
ARIZONA STATE LEGISLATURE

TO: Governor Fife Symington
Representative Mark Killian, Speaker of the House of Representatives
Senator John Greene, President of the Senate

FROM: Representative Dan Schottel
Senator Larry Chesley

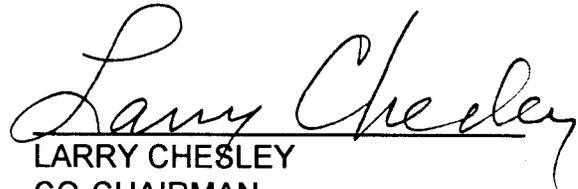
DATE: December 1, 1995

RE: FINAL REPORT - JOINT LEGISLATIVE STUDY COMMITTEE ON
COMMUNITY COLLEGES

Attached is the above report for your consideration pursuant to Laws 1994, Chapter 351.



DAN SCHOTTEL
CO-CHAIRMAN



LARRY CHESLEY
CO-CHAIRMAN

HOUSE OF REPRESENTATIVES
RESEARCH STAFF LIBRARY

**JOINT LEGISLATIVE STUDY COMMITTEE
ON COMMUNITY COLLEGES**

**FINAL REPORT
DECEMBER 1, 1995**

COMMITTEE MEMBERS

Representative Dan Schottel
Co-chairman
Representative Paul Newman
Donald Campbell
Gherald L. Hoopes, Jr.
Dennis Miller

Senator Larry Chesley
Co-chairman
Senator Gus Arzberger
John Even
Art Lee
Lourdes Moreno-Jeong

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I. **FORMATION, MEMBERSHIP AND MANDATE OF THE COMMITTEE**

The joint legislative study committee on community colleges was established consisting of the following members:

1. One member of the public appointed by the governor.
2. One public member from a county which is not within a community college district and one member of the governing board of a community college or a designee from a county with a population greater than five hundred thousand persons according to the most recent United States decennial census appointed by the president of the senate.
3. Two members of the state board of directors for community colleges appointed by the state board of directors for community colleges.
4. One member of the board of supervisors in a county which is not within a community college district and one member of the governing board of a community college or a designee from a county with a population less than five hundred thousand persons according to the most recent United States decennial census appointed by the speaker of the house of representatives.
5. Two members of the senate appointed by the president of the senate who are not of the same political party.
6. Two members of the house of representatives appointed by the speaker of the house of representatives who are not of the same political party.

Members:

1. John Even _____ Member of the public appointed by the Governor
2. Dennis Miller _____ Public member from a county which is not within a community college district appointed by the President
3. Donald Campbell _____ Member of the governing board of a community college or a designee from a county with a population greater than 500,000 persons according to the most recent United States decennial census appointed by the President
4. see Attachment #4 _____ Member of the State Board of Directors for Community Colleges appointed by the State Board [apptd. 6/20/94]

5. Lourdes Moreno-Jeong Member of the State Board of Directors for Community Colleges appointed by the State Board [apptd. 6/20/94]
6. Art Lee Member of the board of supervisors in a county which is not within a community college district appointed by the Speaker [Apache County]
7. Gherald L. Hoopes, Jr. Member of the governing board of a community college board or a designee from a county with a population less than 500,000 persons according to the most recent United States decennial census appointed by the Speaker [Graham County]
8. (R) Chesley Senator, Co-chair
9. (D) Arzberger Senator
10. (R) Schottel Representative, Co-chair
11. (D) Newman Representative

The committee duties are as follows:

- ▶ Analyze community college district formations.
- ▶ Analyze population growth trends in rural communities.
- ▶ Analyze the needs for community college expansion and the barriers to such expansions.
- ▶ Assess the fiscal effect of expanding community colleges.
- ▶ Develop legislative recommendations based upon the study.

II. ACTIVITIES OF THE COMMITTEE

The committee met on January 5, 1995. Representative Ortega presented the committee with background information and outlined the issues facing the committee. Staff presented the committee with information on community college district formation and funding (Attachment #2). Material provided by staff included a chart that described the four counties that did not have a community college district and the statutory requirements for

expansion into those counties (Attachment #3). Committee discussion examined the formation of a community college district in Santa Cruz County and the impact of the North American Free Trade Act (NAFTA) on population growth and economic development in the area. Additional discussion considered the ongoing fiscal needs of having an independent community college district in Santa Cruz County.

Discussion of recommendations included enrichment of the Pima County Community College services to Santa Cruz County. The committee acknowledged the benefit of alternative methods of delivering education to those areas in need of community college services without establishing a physical campus. The methods of delivery could include education via satellite system, telecommunications and the use of existing public buildings for alternative campuses.

