

ATRA OPPOSES HB 2079

HB 2079 (higher education; funding; reform) makes numerous changes to higher education funding. Most notably, the legislation allows community college districts in five counties (Maricopa, Mohave, Navajo, Pima, and Pinal) to offer four-year baccalaureate degrees in law enforcement, fire services, health professions, teacher education, and any workforce-related discipline that matches an existing two-year program. The bill also caps the tax rate for Graham County's Eastern Arizona College (EAC) at \$1.50 and allows that district to offer unrestricted four-year degree programs. EAC's district board would be required to decide by June 30, 2011, whether to continue as a community college or transfer its authority to the Arizona Board of Regents. HB 2079 requires a recalculation of the base funding for community colleges, establishes a new growth formula, and eliminates the equalization assistance formula, while holding districts harmless for any reductions that might have been associated with the recalculation.

Basis for ATRA's Opposition: This legislation proposes a significant change in how higher education services are delivered and financed. In the current system, Arizona's taxpayers fund upper division (300 and 400 level) courses on a statewide basis through the state general fund. This proposal would result in a shift of funding upper division courses from the state to the county level where local property taxes represent the major funding stream.

Community colleges rely heavily on property tax levies. Unless some firewall were put in place to ensure four-year programs will not tap into property tax revenues, property taxpayers would be particularly vulnerable. Two of the community colleges that would be allowed to offer four-year degrees, Navajo (Northland Pioneer) and Pinal (Central Arizona College), have significant capacity within their current levy limits. In fact, the Pinal District is currently \$14 million below their levy limit. Levy limits themselves leave a considerable amount of access to property tax increases. Maricopa increased property taxes \$19 million last year.

The fiscal impact on the state general fund, tuition levels, and property taxes should be well understood. It is certain, however, that all three main funding sources for the community colleges will be impacted. The bill will increase exposure to the state general fund. The Maricopa Community College District alone will likely receive \$16.5 million more in FY 2007 as a result of the new formula.

It is also unclear what demands four-year programs will place on college capital facilities. Very expensive bond building programs have been marketed to voters recently as necessary to meet the demands of growth in the colleges' current mission. Property taxpayers should be made aware of the new demands that will be placed on them for new facilities and equipment.

ATRA has raised concerns about community college funding for many years. The Legislature has done nothing of substance to mitigate the redundant student counts and funding between community colleges, high schools, and joint technological education districts for dual and concurrent enrollment. Moreover, state taxpayers continue to have to pay for recreational courses like *Single Again*, *Coping with Stress*, *Humor and Play*, and *Creative Grandparenting*.

HB 2079 does *attempt* to deal with the ratchet effect in the community college hold harmless formula. The legislation also eliminates the equalization assistance formula. However, the benefit to taxpayers associated with these reforms does not offset the negative impact this bill will have on taxpayers overall.



Taxpayers should expect a lot more of a higher education funding reform bill. Please vote NO on HB 2079.

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