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ARIZONA TAX RESEARCH ASSOCIATION

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Community College FY 2024 Budgets Up 5%; FTSE Down 5%

Tentative community college general fund (GF) budgeted expenditures are up 5% from last year. Five districts saw double-digit percentage increases in GF expenditures, though Coconino stood out with a notable 19% surge in expenditures and a substantial 22% rise in property taxes, which was approved by the voters. Pinal and Cochise experienced the second and third highest growth in expenditures, with respective increases of 13.1% and 11%. Out of the remaining traditional college districts, Yuma/La Paz recorded the smallest expenditure shift, with a marginal increase of just 2.7% over last year.

Enrollment is a vital factor for community colleges, as it directly impacts their revenue and determines their ability to provide quality education and resources to students. However, despite efforts to attract and retain students, community colleges have shed roughly 50,000 students over the past ten years. This downward trend could be attributed to various factors, such as changing demographics, a competitive job market, and the availability of alternative educational options.

The impact of declining student enrollment on Arizona community colleges goes beyond the immediate decrease in student numbers. It creates

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AZ Teacher Pay Jumps to 32nd in Nation

In the spring of 2018, the Arizona Legislature and then Governor Ducey faced a teacher strike over pay. The controversy resulted in state lawmakers committing significant state revenues to increase teacher pay. According to the National Education Association (NEA), the state was ranked 46th in 2017 for teacher pay, with an average teacher salary of \$47,255. However, Arizona's ranking has soared to an impressive 32nd position in 2022, with an average salary of \$56,775.

Additionally, state and local spending for K-12 schools has climbed over \$3.6 billion (40%) since FY17. Over that same period, per-pupil spending is also up nearly 40%.

-Jack Moody

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significant structural challenges that reverberate throughout the institutions. With fewer students enrolling, colleges experience a decline in tuition revenue, which forms a substantial portion of their operating budgets. This reduction in funding can lead to budgetary shortfalls and strain the financial health of the colleges.

| General Fund Expenditures | | | | |
|---------------------------|------------------------|------------------------|---------------------|--------------|
| District | FY23 | FY24 | Difference | % Chg. |
| Cochise | \$49,073,518 | \$54,505,948 | \$5,432,430 | 11.1% |
| Coconino | \$23,444,342 | \$27,880,374 | \$4,436,032 | 18.9% |
| Gila | \$6,840,164 | \$7,618,554 | \$778,390 | 11.4% |
| Graham | \$42,641,773 | \$46,342,787 | \$3,701,014 | 8.7% |
| Maricopa | \$763,580,234 | \$787,048,984 | \$23,468,750 | 3.1% |
| Mohave | \$38,085,730 | \$38,618,995 | \$533,265 | 1.4% |
| Navajo | \$35,265,978 | \$39,072,827 | \$3,806,849 | 10.8% |
| Pima | \$195,340,150 | \$208,063,000 | \$12,722,850 | 6.5% |
| Pinal | \$47,070,795 | \$53,220,673 | \$6,149,878 | 13.1% |
| Santa Cruz | \$1,756,763 | \$1,778,201 | \$21,438 | 1.2% |
| Yavapai | \$54,908,300 | \$59,010,200 | \$4,101,900 | 7.5% |
| Yuma/La Paz | \$57,898,478 | \$59,445,116 | \$1,546,638 | 2.7% |
| Total/Average | \$1,315,906,225 | \$1,382,605,659 | \$66,699,434 | 5.07% |