The chairmen sent a letter to the committee members which summarized the committee's activities. Additionally, the chairmen suggested that if there is no new business to be discussed, there would be no further meetings. Objections or reservations were to be conveyed to either co-chairman by October 20, 1995. As no objections were received, the committee did not meet again.

ARIZONA STATE LEGISLATURE

JOINT LEGISLATIVE STUDY COMMITTEE ON COMMUNITY COLLEGES

Minutes of the Meeting
Thursday, January 5, 1995
9:00 a.m., House Hearing Room 3

Members Present

Senator Gus Arzberger
Representative Paul Newman
Donald Campbell
Gherald L. Hoopes, Jr.
Gherald L. Hoopes, Sr.
Dennis Miller
Lourdes Moreno-Jeong
Senator Larry Chesley, Cochairman
Representative Dan Schottel, Cochairman

Members Absent

Art Lee
John Even

Staff

Martha Dorsey, Senate Research Analyst
Trisha Korwes, House Research Analyst
Keely Varvel, Research Analyst, Senate Minority Staff
Christina Arzaga-Williams, Research Analyst, House Minority Staff

Cochairman Schottel called the meeting to order at 9:10 a.m., introduced himself and Senator Chesley as Cochairmen of the Committee, announced that Representative Ruben Ortega was available to speak to the Committee, as well as Representative Sue Lynch, Chairman of the Select Committee on Community Colleges, and asked that all committee and staff members introduce themselves,

Committee Member Introductions

Senator Chesley identified himself as serving on the Appropriations Committee; Senator Arzberger as representing the District 8 counties of Cochise, Greenlee, Graham and Santa Cruz; Gherald L. Hoopes, Sr., of Graham County as a member of the state's Community College Board; Gherald Hoopes, Jr., as President of Eastern Arizona College; Dennis Miller, as County Manager for Santa Cruz County; Don Campbell as a member of the Maricopa Community College Governing Board; Ms. Lourdes Moreno-Jeong as representing Santa Cruz County on the State Board of Community Colleges; and Representative Newman as representing Cochise, Greenlee, Graham and Santa Cruz Counties.

Martha Dorsey identified herself as Senate Research Analyst for Education, Trisha Korwes as House Research Analyst for Education, Christina Arzaga-Williams as Research Analyst for the House Minority Staff, and Keely Varvel as Research Analyst for the Senate Minority Staff.

Background Information

Representative Ortega gave a background overview of the creation and purpose of the Joint Legislative Study Committee on Community Colleges, stating that the Committee was charged, by statute, with making recommendations on how to improve the community college system. Representative Ortega stated that the original intent of the legislation was to address the issues with the unorganized counties of Arizona. Representative Ortega commented that of the two counties that he represented, Greenlee County was being served very well by Eastern Arizona Community College located in Thatcher, but that Santa Cruz County was not being served to the same degree by Pima Community College -- thus being the reason for the creation of the Committee to address some of those issues.

Representative Ortega explained the importance of the community college system serving the lower and middle-income Arizona population, and in particular the rural population, by providing higher education to those persons that cannot afford to attend either of the three Arizona universities.

Representative Ortega suggested that the Committee address the appropriations process and make a determination as to the direction that should be taken. Representative Ortega described the current process of monies being appropriated to the Community College Districts Governing Board, and the Board in turn dividing up the monies amongst the ten community colleges. Representative Ortega expressed his concern with the larger counties, Maricopa and Pima, lobbying the Legislature "on their own behalf" for monies. Representative Ortega stated that the Board's direction was being evidenced by polarization within the Board between the "urbans" and the "rurals", with the Board making one decision and the larger counties addressing the Legislature with their own concerns, causing the legislators to have to listen to two different voices. Senator Ortega explained that there was some discussion of introducing legislation that would (1) eliminate the Community College Districts Governing Board in its entirety, (2) restrict the powers and change the duties of the Board, or (3) interject the Legislature in the decision-making process, presently given to the Board.

Representative Ortega also suggested that the Committee address the issue of whether the spokesman for the community colleges would be as "a group" or as "individual community colleges". Representative Ortega expressed his concern over decisions made

by the Board such as bond issues, capital expenditures, etc., describing the process as "politics within the Board" regarding distribution of appropriated funds.

Representative Ortega commented on the importance of equalization, citing two more community college districts that may be eligible for equalization, and stressed the Committee's need to address the specific portion of the method in which community colleges are funded, in order to serve the best interests of everyone in Arizona and in particular the unorganized counties of rural Arizona. Representative Ortega expressed concern for Santa Cruz County, stating that many of the education and business leaders in the County would like to have their own community college district that would better serve the citizens of Santa Cruz County. Representative Ortega stated that many of the citizens of Santa Cruz County felt that they were a "stepchild" to the decisions made by the Pima Community College Board.

