

INFORMATION ITEM

Governing Board Agenda

Meeting Date: February 24, 2009

<u>Item Number</u>	<u>Item Title</u>	<u>Responsible Agents</u>
VI.1	Proposed Tuition & Fees County Resident, Out of State Surcharge, Skill Center and Course Fees Fiscal Year 2009-10 Budget	Ms. Debra Thompson

Recommendation

After several months of review of potential resources and budget needs, recommendations on budget priorities and tuition and fees have been developed through the District-wide budget development process. Attached is the proposed Fiscal Year 2009-2010 Tuition and Fees schedule, submitted for Governing Board review. The schedule will be submitted for Governing Board action on March 24, 2009.

Four separate areas of change are recommended for review and then action on each in March:

- **County Resident Tuition & Fees:**
 - \$5.00 (7%) increase to tuition rate per credit hour
 - The annual cost to full-time students taking 30 credit hours per year will be \$2,280.00, an increase of \$150.00
 - The proposed tuition & fee rate would rise to \$76.00 per credit hour (\$74.00 in tuition and a \$2.00 Student Activity Fee).
 - The projected increase in revenues is \$11.1 million
- **Out of State Surcharge** increase of \$27.00 (12.5%) per credit hour, from \$215.00 to \$242.00
 - The projected increase in revenues is \$1.4 million
- **Skill Centers Tuition** hourly tuition rates will be increased by \$0.30 per hour
 - Hourly Tuition rate will increase from \$4.60 to \$4.90, an increase of 6.5%
 - Hourly Tuition rate for Nursing Program will increase from \$5.60 to \$5.90, an increase of 5.4%
- **Course Fees:** varied new and modified course fees are proposed, as shown in the attached schedule (Appendix A).

Appendix B shows recent history on tuition and fees and comparative data.

Funding	Approvals/Certifications
<p><u>Source:</u></p> <p><u>Account Identification:</u></p>	<p>Chancellor _____</p> <p>Academic & Student Affairs _____</p> <p>Business Services _____</p> <p>Human Resources _____ ITS _____</p> <p>Res Dev & Com Relations _____</p> <p>College President _____</p>

Justification

The largest impact to date of the economic recession to the Maricopa District is a loss of 26% of state aid (compared to FY07-8) or \$17.5 million. Additional reductions appear likely as the State strives to cover a deficit of over \$3 billion. These cuts have been addressed by reducing the capital and operational of the colleges and district office.

As we considered the possible impacts of further State aid cuts and other potential revenue changes in the context of mandatory or important new spending during the District's budget development process, the District-wide budget committee, the Financial Advisory Council, proposed a \$5.00 per credit or 7.04% increase for resident students. The proposed Out-of-State surcharge increase is to align the surcharge to be equal or greater than Out-of-County surcharge, which is set according to a statutory formula; the rate is \$215.00. The proposed tuition and fee increases, along with other adjustments, would enable the District to address instructional and student service needs, and pay operating costs of 2004 Bond supported facilities.

Several key assumptions led to this recommendation involving the district's three primary revenue sources for the General Fund, or Fund 1, the District's main operating budget, which funds most of the day to day costs of teaching and providing other services and 230,000 students who take credit offerings each year.

- Property taxes: slower growth in new property; 2% increase on existing property per the State Constitution
 - First, the slowdown in the housing market has resulted in a decline in growth in property taxes. Data from the county provided on February 10, pursuant to State law, shows that potential taxes from new property in FY09-10 is \$14.3 million, compared to \$18.2 million in FY08-09; this is a 21.6 % decline. Local economists predict this trend will continue for some at least the next 2-3 years.

Additionally, for the past three decades, pursuant to a voter referendum, increases in property taxes on existing property have been strictly limited to a 2% increase in the levy. Effectively what this means, is that regardless of the rate of inflation or changes in individual or total property values (increases or decreases), the total levy on existing property can only increase 2%. The rate that derives from this calculation then is applied to existing property (at its new value for the new fiscal year) and to new property added to the tax roll in the new fiscal year. The value of raising taxes on existing property is \$7.2 million. To take this action, State law requires the Board to take a roll call vote, and the District must publish notice of this proposal prior to such action. Should the Board vote not to support this increase, we will need to reduce the budget – revenues and expenditures.

