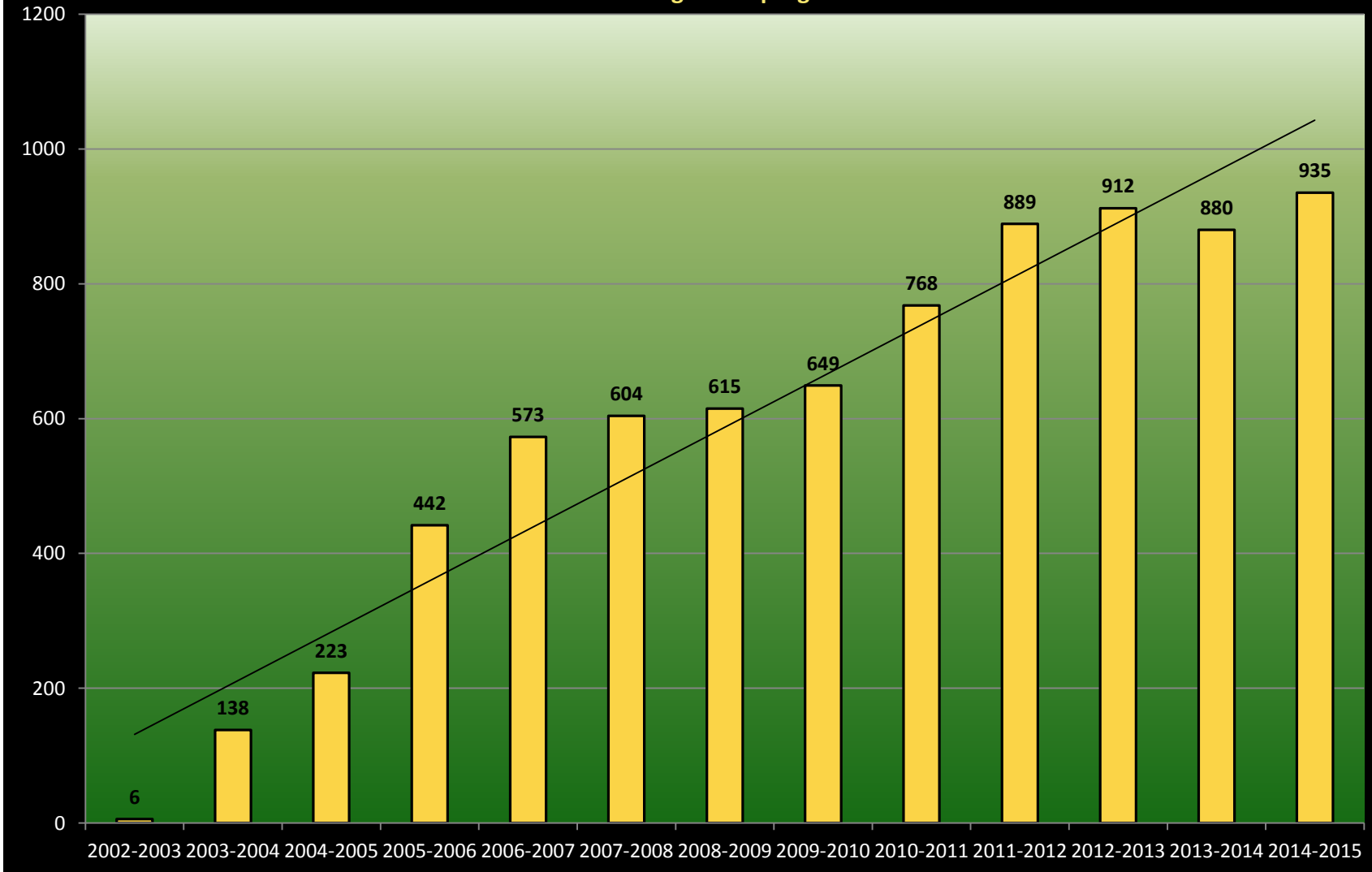
Competitive advantages:

- Strategic Partnerships
  - Fort Huachuca and Defense Contractors
    - MOS Training
      - Intelligence Operations
      - UAV Flight Operator
      - Unmanned Aircraft Systems Tech