Representative Ortega expressed his concern over the issue of transferring credits from community colleges to the three major universities, stating that there was no uniform standard at the present time.

Representative Ortega concluded by applauding the Committee for coming together, and encouraged them to proceed with recommendations this year so that implementation could become a reality the following year.

Senator Chesley clarified that Ms. Moreno-Jeong was a member of the State Board of Community Colleges, that Mr. Dalton Cole was the present Chairman of the State Board, and that the State Board consisted of 17 members.

Senator Chesley expressed his resentment to Representative Ortega's insinuation that the Maricopa Community College District had lobbied the Legislature separately, on behalf of a bond issue, clarifying that not one person had approached him "to talk"; and further stated that he was of the understanding that the State Board and the Maricopa Community College District had worked it out among themselves. Senator Chesley continued on by stating that the Maricopa Community College District had been subsidizing, with state monies, other counties that did not have the basis for taxation, including Eastern Arizona and Cochise Community Colleges. Senator Chesley commented that it was a false statement to imply that the Legislature was running "rough shod" over the little schools because Maricopa County had greater numbers and greater dollars.

Senator Chesley stated that he was in agreement with Representative Ortega regarding transfer of credits to the universities. Senator Chesley explained that a group of "core classes" should be transferrable to any of the three universities. By way of example, Senator Chesley cited Mesa Community College's "list" of classes that would transfer to

Arizona State University. Senator Chesley commented that nothing had changed to date, despite information that the community colleges and the universities were "working it out". Senator Chesley stated that he was in total agreement with Representative Ortega regarding the issue of transferring credits and that it was the obligation of the Committee to address the issue.

Representative Ortega responded to Senator's Chesley's comments, saying that he did not mean to imply that Senator Chesley was involved with any kind of a bond issue, but only meant to bring to the Committee's attention the degree of involvement of the Legislature in the community college public policy process and whether the Legislature should involve itself, to what degree, and as to the powers given to the Governing Board of the community colleges. Senator Chesley thanked Representative Ortega for clarifying previous comments made.

Senator Arzberger commented on the issue of transferring credits, stating that the State Board had come up with a plan that he believed would work. Senator Arzberger mentioned that at one point in time, he intended to introduce legislation regarding transfer of credits but that the State Board wanted to work it out administratively and that it appeared as though members of the State Board were getting some things done now. Senator Arzberger commented on subsidizing Eastern Arizona and Cochise Community Colleges and explained that the formula called for equalization of those districts that did not have enough tax base to support a college and still receive state aid. Senator Arzberger stated that he did not want to see the formula changed. He commented that Santa Cruz County was badly in need of a community college facility, and concluded that the State Board needed to look at some of the issues discussed by the Committee members and that a plan be developed to establish a community college in Santa Cruz County without jeopardizing the other community colleges.

Discussion followed between Senators Chesley and Arzberger regarding subsidization and establishment of a community college in Santa Cruz County.

Gherald H. Hoopes, Jr. clarified that Representative Ortega was referring to the State Board of Community Colleges rather than the local boards when he was speaking of discussion regarding elimination of the Community College Districts Governing Board in its entirety. Representative Ortega acknowledged that Mr. Hoopes' understanding was correct.

Discussion followed between Ghearld L. Hoopes, Jr. and Donald Campbell regarding the issue of transferring credits to the universities.

Representative Newman stated that he was in agreement with many things discussed by Representative Ortega and emphasized the need for another meeting on the Santa Cruz situation regarding the establishment of Santa Cruz Community College. Representative Newman asked for an explanation of the relationship between the Joint Legislative Study Committee on Community Colleges and the Select Committee on Community Colleges.

Don Campbell inquired whether the Joint Legislative Study Committee on Community Colleges was a decision-making body or an advisory-body in terms of what recommendations the Committee agrees upon.

Representative Ortega explained that the Joint Legislative Study Committee on Community Colleges was created by statute, whereas the Select Committee on Community Colleges was created by the House. Representative Ortega clarified that the Joint Legislative Study Committee could not, by statute, transfer its responsibilities to the Select Committee.

Explanation of Committee's Mandate and Community College Funding

Ms. Trisha Korwes, House Research Analyst, Committee on Education, explained that the Laws of 1994, Chapter 351, created the Joint Legislative Study Committee on Community Colleges, requiring the Committee to study the establishment of community colleges in the counties that were not a part of the community college district in the State, and that the bill specified five duties, including (1) analysis of community college district formations, (2) analysis of population growth trends in rural communities, (3) analysis of needs for community college expansion and the barriers to such expansion, (4) assessment of the fiscal effect of expanding community colleges, and (5) development of legislative recommendations based upon the study, with the study report due December 1, 1995. Ms. Korwes distributed materials, including a chart that described the four counties that did not have a community college district, pointing out the threshold value amounts of each county.

