



## Maricopa County Community College District Governing Board Minutes February 2, 2016

A Special Session of the Maricopa County Community College District Governing Board was scheduled to be held beginning at 6:00 p.m. at the Rio Salado Conference Center, 2323 West 14th Street, Tempe, Arizona, pursuant to ARS §38-431.02, notice having been duly given. This was to be followed by an Agenda Review beginning at 7:00 p.m. at the same location.

### GOVERNING BOARD

Alfredo Gutierrez, President)  
Johanna Haver, Secretary  
Doyle Burke, Member  
Tracy Livingston, Member  
John Heep, Member  
Jean McGrath, Member  
Dana Saar, Member

### ADMINISTRATION

Rufus Glasper  
Maria Harper-Marinick  
Debra Thompson  
LaCoya Shelton-Johnson  
Ed Kelty  
Margaret McConnell for Lee Combs

Bill Guerriero  
Steven Gonzales  
Shouan Pan  
Todd Simmons for Chris Bustamante  
Terry Leyba Ruiz for Irene Kovala  
Paul Dale

### CALL TO ORDER

The Special Session was called to order at 6:00 p.m. by Board President Gutierrez. He welcomed those in attendance from the statewide community colleges which included:

### WELCOME AND INTRODUCTIONS

Dr. Jim Moore, Acting President, Central Arizona College  
Mr. LaMont Schiers, VP Administrative Affairs, Cochise College  
Dr. Jeanne Swarthout, President, Northland Pioneer College  
Mr. Mark Bryce, J.D., President Eastern Arizona College  
Mr. Lloyd Hammonds, Governing Board Coconino Chair, AADGB  
Mr. Ray Sigafoos, Governing Board, Yavapai College  
Dr. Clint Ewell, VP Finance and Administration, Yavapai College  
Dr. Nat White, Governing Board, Coconino Community College  
Dr. Colleen Smith, Coconino Community College

Also in attendance were guest presenters:

Ms. Kristen Boilini, Arizona Community College Coordinating Council/  
Pivotal Policy Consulting  
Mr. Alan Maguire, The Maguire Company  
Mr. Kevin DeMenna  
Mr. Ryan DeMenna

President Gutierrez explained that ATRA had been seeking an audience from Maricopa and felt it would be appropriate to also include the statewide colleges to hear from them on the issue of expenditure limitation. It would also serve as an opportunity to hear where interests were parallel and where

they were different. ATRA had been invited to attend to be a part of discussion and present their case but chose not to. In the future should they wish to come and assist, another session would be convened.

## PRESENTATIONS

### **ALAN MAGUIRE THE MAGUIRE COMPANY**

Alan Maguire of the Maguire Company had been invited to explain the issue, not to opine on the issue, and allow questions about it. Kevin and Ryan DeMenna, as well as Kristen Boilini would also present on the topic and then open things up for questions.

Alan Maguire provided the background of Expenditure Limitation (EL) which was enacted by voters in 1980. It was part of a comprehensive program to limit the growth of state and local government and also to limit and reduce reliance on property taxes to equalize property tax burdens across the state. EL was intended to forestall an Arizona Prop 13 of which a similar proposition in California cut local government revenues by about 2/3. Arizona revenue loss estimates were even higher due to assessment ratios on utilities and industrial properties. This followed a decade of high inflation which included rising property taxes, growing local government spending and failed prior budget limits. The old 7% local government budget limit was gone.

The original goal of EL was to develop sophisticated budget control and funding formula for Arizona counties and cities. It was similar to K-12 school finance formula and was responsive to unique characteristics of each county and city. Historical research findings (1978) included (1) widespread data inaccuracies and gaps in local government financial data; (2) inconsistencies among accounting methods jurisdictions; (3) impossible to build accurate, detailed model in a timely manner. GASB was created in 1984.

The results were (1) Stop Gap Limitation; (2) Simpler, easy to calculate, only two variables; (3) Develop uniform system of accounts and reporting. The Author's expectation of "life" was seven years (1980-1987).

The Basic Limitation stated: The expenditure limitations shall be determined by adjusting the amount of actual payments of local revenues for each such political subdivision for fiscal year 1979-1980 to reflect the changes in the student population of each district and the cost of living." Base year would be 1978-79 and would be grown by FTSE Growth and compounded by Inflation. Limit grows by Student Population and inflation.

Student population is defined as: "the number of actual, full-time or the equivalent of actual full-time students enrolled in the school district or community college district determined in a manner prescribed by law."