| District | Primary Rates | | | Primary Levies | | | Over TNT? |
|----------------------|-----------------|-----------------|--------------|----------------------|----------------------|-------------|-----------|
| | FY23 | FY24 | % Chg. | FY23 | FY24 | % Chg. | |
| Cochise | \$2.4297 | \$2.4122 | -0.7% | \$24,861,511 | \$25,920,344 | 4.3% | Yes |
| Coconino | \$0.5209 | \$0.6090 | 16.9% | \$10,829,050 | \$13,226,363 | 22.1% | Yes |
| Gila | \$0.9425 | \$0.9177 | -2.6% | \$5,590,913 | \$5,843,186 | 4.5% | Yes |
| Graham | \$2.7131 | \$2.6047 | -4.0% | \$7,651,693 | \$7,918,256 | 3.5% | Yes |
| Maricopa | \$1.0865 | \$1.0791 | -0.7% | \$560,363,573 | \$590,508,448 | 5.4% | Yes |
| Mohave | \$1.1898 | \$1.1546 | -3.0% | \$27,347,223 | \$28,029,984 | 2.5% | No |
| Navajo | \$1.7505 | \$1.7536 | 0.2% | \$16,084,078 | \$17,000,000 | 5.7% | Yes |
| Pima | \$1.2878 | \$1.2802 | -0.6% | \$130,487,937 | \$136,301,532 | 4.5% | Yes |
| Pinal | \$1.8705 | \$1.7847 | -4.6% | \$58,489,833 | \$60,517,493 | 3.5% | No |
| Santa Cruz | \$0.4506 | \$0.4305 | -4.5% | \$1,756,836 | \$1,778,201 | 1.2% | No |
| Yavapai | \$1.5017 | \$1.5084 | 0.4% | \$50,055,100 | \$53,650,100 | 7.2% | Yes |
| Yuma/La Paz | \$2.1034 | \$2.0718 | -1.5% | \$35,407,120 | \$36,900,814 | 4.2% | Yes |
| Total/Average | \$1.4873 | \$1.4672 | -1.3% | \$928,924,867 | \$977,594,721 | 5.2% | |

Despite a significant decrease in enrollment over the past decade, primary tax levies have climbed steadily as colleges have used the property tax base to make up for lost state aid and tuition revenues. While tax rates themselves may have remained relatively stable or even decreased slightly, increased property values

FTSE (EEC)

| District | FY23 | FY24 | Difference | % Chg. |
|----------------------|----------------|----------------|----------------|---------------|
| Cochise | 7,467 | 7,384 | (83) | -1.1% |
| Coconino | 2,056 | 1,956 | (100) | -4.9% |
| Gila | 725 | 663 | (62) | -8.6% |
| Graham | 3,072 | 2,818 | (254) | -8.3% |
| Maricopa | 73,463 | 69,173 | (4,290) | -5.8% |
| Mohave | 2,466 | 2,405 | (61) | -2.5% |
| Navajo | 1,942 | 1,833 | (109) | -5.6% |
| Pima | 14,969 | 14,269 | (700) | -4.7% |
| Pinal | 3,612 | 4,110 | 498 | 13.8% |
| Santa Cruz | 165 | 123 | (42) | -25.5% |
| Yavapai | 3,981 | 3,917 | (64) | -1.6% |
| Yuma/La Paz | 5,286 | 5,379 | 93 | 1.8% |
| Total/Average | 119,204 | 114,030 | (5,174) | -4.34% |