Don Campbell suggested that members of the Committee meet with residents of the four counties in order to get a feel for what was occurring in those communities relative to the need for community colleges. Dennis Miller welcomed the suggestion.

Senator Chesley explained to the Committee members that Santa Cruz County did not qualify, by statute, for the establishment of a community college because it did not have the population figures, nor the property values in order to fund a community college. Senator Chesley discussed the issue in further detail, explaining that in order to consider the establishment of a community college in Santa Cruz County, at least two existing statutes would have to be changed. Senator Chesley stated that it would be "tough" to change the existing laws.

Dennis Miller responded to Senator Chesley's comments, explaining in more detail the plight of the Santa Cruz residents in terms of high unemployment rates, low income, transportation problems, etc. relative to the need for a community college that would provide a two-year degree. Mr. Miller favorably acknowledged the assistance that Pima Community College was presently providing to Santa Cruz residents.

Donald Campbell suggested to the Committee, delivery of education via satellite system, and explained the success of such systems presently being used in elementary education programs. Mr. Campbell stated that the Committee needed to think about different methods of delivery. Discussion followed between Representatives Schottel and Newman, Don Campbell, Dennis Miller, and Gherald L. Hoopes, Jr. regarding satellite education and other methods of delivery.

Senator Chesley said that he did not believe in redistribution of wealth and that there was no way Santa Cruz could start a district on its own. Chesley stated that he had strong feelings towards helping Santa Cruz but that he opposed the starting up of a new campus. Senator Chesley explained that once a district is "up and running", they soon begin to cripple and then they come back to the Legislature and want more money. He expressed that he believed there was a way to help Santa Cruz, that there was no simple answer, that he would be willing to listen to anything that was reasonable, and that he supported education, particularly at the community college level. Discussion followed between Dennis Miller and Representative Schottel.

Representative Schottel acknowledged that bringing a community college to Santa Cruz County was a serious problem and stated that the Committee would set up another meeting and make arrangements for Committee members to go to Santa Cruz County to talk with respective representatives and meet with the community leaders. Representative Schottel stated that he thought the community colleges were a stronger part of the future than the universities right now, explaining that the cost of educating students in the community colleges was one-half the cost of educating students in high schools or universities. Representative Schottel stated that the Committee should look at telecommunications, explaining that once set up and in place, public buildings could be used in the evenings and weekends for alternative campuses and that the concept would appeal to the taxpayers. Representative Schottel concluded by saying that all Arizona taxpayers pay taxes into the "pot" for all education, including the four counties that do not have community colleges but are paying for part of the bill to operate all community colleges in Arizona.

Senator Arzberger responded to Representative Schottel's comments and while acknowledging "the coming of television education," Senator Arzberger expressed his concern for the students' ability to meet, one-on-one with their professors for help or

**JOINT LEGISLATIVE STUDY COMMITTEE
ON COMMUNITY COLLEGES**

**January 5, 1995
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assistance, not provided through satellite education. Senator Arzberger expressed his agreement with Representative Schottel's comment, that while all taxpayers were contributing to the funding of education, not all taxpayers were benefiting equally, particularly in the rural counties.

Representative Schottel acknowledged that with the passage of the North American Free Trade Act (NAFTA), Santa Cruz County will explode with population and student needs; Representative Schottel complimented Pima Community College as being one of the finest institutions in the State.

Without objection, the meeting was adjourned at 10:15 a.m.

Respectfully submitted,


Nancy Boyd
Committee Secretary

(Tapes and attachments on file in the Office of the Senate Secretary)

FINANCING OF CURRENT GENERAL FUND
OPERATIONAL EXPENDITURES

FOR

ARIZONA COMMUNITY COLLEGES

Presented to:

State Board of Directors for Community Colleges of Arizona

March 18, 1994
Tempe, Arizona

**SOURCE AND DISPOSITION OF FUNDS
IN SUPPORT OF COMMUNITY COLLEGE GENERAL FUND OPERATIONS**

Presented to:

State Board of Directors for Community Colleges of Arizona

Presented by:

**Thomas J. Saad
Associate Executive Director for Administration**

**Mary Saiz
Administrative Service Officer I**

An In-service Training Presentation Prepared by:
Thomas Saad Mary Saiz David Rubi Pete Gonzalez

March 18, 1994
Tempe, Arizona

INTRODUCTION

Financing of Arizona community colleges involves a complex set of Constitutionally defined limitations on how much college districts can tax and how much they can spend. In addition, there are a series of statutory laws that define the state's contribution in support of community colleges General Fund operations.