COCHISE COLLEGE

Cochise College Military Occupational Specialty (MOS) Graduate Counts

Includes in-state and out-of-state IO, ELT, UAVT, and UAVO degree recipients who participated in Cochise College MOS programs



Competitive advantages:

- Strategic Partnership
  - Fort Huachuca
    - MOS Training
      - Intelligence Operations
      - UAV Flight Operator
      - Unmanned Aircraft Systems Tech
  - Northrop Grumman
    - 20 year relationship

COCHISE COLLEGE

Northrop grumman

- 20 year Relationship in UAVs
  - Training and Test Center (COA)
    - Hunter Platform
    - Sandstorm Platform
    - Maverick Platform
  - Innovation Campus
    - Northrop Grumman, Buena High School, Cochise College, and the University of Arizona (South and Main)

Competitive advantages:

- Strategic Partnership
  - Fort Huachuca
    - MOS Training
  - Northrop Grumman
    - 20 year relationship
  - US Customs and Border Patrol
  - University of Arizona, Arizona State University, Northern Arizona University, Embry Riddle Aeronautical University, Maricopa Community Colleges, and others
    - Arizona Research Consortium for Unmanned Aircraft Systems and Autonomous Flight Center of Excellence

COCHISE COLLEGE

Cost per FTSE by Program Cluster 2011-2015*

- University Transfer (Lecture) $ 2,956.10
- University Transfer (Lab) $ 5,468.87
- Career/Tech $ 6,482.71
- Nursing/Allied Health $ 9,298.87
- Aviation $ 51,846.91

*Direct instructional costs only. Does not include student services, administrative services or facility costs.

COCHISE COLLEGE

REVISED **REVISED** **REVISED**

Interim agendas can be obtained via the Internet at http://www.azleg.state.az.us/InterimCommittees.asp

ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE
OPEN TO THE PUBLIC

STUDY COMMITTEE ON COMMUNITY COLLEGE FINANCE AND EXPENDITURE LIMITS

Date: **Wednesday, September 30, 2015**

Time: **10:00 A.M.**

Place: **SHR 109**

AGENDA

1. Call to Order
2. Roll Call
3. Approval of Minutes
4. Pima Community College District Expenditure Limit Presentation
5. Maricopa Community College District Enterprise Revenues and Contracts Presentation
6. Presentation and Discussion on Potential Recommendation Options
7. Public Testimony
8. Discussion by Committee Members
9. Adjourn

Members:

Senator Sylvia Allen, Co-Chair
Senator Carlyle Begay
Senator John Kavanagh
Debra Davenport
Harald Harrington
Lee Lambert
Sean McCarthy
Brent McEuen

Representative Bob Thorpe, Co-Chair
Representative Randall Friese
Representative Justin Olson
J.D. Rottweiler
Heidi Schaefer
Dr. Jeanne Swarthout
Vice Chancellor Debra Thompson

~~9/24/15~~
9/29/15
~~sa~~
sh

For questions regarding this agenda, please contact Senate Research Department. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, by contacting the Senate Secretary's Office: (602) 926-4231 (voice). Requests should be made as early as possible to allow time to arrange the accommodation.

Resume letter

ARIZONA STATE LEGISLATURE

STUDY COMMITTEE ON COMMUNITY COLLEGE FINANCE AND EXPENDITURE LIMITS

Minutes of the Meeting
Wednesday, September 30, 2015
10:00 a.m., Senate Hearing Room 109

Members Present:
Senator Sylvia Allen, Co-Chair
Senator Carlyle Begay
Senator John Kavanagh
Michael Stelpstra, Auditor General's designee
Harald Harrington
Chancellor Lee Lambert
Sean McCarthy
Representative Randall Friese
Representative Justin Olson
Brent McEuen
J.D. Rottweiler
Heidi Schaefer
Dr. Jeanne Swarthout
Vice Chancellor Debra Thompson

Members Absent:
Representative Bob Thorpe, Co-Chair

Staff:
Matthew Simon, Senate Research Analyst
Aaron Wonders, House Research Analyst

Co-Chairman Allen called the meeting to order at 10:03 a.m. and attendance was taken.

APPROVAL OF MINUTES

Senator Allen stated that without objection, the minutes of August 18, 2015 and September 9, 2015 were approved as distributed.