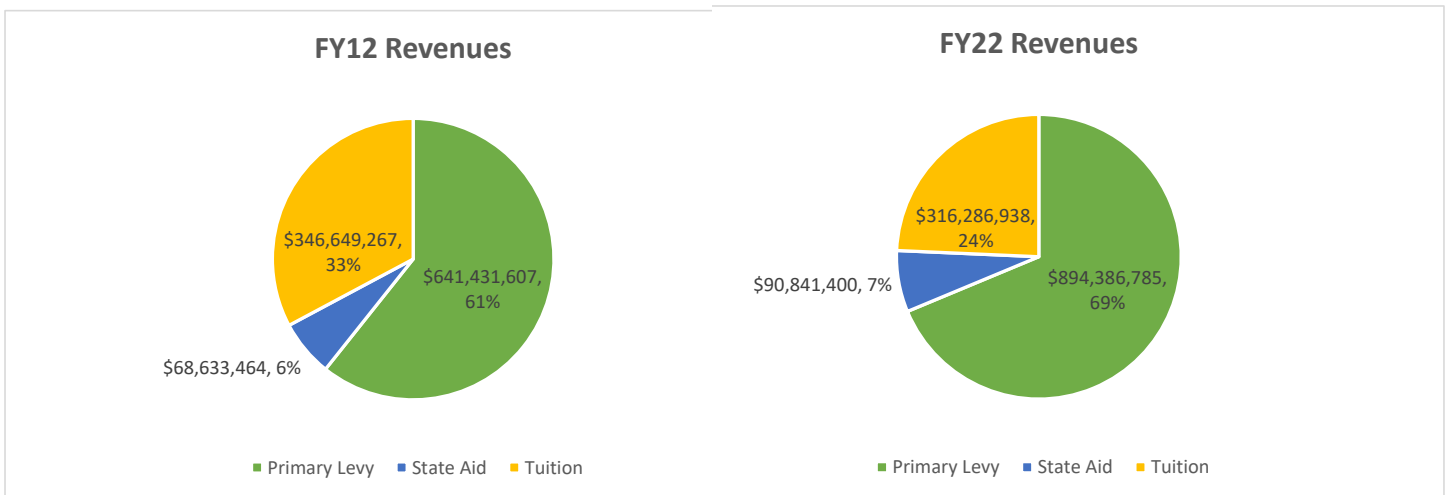
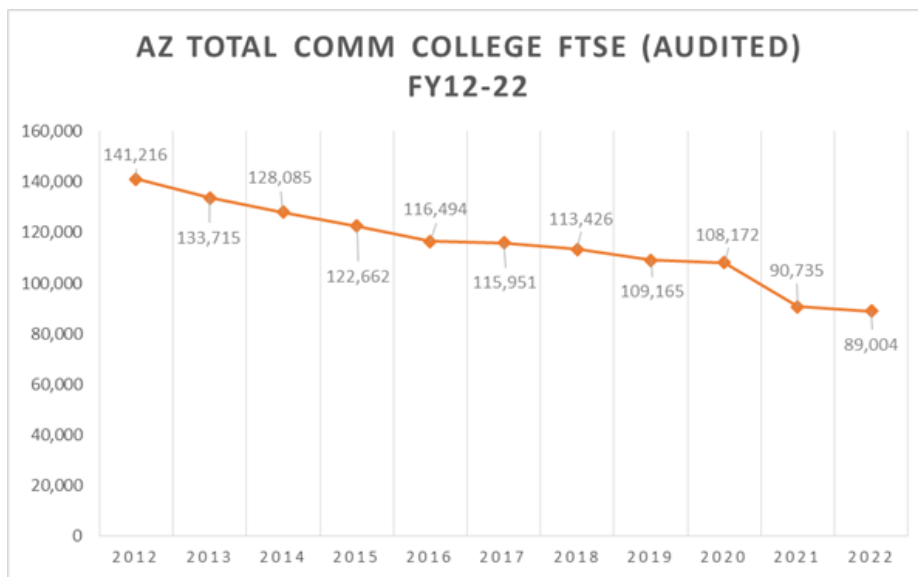
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statewide have led to higher levies for community colleges. Consequently, taxpayers are providing more funding to community colleges through property taxes, despite a steady decline in student enrollment. In fact, only three of the twelve districts (Mohave, Pinal, and Santa Cruz) reduced their property tax rates enough to avoid a Truth-in-Taxation (TNT) hearing.

Between 2012 and 2022, total community college revenues grew by 23%. In 2012, primary property tax levies accounted for 61% of total revenues, whereas in 2022, this contribution increased to 69%. At the same time, revenues generated from tuition and fees dropped from 33% of total revenues to 24%. This all suggests an increased reliance on property tax levies to fund the community college system during a time of sustained decline in enrollment.