For purposes of this presentation, we will focus on the following topics:

- Constitutionally defined tax levy and expenditure limits
- The primary sources of funds in support of General Fund Operations
 - * Primary Taxes * State Aid * Tuition & Fees * Fund Balance
- Operational expenses by line item.

THE RELATIVE MAGNITUDE OF REVENUES & EXPENDITURES

To illustrate the relative magnitude of revenues and expenditures, the component information is in the form of a pyramid. Revenues are portrayed in the conventional form, while expenditures are shown in the form of an inverted pyramid. This graphic presentation is based upon the following concepts:

1. Tuition & Fees are the last source of revenue factored into the revenue equation. After all revenue sources that are relatively fixed have been identified, the question becomes: "Are additional revenues from tuition & fees required to balance the budget?"

2. Salaries and related benefits are the largest expenditure category, and relatively small percentage increases to the base, cause sizeable dollar increases. Local board policy decisions that determine cost of living adjustments, merit increases, and increased costs of health insurance, have a major impact on the growth of General Fund operational expenses.

PRIMARY PROPERTY TAXES

REF. A

STATUTORY AUTHORITY:

-- TAX AUTHORITY TO MAINTAIN THE DISTRICT. Pursuant to ARS 15-1462, the Board of Supervisors in each district, levy primary taxes on behalf of the district, for purposes of "...maintaining the district and not for capital outlay."

-- LIMITS ON PRIMARY TAX LEVIES. Arizona Constitution Article IX, Public Debt, Revenue & Taxation, Section 19, states in part, " (1) The maximum amount of ad valorem taxes levied by any county, city, town or community college district, shall not exceed an amount two percent greater than the amount levied in the preceding year. In addition, taxes can be levied against property not taxed in the prior year (new construction). For purposes of calculating the levy limit, the law stipulates that the levy limit for each year is increased to the maximum allowable, whether or not the political subdivision elects to levy to the maximum.

CAN TAXES BE LEVIED IN EXCESS OF THE PRIMARY LEVY LIMIT ? YES ! Arizona Revised Statute 42-301.03, enables community college districts, by two-thirds vote of the governing board, to conduct an override election (at a general election) for purposes of levying secondary property taxes in excess of the primary levy limit. The ballot shall specify the "maximum dollar amount of secondary taxes which may collected in each year". The duration of the override cannot be less than two years or more than seven years. The obvious problem with the override provision is what happens if the voters fail to approve an override after the period of the first override lapses.

ARE COMMUNITY COLLEGE DISTRICTS AT OR NEAR THEIR LEVY LIMITS? Six community college districts are at or very near their levy capacity. Of the four remaining districts, the range of capacity used is 70% to 90%.