Pima Community College District Expenditure Limit Presentation

Chancellor Lee Lambert, Pima Community College District, distributed a handout entitled "Study Committee on Community College Finance and Expenditure Limits" (Attachment A) and gave a PowerPoint presentation. Chancellor Lambert introduced Maricela Solis de Kester, Director, Operations and Government Relations, World View Enterprises. Chancellor Lambert answered questions posed by the Committee.

David Bea, Executive Vice-Chancellor, Finance and Administration, Pima Community College, answered questions posed by the Committee.

Chancellor Lambert answered additional questions posed by the Committee.

Maricela Solis de Kester, Director, Operations and Government Relations, World View Enterprises, distributed a handout entitled "World View" (Attachment B). Ms. Solis de Kester gave an overview of World View Enterprises. Ms. Solis de Kester testified in support of Pima Community College and answered questions posed by the Committee.

Maricopa Community College District Enterprise Revenues and Contracts Presentation

Dr. Eugene Giovannini, President, Maricopa Corporate College, Maricopa Community College District, distributed a handout entitled "Maricopa Community Colleges" (Attachment C) and gave a PowerPoint presentation. Dr. Giovannini answered questions posed by the Committee.

Presentation and Discussion on Potential Recommendation Options

Kristen Boilini, Arizona Community College Coordinating Council, distributed a handout entitled "Potential Recommendations for the Community College Finance and Expenditure Limit Study Committee" (Attachment D) and gave a PowerPoint presentation. Ms. Boilini answered questions posed by the Committee.

Michael Racy, Northland Pioneer College, answered questions posed by the Committee.

Discussion by Committee Members

The Committee discussed how to move forward.

There being no further business, the meeting was adjourned at 12:08 p.m.

Respectfully submitted,

Toy Brown

Toy Brown
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at http://www.azleg.gov)

Study Committee on Community College Finance & Expenditure Limits

Lee D. Lambert, J.D.
Chancellor

September 30, 2015

PimaCountyCommunityCollegeDistrict

Mission

Pima Community College provides affordable access to educational opportunities that support student success and meet the diverse needs of our students and community.

- ✓ **6 campuses**
- ✓ **52,197 student headcount, 2014**
- ✓ **4,000 full & PT employees, 2015**
- ✓ **3,700 degrees & certificates awarded, 2015**
- ✓ **Service area larger than New Jersey**

We are *stewards* of *taxpayer* dollars.

Our Guiding principles:

- ✓ *Transparency*
- ✓ *Accountability*
- ✓ *Stewardship*
- ✓ *Free Market*

The EL Formula is a *barrier* to free market success.

$$\text{FY 1979/80 Base Limit} \times \frac{\text{2015/16 Enrollment (FTSE) (Estimate)}}{\text{1979/80 FTSE}} \times \frac{\text{GDP Implicit Price Deflator 2014}}{\text{GDP Implicit Price Deflator 1978}} = \text{Final FY 2015/16 Expenditure Limit}$$

- ✓ FTSE ***estimated*,** not actual
- ✓ Places artificial importance on a single fiscal year: 1980
- ✓ 35 years of ***compounding*** creates ***enormous*** issues now
- ✓ Inflationary index has had a ***great*** impact on Expenditure Limits now
- ✓ Formula is ***not Accountable***, ***not Transparent***, ***not Responsive***
- ✓ ***Prevents*** 21st Century Successes

Aviation Technology

We <u>can</u> build buildings.
We <u>can't</u> build…
high-demand, high-wage, high-tech programs.

PimaCountyCommunityCollegeDistrict

Solutions

- Use better measurement of student count
- Eliminate punishment for historical fiscal prudence
- Change inflation measure
- Encourage high-cost / high-demand / high-*wage* programs

WORLD VIEW®

World View Enterprises, Inc.
1840 E. Valencia Rd., Building 8, STE 123
Tucson, AZ 85706
www.worldviewexperience.com

Maricopa Community Colleges

Presentation to the Study Committee on Community College Finance and Expenditure Limits