Moreover, the implications of declining student enrollment extend to the way colleges are regulated and funded. Expenditure limits, which govern the amount of money colleges can allocate to various operational areas, are directly influenced by changes in FTSE and inflation. FTSE reflects the number of full-time students enrolled and provides a measure of student demand for resources and services. When student enrollment decreases, the FTSE figure drops, resulting in tighter expenditure limits for the colleges. Combined with the impact of inflation, tight expenditure limits create a complex financial puzzle for colleges to solve.

-Jack Moody



| State | 17 Salary | 17 Rank | 22 Salary | 22 Rank | \$ Change | % Change | Rank Change |
|----------------------|-----------------|------------|-----------------|------------|----------------|------------|-------------|
| Alabama | \$50,391 | 34 | \$55,834 | 33 | \$5,443 | 11% | -1 |
| Alaska | \$68,769 | 7 | \$74,167 | 10 | \$5,398 | 8% | 3 |
| Arizona | \$47,255 | 46 | \$56,775 | 32 | \$9,520 | 20% | -14 |
| Arkansas | \$48,304 | 43 | \$52,610 | 46 | \$4,306 | 9% | 3 |
| California | \$79,128 | 2 | \$88,508 | 3 | \$9,380 | 12% | 1 |
| Colorado | \$51,810 | 31 | \$60,130 | 25 | \$8,320 | 16% | -6 |
| Connecticut | \$73,147 | 5 | \$81,185 | 6 | \$8,038 | 11% | 1 |
| Delaware | \$61,286 | 14 | \$65,647 | 15 | \$4,361 | 7% | 1 |
| District of Columbia | \$75,692 | 4 | \$82,523 | 4 | \$6,831 | 9% | 0 |
| Florida | \$47,267 | 45 | \$51,230 | 48 | \$3,963 | 8% | 3 |
| Georgia | \$55,532 | 22 | \$62,240 | 21 | \$6,708 | 12% | -1 |
| Hawaii | \$56,651 | 20 | \$67,000 | 14 | \$10,349 | 18% | -6 |
| Idaho | \$47,504 | 44 | \$54,232 | 42 | \$6,728 | 14% | -2 |
| Illinois | \$64,516 | 11 | \$72,315 | 12 | \$7,799 | 12% | 1 |
| Indiana | \$50,218 | 35 | \$54,596 | 39 | \$4,378 | 9% | 4 |
| Iowa | \$55,647 | 21 | \$59,581 | 27 | \$3,934 | 7% | 6 |
| Kansas | \$49,422 | 40 | \$54,988 | 35 | \$5,566 | 11% | -5 |
| Kentucky | \$52,338 | 29 | \$54,574 | 40 | \$2,236 | 4% | 11 |
| Louisiana | \$49,801 | 39 | \$54,097 | 43 | \$4,296 | 9% | 4 |
| Maine | \$52,879 | 25 | \$58,757 | 29 | \$5,878 | 11% | 4 |
| Maryland | \$68,357 | 8 | \$75,766 | 9 | \$7,409 | 11% | 1 |
| Massachusetts | \$78,708 | 3 | \$89,538 | 2 | \$10,830 | 14% | -1 |
| Michigan | \$62,287 | 12 | \$64,884 | 16 | \$2,597 | 4% | 4 |
| Minnesota | \$57,346 | 19 | \$64,184 | 18 | \$6,838 | 12% | -1 |
| Mississippi | \$44,659 | 51 | \$47,902 | 51 | \$3,243 | 7% | 0 |
| Missouri | \$48,620 | 41 | \$52,481 | 47 | \$3,861 | 8% | 6 |
| Montana | \$51,422 | 33 | \$53,628 | 44 | \$2,206 | 4% | 11 |
| Nebraska | \$52,338 | 29 | \$57,420 | 31 | \$5,082 | 10% | 2 |
| Nevada | \$54,674 | 23 | \$57,804 | 30 | \$3,130 | 6% | 7 |
| New Hampshire | \$57,522 | 18 | \$62,783 | 20 | \$5,261 | 9% | 2 |
| New Jersey | \$69,623 | 6 | \$79,045 | 7 | \$9,422 | 14% | 1 |
| New Mexico | \$47,122 | 47 | \$54,272 | 41 | \$7,150 | 15% | -6 |
| New York | \$81,902 | 1 | \$91,097 | 1 | \$9,195 | 11% | 0 |
| North Carolina | \$49,970 | 38 | \$54,863 | 36 | \$4,893 | 10% | -2 |
| North Dakota | \$52,536 | 26 | \$55,666 | 34 | \$3,130 | 6% | 8 |
| Ohio | \$58,202 | 16 | \$64,353 | 17 | \$6,151 | 11% | 1 |
| Oklahoma | \$45,292 | 50 | \$54,804 | 38 | \$9,512 | 21% | -12 |
| Oregon | \$61,860 | 13 | \$70,402 | 13 | \$8,542 | 14% | 0 |
| Pennsylvania | \$66,265 | 10 | \$73,072 | 11 | \$6,807 | 10% | 1 |
| Rhode Island | \$66,477 | 9 | \$76,852 | 8 | \$10,375 | 16% | -1 |
| South Carolina | \$50,000 | 37 | \$54,814 | 37 | \$4,814 | 10% | 0 |
| South Dakota | \$46,979 | 48 | \$50,592 | 49 | \$3,613 | 8% | 1 |
| Tennessee | \$50,099 | 36 | \$53,285 | 45 | \$3,186 | 6% | 9 |
| Texas | \$52,525 | 27 | \$58,887 | 28 | \$6,362 | 12% | 1 |
| Utah | \$48,576 | 42 | \$59,671 | 26 | \$11,095 | 23% | -16 |
| Vermont | \$59,300 | 15 | \$62,866 | 19 | \$3,566 | 6% | 4 |
| Virginia | \$52,340 | 28 | \$61,367 | 22 | \$9,027 | 17% | -6 |
| Washington | \$54,433 | 24 | \$81,510 | 5 | \$27,077 | 50% | -19 |
| West Virginia | \$45,555 | 49 | \$50,315 | 50 | \$4,760 | 10% | 1 |
| Wisconsin | \$51,439 | 32 | \$60,724 | 24 | \$9,285 | 18% | -8 |
| Wyoming | \$58,187 | 17 | \$60,819 | 23 | \$2,632 | 5% | 6 |
| United States | \$59,539 | N/A | \$66,745 | N/A | \$7,206 | 12% | N/A |