- State aid: a 26% reduction in State aid since June 2008 and potential additional cuts
 - In building its budget for FY08-9 in June 2008, the State cut the appropriation to the Maricopa Community Colleges by 19.3%--a 100% suspension of capital state aid (\$11.1 million) and a \$2.1 million cut to operational State aid
 - In January 2009, to help address a \$1.6 billion shortfall, the State further cut the appropriation to the Maricopa Community colleges by \$4.3 million, to total \$51.1 million; in 8 months time, our appropriation has been cut 26%.
 - Additional cuts are expected--possibly this year and/or to help solve a \$3 billion shortfall next year. While limited information is available about future cuts at this time, options presented by the Chairs of the Appropriations committees suggest potential additional cuts of \$7 million to the Maricopa Community Colleges, or potentially a 36% loss in State aid since FY07-8. The actual could be more or less, as the State prepares the FY09-10 budget and/or if further cuts are needed after this budget is approved.
 - Additionally, it is assumed that the \$11.1 million capital state aid appropriation will remain suspended at least throughout FY09-10.
 - See Appendix C for a history on State funding.

To address State aid reductions to date and at least some potential future reductions into the future, the District has cut college and District Office budgets by approximately \$10 million. Additionally, district leadership actively has been planning for future potential reductions both at individual college and district office levels and at as a Chancellor's Executive Council level. Discussions with employee group leadership are occurring.

Furthermore, the district administration recommended the suspension of employee sabbaticals and is planning for other potential budget reductions.

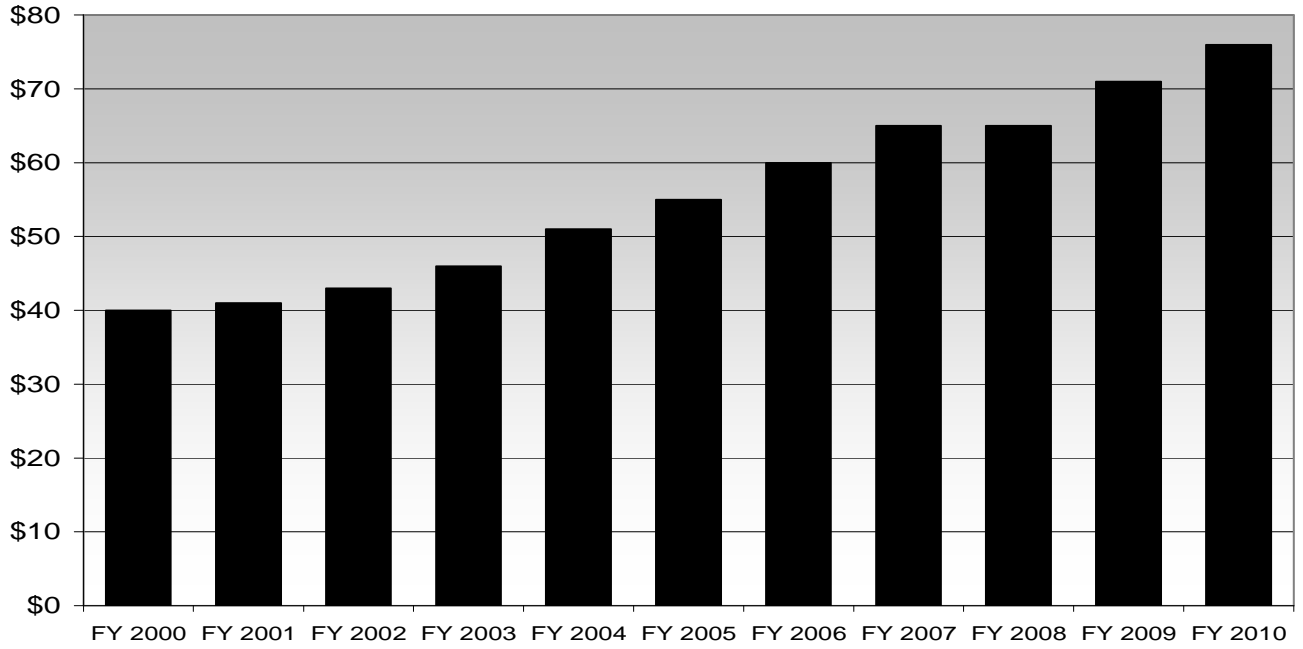
The increase in tuition and fees that is proposed as well the recommended 2% increase in the tax levy will help minimize further budget reductions and fund several critical increases in spending needed even as budgets are generally being reduced. Such items include required increases totaling nearly \$4 million for information system maintenance costs (to continue support for these systems), increases costs for the transfer articulation system with the universities, for compensated absences, policy mandated salary adjustments and unemployment insurance.

Additionally, other high priority needs that have been identified for FY09-10 and future fiscal year include, as examples, student scholarships, faculty for colleges that are growing, and operating budget support for new facilities.