September 30, 2015

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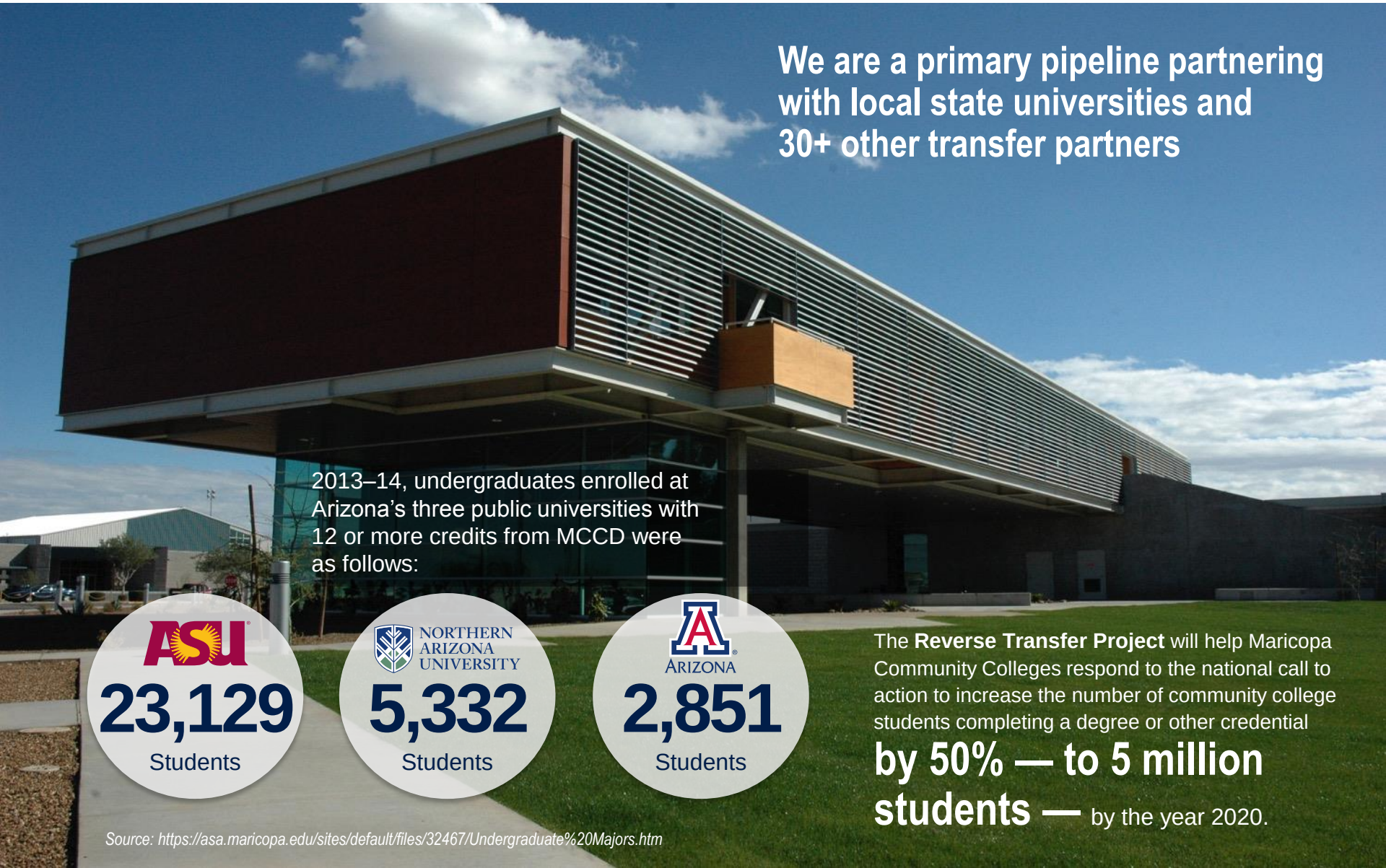

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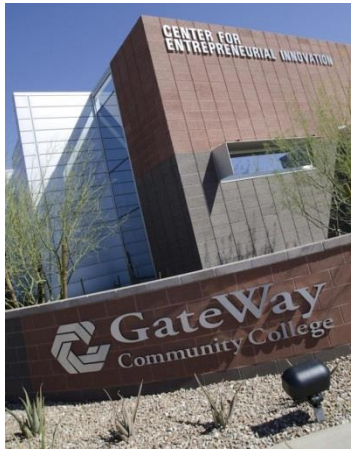

CEI CENTER FOR ENTREPRENEURIAL INNOVATION

Investment in private companies served by the Center for Entrepreneurial Innovation (this is a related Constitutional Issue)

Custom Workforce Solutions

MCOR addresses the needs of the local workforce and provides market-relevant, customized training solutions and educational programs for employers at every stage of growth.