Colleges Secure a Fourth Year of Freedom from Expenditure Limits

SB1013 passed both chambers of the Legislature this session and currently awaits action from the Governor. Originally, the bill dealt solely with protests and other demonstrations on college campuses. However, the bill picked up a significant House floor amendment from Rep. Livingston pertaining to community college expenditure limits.

As adopted, the amendment essentially absolves community colleges from penalties for exceeding their constitutional expenditure limitations. This marks the third straight year that the Legislature has passed the identical expenditure limit relief for the community colleges. This year's bill extends the expenditure limit side-step for both the FY24 and FY25 budgets, thereby eliminating the need to return to the Capitol next year for similar relief.

Though the Arizona Constitution does grant the Legislature the authority to establish penalties for exceeding the expenditure limits, the penalties established in these bills are de minimis and render the limits meaningless. Regrettably, community college expenditure limit relief has been a constant topic at the Capitol for the last decade. Those conversations have exclusively focused on colleges securing relief from any avenue other than the one prescribed in the Constitution; voter approval. Pima Community College changed that by successfully securing an expenditure limit increase from voters in November 2020. The Maricopa Community College District now says it has publically committed to an override election in November 2024. However, the remaining districts show no indication of pursuing the constitutionally intended path of voter approval and why should they? The Legislature has now repeatedly demonstrated a willingness to make a mockery of these limits and ignore their own lawyers from Legislative Council who last year said "An interpretation that the legislature has broad authority to overcome the limitation on community college expenditures is contrary to the reasons for adopting the limitation."