SOURCE OF REVENUES - COMMUNITY COLLEGES

• TUITION AND FEES

GENERAL TUITION AND FEES

- GENERAL TUITION
- REGISTRATION FEES
- REGISTRATION PROCESSING FEE
- OTHER COURSE FEES, FEES FOR SERVICE, AND FINES

OUT-OF-STATE TUITION

OUT-OF-COUNTY REIMBURSEMENTS

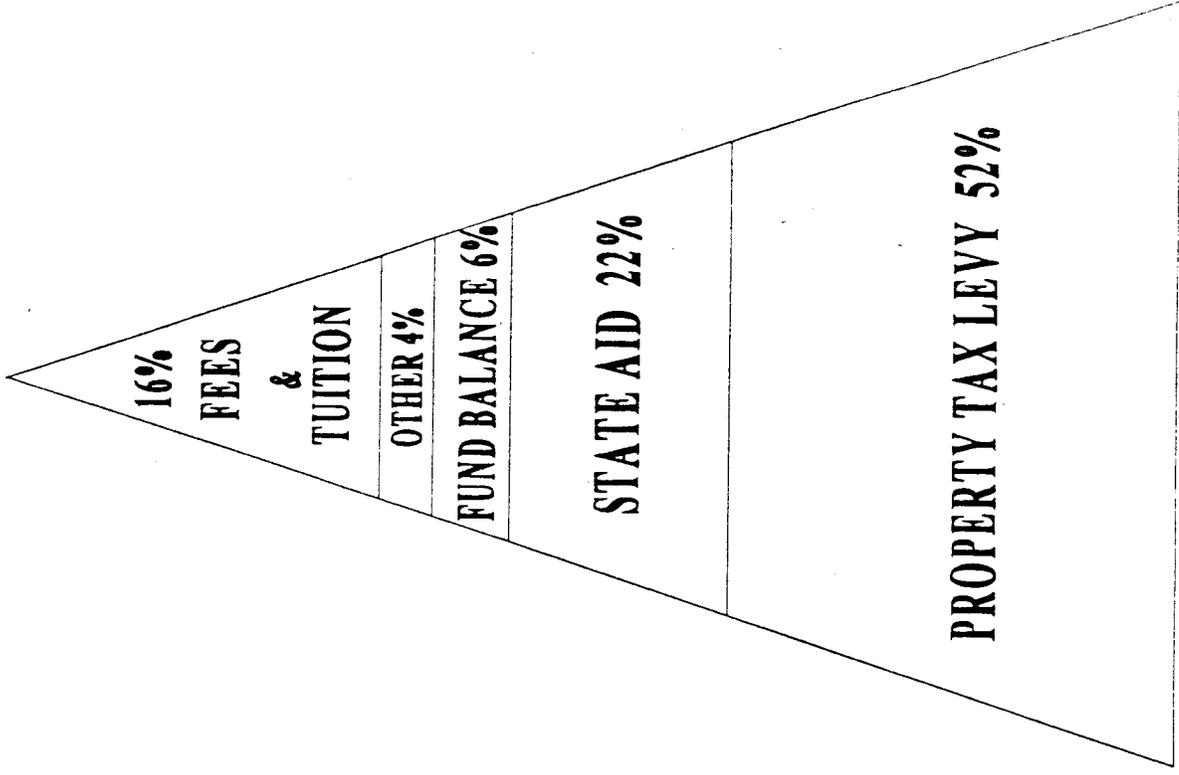
• FUND BALANCE

• STATE AID

MAINTENANCE AND OPERATING (M&O) STATE AID

EQUALIZATION STATE AID

CAPITAL OUTLAY STATE AID



SOURCE OF REVENUES - COMMUNITY COLLEGES

REF.

• STATE AID

MAINTENANCE AND OPERATING STATE AID "M&O"

Arizona Statutory Authority - ARS 15-1466 (New legislation 93/94)

The State shall pay the cost of maintaining any district possessing the qualifications as prescribed in statute for fiscal year 1993-1994 and thereafter according to the following calculation:

Components:		Prior year appropriation	
	+	Percentage growth of GDP implicit price deflator (inflation)	
	+ or -	<u>Plus or minus change in full-time equivalent student count (FTSE)¹</u>	
	=	<u>Current year appropriation for maintenance and operating</u>	

¹FTSE (Full-time equivalent student)

Definition: Divide total enrollment credit hours per semester by 15 credit hours, which is the # of hours considered a full-time student

FTSE Count

Arizona Statutory Authority - ARS 15-1466.01

In determining state aid the number of full-time equivalent students shall be calculated in the following manner:

Basic actual FTSE count, add the number of FTSE enrolled as of 45 days after classes begin in the fall semester to the number of FTSE enrolled as of 45 days after classes begin in the spring semester, not including short-term classes, and divide the number by 2.

ie.	Fall semester	4,500 FTSE			
	Spring semester	+ 4,350 FTSE			
		= 8,850 FTSE		divided by 2 =	<u>4,425 FTSE count</u>

EQUALIZATION STATE AID (In lieu of primary property taxes)

Arizona Statutory Authority - ARS 15-1468 (New legislation 93/94)

Any district that is part of the state community college system but has less than \$448,017,200 of primary assessed valuation, shall be paid by the state according to the following calculation:

Components:		Prior year's actual primary assessed valuation	ie. \$246,059,000
	+ or -	<u>Amount of statutory primary assessed valuation (\$448,017,200)</u>	<u>\$448,017,200</u>
	=	Difference between actual and statutory valuation amount	\$201,958,200
		Per \$100 dollar of assessed valuation	\$ 2,019,582
	x	<u>Lesser of actual prior year's primary tax rate or \$1.37</u>	<u>x \$1.37</u>
	=	<u>Equalization aid</u>	<u>\$ 2,766,827</u>

SOURCE OF REVENUES - COMMUNITY COLLEGES

REF.

• FUND BALANCE

BASIS OF ACCOUNTING FOR COLLEGES AND UNIVERSITIES

The community colleges conform to generally accepted accounting principles applicable to governmental colleges and universities.

- Types of funds:
- Current Funds - Accounts for those resources that will be expended in the near term.
 - Unrestricted
 - General fund - accounts for all current financial resources
 - Auxiliary fund - accounts for transactions of substantially self-supporting auxiliary activities.
 - Restricted

Plant Funds - Accounts for investment in property, buildings and equipment.