THREE DIVISIONS

1 Business Solutions

2 Personal Professional Education

3 Entrepreneurial Initiatives

RESULTS / IMPACT

Business Solutions

ON-SITE CLASSROOMS

amazon | career choice

MCOR celebrated the official opening of Amazon's new onsite classroom where MCOR partners with Amazon for the Career Choice Program.

CCN

City of Phoenix · Maricopa County · goodwill

The Community Collaborative Network (CCN) was formed to address crucial staffing needs of the community.

CUSTOM PROGRAMS

WEB DEVELOPER BOOT CAMP

EMPLOYER + WIB = PARTICIPANT

Unique programs such as the Web Developer Boot Camp were developed and launched to meet the demand for skilled professionals.

↑550%

Average contract size increased by 550% due to expanded depth and scope of services offered within client companies.

RESULTS / IMPACT

Personal Professional Education

60

STUDENTS PER MONTH

An estimated 60 prospective students per month are referred to sister colleges for credit programs.

CHOICES

COHS

CAREER ONLINE HIGH SCHOOL

MCOR offers a Career Online High School (COHS) option to serve disconnected youth and those who did not receive a high school diploma.

WIOA

↑400%

APPROVED PROGRAMS

80 programs are now approved for WIOA funding - a 400% increase from the previous year.

500+

ONLINE & IN-PERSON

More than 500 online and in-person programs offered for employees and individuals in a diverse array of industries.

RESULTS / IMPACT

Entrepreneurial Innovation

CEI CENTER FOR ENTREPRENEURIAL INNOVATION
A DIVISION OF THE MARICOPA CORPORATE COLLEGE

JOB CREATION

145

CEI CLIENTS HAVE CREATED 145 JOBS AT AN AVERAGE SALARY OF $56,000

INVESTMENT

$11 MILLION

CEI CLIENTS HAVE RAISED MORE THAN $11 MILLION IN CAPITAL INVESTMENT AND GRANT FUNDING / AWARDS

CLIENT REVENUES

$29 MILLION

CEI CLIENTS HAVE GENERATED MORE THAN $29 MILLION IN TOTAL GROSS REVENUE

BUSINESS DEVELOPMENT

1100 HOURS

CEI CLIENTS HAVE RECEIVED OVER 1100 HOURS OF DIRECT ONE-ON-ONE BUSINESS COUNSELING & MENTORSHIP

Summary

We appreciate the opportunity to share our information about the Maricopa Community Colleges and some experiences with the Expenditure Limitation.

Thank you.

Questions

Chandler-Gilbert | Estrella Mountain | GateWay | Glendale | Maricopa Corporate College | Mesa | Paradise Valley | Phoenix | Rio Salado | Scottsdale | South Mountain

Potential Recommendations for the Community College Finance & Expenditure Limit Study Committee

ARIZONA COMMUNITY COLLEGE COORDINATING COUNCIL

Definition of FTSE for Expenditure Limitation Purposes

Possible options for reducing the disincentive for colleges to focus on relatively high-cost low student count technical workforce programs include the following:

- Add weights for Vocational/Technical FTSE
- Add weights for STEM FTSE
- Redefine FTSE from 30 Student Credit Hours (SCR) to some lower number that reflects the high cost/lower student counts in vocational/technical programs

Change the Inflation Index Used for EL Calculation

Currently the index uses Gross Domestic Product (GDP) implicit price deflator, which is not a good indicator of inflationary costs faced by community colleges. The colleges have experienced erosion in the expenditure limitation over the past 35 years. The community colleges are currently analyzing the impacts of the following indices:

- Consumer Price Index (CPI)—measures buying power of a general market basket of goods that a general consumer might purchase

- Higher Education Price Index (HEPI)—measures buying power of a market basket of goods that a higher education institution might purchase.

Enterprise Model/Entrepreneurial Community Colleges

The challenge to community colleges' ability to create new revenue and develop new revenue sources is, in part, the EL. Currently, new revenues generated through multiple opportunities available to the colleges would come in under the EL.

- The colleges are currently working on an enterprise package to bring to the legislature. As this plan develops, the colleges will provide potential recommendations to the committee to address this issue