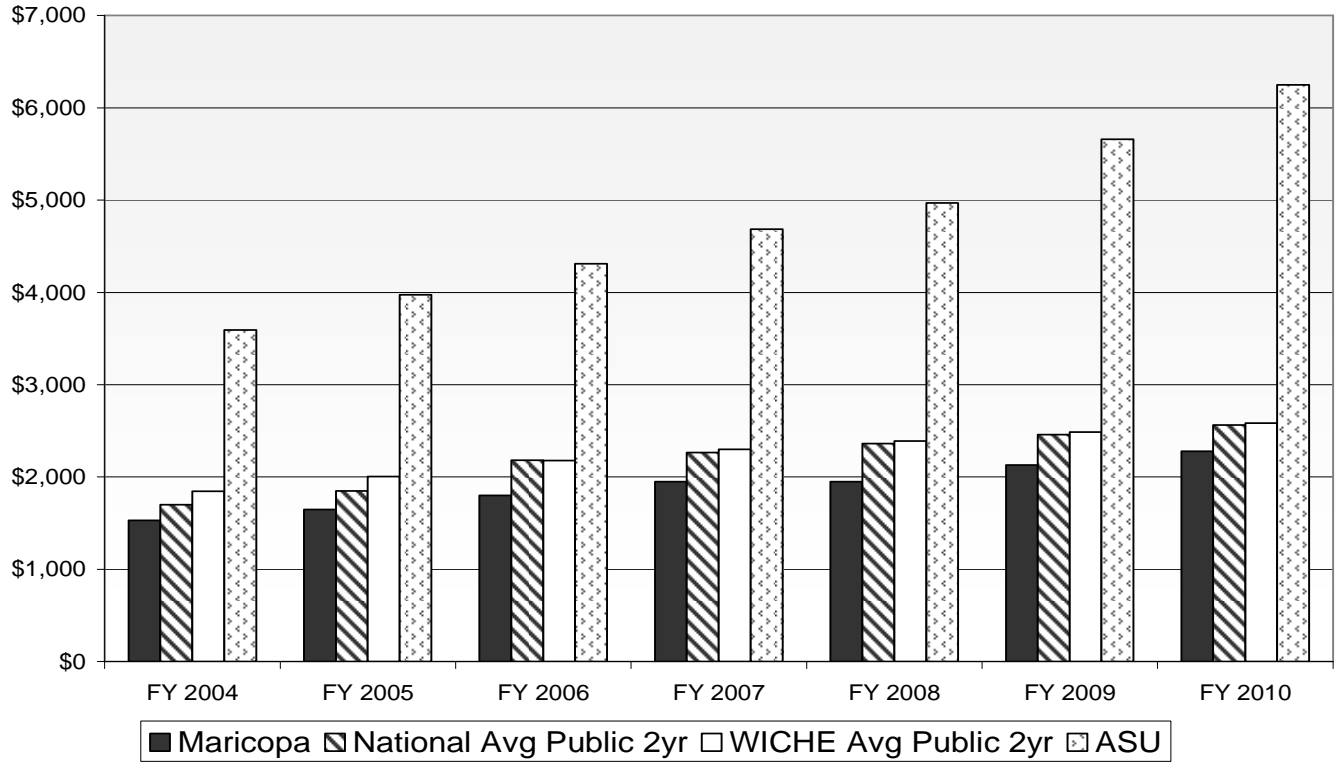
With respect to operating budget support, we are proposing a potential sale of Series C General Obligation bonds to continue this voter approved program. The bonds provide a capital funding source to develop and build the projects scheduled to now move ahead. Since the voter authorization does not provide operating cost support, we need to fund these operational costs for these facilities from operating budget support. Typically, operating cost increases have been funded from increases in our three main revenue sources (property taxes, state aid and tuition and fees). The district steadily has been building operating budget for this program since adopting the FY04-5 budget (\$15 million to date) but still requires additional budget estimated at \$14 million plus potential additional operational costs from technology projects, etc. beyond initial capitalized expenditures. To address the State aid cuts that have occurred to date and are likely in the future, the District's at least partial response has been to cut its own budget cuts. Given this, in order to fund these operating costs and other critical needs, the District is more reliant than ever on modest tuition increases (proposed this year at \$5/per credit hour) and the 2% Constitutional increase in the tax levy (which approximates a \$7.2 million and results in a property tax of \$73.98 per year on a home valued at \$100,000, or an increase of \$1.45 if the 2% was not approved). We would need to re-evaluate the sale if these increases are not proposed as the Series C sale contemplates that new projects will be funded with Series C; without available operating dollars, the facilities would not be able to come on line.

Specific details about these proposed changes will be shared during a full presentation on the proposal and budget at the February 24 Governing Board meeting,

**Maricopa Community Colleges
Historic and Proposed Resident Tuition
Per Credit Hour**



Maricopa Community Colleges Comparison of Annual Resident Tuition



Historic State Aid Allocation