Other Funds such as Endowment, Agency or Loan Funds

FUND BALANCE OF CURRENT UNRESTRICTED GENERAL FUND

As agreed to by the community college districts and the Arizona Auditor General the fund balance for purposes of analyzing the financial condition of community college districts is calculated in the following manner:

Cumulative end result of the funds financial activities

- Less Cash for Reserves
- Less Cash for Board Designations
- Less Cash for Other
- = Fund Balance Available to Carry Over as a Financing Source for the New Year

Components of the Fund Balance available to carry over as a financing source for the new year may include:

Assets such as	LESS	Liabilities such as
•Cash		•Accounts payable
•Investments		•Accrued liabilities
•Property taxes receivable		•Deferred revenue
•Supply Inventories		

Prescribing to the graphic illustration of the Pyramid, any fund balance not reserved or designated would be derived from tuition and fee revenue not expended in the year.

SOURCE OF REVENUES - COMMUNITY COLLEGES

REF.

■ TUITION AND FEES

GENERAL TUITION AND FEES

Arizona Statutory Authority - ARS 15-1425 (5)

The State Board shall "Fix and collect fees which the community college districts shall charge and graduate the tuition and fees between institutions and between residents, nonresidents and students from foreign countries."

State Board Standards and Procedures - SP7-508

- General tuition is a charge to students levied on a per credit hour basis for the purpose of offsetting the cost of instruction and attendant functions. General tuition is paid by all students in addition to all applicable out of state tuition and out of county reimbursement charges.
- Registration fees are charges to students on a per credit hour basis for the purpose of offsetting the cost of student activities and for debt retirement.
- Registration Processing fee is a fixed fee assessed on a per student per semester basis to recover direct handling and processing expenses of registration.
- Other Course fees, Fees for Service, and Fines are other charges to students that relate to the normal cost of doing business beyond tuition, registration, and registration processing fees.

OUT-OF-STATE TUITION

Statutory Authority - Since there are no statutory references as how to determine out-of-state tuition, in the absence of law the State Board is responsible to determine the calculation.

State Board Standards and Procedures - SP7-508

Out-of- State tuition is an additional charge to out-of-state students, and when combined with general tuition and registration fees should recover a minimum of eighty percent of the cost of instruction (operational cost of FTSE).

SOURCE OF REVENUES - COMMUNITY COLLEGES

REF.

▪ TUITION AND FEES cont.

OUT OF COUNTY REIMBURSEMENTS

Arizona Statutory Authority - ARS 15-1469

The district may admit students from any part of this state which is not a part of an established community college district on the same conditions as residents, and is calculated in the following manner:

Components:	Operational expenses of the college district for the current year	ie.	\$90,000
	- <u>Maintenance and operating (M&O) State Aid received by college district</u>		<u>\$10,000</u>
	= Difference between operational expenses and M&O State Aid		\$80,000
	÷ <u>FTSE count for the current year</u>		800
	= Cost of maintaining student above amount paid by state aid		\$ 100
	x <u>FTSE count enrolled from county outside of district in preceding year</u>		<u>8</u>
	= <u>Amount to be reimbursed to the college district</u>		<u>\$ 800</u>

State Board Standards and Procedures - SP7-508

Charges to unorganized counties for students from those counties attending an Arizona community college. The reimbursement charges are described in detail in ARS 15-1469.

- On or before May 15, the State Board shall determine the amount of reimbursement to each district from each unorganized county, and notify the board of supervisors of each county the amount it must reimburse each district.
- On or before November 15 and May 15 the board of supervisors from each unorganized county shall make one-half the payment due to the districts.
- BY STATE BOARD DIRECTIVE, THE REIMBURSEMENT CHARGE PER FTSE SHALL NOT EXCEED THE CHARGE TO OUT-OF-STATE STUDENTS.

GENERAL FUND OPERATIONAL EXPENDITURES

REF. E-1

LIMITATION OF OPERATIONAL EXPENDITURES DEFINED BY CONSTITUTIONAL PROVISION

Pursuant to Article IX, Public Debt, Revenue, and Taxation, Section 21, the total amount of all funds expended by community college districts is limited. The expenditure limitation is determined by the Economic Estimates Commission and must be published prior to April 1 for each ensuing fiscal year.

HOW IS THE EXPENDITURE LIMIT CALCULATED FOR EACH DISTRICT?

For purposes of calculating expenditure limits, the base year is FY 1979-80. In calculating the limitation for any given year the expenditures for base year '79-'80 are increased by: 1. the growth in FTSE from base year to the year in question. 2. By an inflation factor known as the IPD (Implicit Price Deflator). The IPD is determined by adjusting the Consumer Price Index (CPI) downward to reflect cost components that are not relevant to political subdivisions. **EXAMPLE.**

<u>FTSE '94-'95</u>	<u>FTSE '79-'80</u>	<u>FTSE GROWTH</u>	<u>INFLATION</u>	<u>FY '79-'80 EXP.</u>	<u>'94-'95 EXP.LIMIT</u>
2,400	1,033	2.3233	2.0597	\$3,163,993	\$15,140,866

$$\text{ie- } \$3,163,993 \times 2.3233 \times 2.0597 = \$15,140,866$$

DOES THE CONSTITUTION PROVIDE FOR EXCLUSIONS TO THE EXPENDITURE LIMIT? YES. Article IX, Section 21, details a long listing of revenue sources that are excludable from the limitation. The obvious advantage to being able to exclude defined revenues, is that it effectively increases expenditure capacity.

BUDGETED EXPENDITURE LIMITATION REPORT
XYZ Community College District

REF. E-2

	CURRENT FUNDS			P L A N T F U N D S		TOTAL
	GENERAL	AUXILIARY	RESTRICTED	UNEXP. PLANT	DEBT. RETIRE.	
TOTAL BUDGETED EXP.	\$68,000,000	\$1,000,000	\$12,000,000	\$8,000,000	\$1,900,000	\$90,900,000
LESS EXCLUSIONS						
Bond Proceeds				(\$2,000,000)		(\$2,000,000)
Long Term Obligations (COPS)				(\$1,000,000)		(\$1,000,000)
Dividends & Interest	(\$300,000)	(\$50,000)		(\$100,000)		(\$450,000)
Grants Federal Gov't			(\$11,500,000)			(\$11,500,000)
Grants Private						
Capital State Aid				(\$1,000,000)		(\$1,000,000)
Funds Accum. for Capital Const.						
Contracts Other Entities	(\$1,000,000)					(\$1,000,000)
Tuition & Fees	(\$13,000,000)				(\$1,900,000)	(\$14,900,000)
Prior Year's Cash Carry Forward	(\$5,000,000)	(\$500,000)	(\$500,000)			(\$6,000,000)
Secondary Taxes-Override	(\$5,000,000)					(\$5,000,000)
TOTAL EXCLUSIONS	(\$24,300,000)	(\$550,000)	(\$12,000,000)	(\$4,100,000)	(\$1,900,000)	(\$42,850,000)
EXPEND. SUBJECT TO LIMIT	\$43,700,000	\$450,000	\$0	\$3,900,000	\$0	\$48,050,000
EEC EXPEND. LIMIT						\$49,500,000
EXPEND. CAPACITY USED						97.07%

NET ASSESSED VALUATION OF THE NON COMMUNITY COLLEGE DISTRICT COUNTIES

	1990	1991	1992	1993	1994
Apache	416,573,304	437,251,660	397,282,439	389,185,092	397,071,298
Gila	248,420,986	253,726,437	275,957,985	276,113,480	267,657,522
Greenlee	111,934,052	146,958,920	181,656,513	209,761,367	211,814,443
Santa Cruz	125,299,553	133,267,175	142,417,027	151,926,478	157,800,521

SOURCE: "Property Tax Rates and Assessed Values." Published by the Arizona Tax Research Foundation

THRESHOLD VALUE ARS § 15-1402
\$506,708,500

POPULATION 15 YEARS AND OLDER OF THE NON COMMUNITY COLLEGE DISTRICT COUNTIES

Apache	39,644
Gila	31,327
Greenlee	5,749
Santa Cruz	21,168

SOURCE: 1990 Census of Population and Housing
Arizona State Data Center
DES Population Statistics Unit

THRESHOLD VALUE ARS § 15-1402
40,000



STATE BOARD OF DIRECTORS FOR COMMUNITY COLLEGES OF ARIZONA

3225 N. CENTRAL AVENUE, SUITE 1220 PHOENIX, ARIZONA 85012-2411
TEL (602) 255-4037 FAX (602) 279-3464

RECEIVED

SEP 27 1995

September 26, 1995

Honorable Mark Killian, Speaker
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Speaker Killian:

Laws 1994, Chapter 351, established the Joint Legislative Study Committee on Community Colleges and called for the committee to meet for two years culminating with a report due December 1, 1995. The State Board appointed its two members to the committee--Gherald L. Hoopes, Sr. and Lourdes Moreno-Jeong.

Mr. Hoopes completed his term on the State Board, January 1995, and was replaced on the committee by Robert J. McKenzie, State Board member from Apache County. We recently were informed by Mr. McKenzie of his resignation from the State Board due to an employment relocation. The State Board is awaiting further word from the Governor's office on the appointment to complete Mr. McKenzie's term which ends January 1998.

Please let me know if we can be of further assistance on this matter.

Sincerely,

A handwritten signature in cursive script that reads "Pete Gonzalez".

Pete Gonzalez
Associate Executive Director for Community and Governmental Relations