Cost of Living is defined as "the price of goods and services as measured by the implicit price deflator the gross national product or its successor agency. A different measure adopted at the direction of the legislature, upon affirmative vote of 2/3 of the membership of each house."

The impact: limit grows by FTSE and inflation. Overall spending limit forces shifts within budget. Mandated, high-cost growth programs “crowd out” discretionary and administrative programs. Exclusions from Limitation are expenditures funded by certain categories of revenue which include: bond proceeds and taxes collected for debt service, interest earnings, trust monies, grants (federal and private), state monies for land or buildings, tuition or fees, certain categories of expenditures such as transfers, and contract revenues from other governments.

Continuing challenges associated with Expenditure Limitation include many budget categories which increase faster than population and inflation (growth in limitation), “carry forward” is declining due to use in current and prior years, positive steps are required.

Things to remember:

- Expenditure limit and property tax levy limit grow at different rates
- Expenditure limit – population and inflation
- Property tax limit – 2% per year plus taxes from new construction
- Each may constrain the other

Approaches to “Manage” Limitation

- Seek relief within limitation
- Clarify/interpret constitutional wording
- Seek statutory redefinition of constitutional wording
- Seek county voter approval of spending above limitation
- Seek statewide voter approval to change limitation

**KRISTEN BOILINI**  
**ARIZONA COMMUNITY COLLEGE**  
**COORDINATING COUNCIL/**  
**PIVOTAL POLICY CONSULTING**

Ms. Boilini explained that solutions to this problem were being sought. The Legislature had given authorization to change things in the form of Senate Bill 1322 Community College Expenditure Limitation.

As background, she explained that higher education opportunities were in critically short supply, particularly in rural Arizona. Reduction in State funding for all Arizona’s colleges and the elimination of all state funding for Pima and Maricopa Community Colleges had put an enormous strain on existing resources. While local community colleges were doing their best to address the deficiencies in the system, their efforts were hampered by an archaic formula that results in disincentives for the colleges to meet the workforce needs of their communities. The formula for calculating the Expenditure Limit was passed by voters in 1980. The formula uses the college’s spending in 1979/1980 as a baseline and relies on student growth to drive spending authority. High student growth rates in the past masked the structural erosion in spending authority and, to some extent, the impact of the increasingly expensive and sophisticated workforce programs the community colleges have invested in.

Community colleges are already subject to a constitutional property tax levy limit that caps the amount of property tax a college can levy on its taxpayers. Community colleges today look, feel and serve students in very different ways that they did in 1980. They offer state of the art workforce training programs

designed to meet the needs of business and get students into the workforce with the skills and credentials required for high paying jobs. A formula that relies on student growth is a disincentive for the colleges to invest in workforce, and encourages the offering of courses with large numbers of students and very low investments in equipment and technology.

The Provisions of Senate Bill 1322 include: Certain revenues from commercial and entrepreneurial activities are currently considered “local revenues” under the EL and therefore restricted. This bill will allow the colleges to engage in entrepreneurial and commercial activities (such as contracts with private employers to provide training for their workforce) without penalty under EL.

SB1322 provides a new formula for counting Full-Time-Student Equivalents (FTSE) that recognizes the cost difference in offering a traditional English course, for example, versus training students in robotics. Under this bill, any course within ten high cost categories identified in the bill are weighted an additional 6/10 for purposes of calculating each college’s EL.

Community colleges are allowed an opportunity, should they choose to, to seek district-wide voter approval for a permanent change in the base limit used in the EL formula. SB1322 provides a proscriptive method in statute for how the colleges estimate FTSE for the purpose of setting their EL. This provides certainty and transparency in how the estimate is set, but must be part of this comprehensive package that reduces some of the structural inefficiencies and disincentives in the EL formula.

**KEVIN DEMENNA  
DEMENNA & ASSOCIATES**

Mr. DeMenna explained that the work Kristen had done works for the ten districts in that although they do not operate on the same scale, the solution fits. Consensus has been seen. The bill will be up in the Senate this week and the President of the Senate has taken interest.

Mr. DeMenna explained that ATRA has not addressed actual concerns about weighting to cause spending as little as possible. They want to keep taxpayer dollars from being spent. It is a tug of war over capacity.

In the issue of cities and towns looking at people and community colleges looking at headcount, it was explained that the Legislature had a hard time weighting students that took a full load versus one course. Community colleges are not in agreement and that is a good talking point for them.

**Q&A, CONCLUSION, AND  
CLOSING**

President Gutierrez concluded this special session by thanking those in attendance and suggested that perhaps another opportunity for everyone to meet again could be arranged. The Special Session adjourned at 7:03 p.m.

**AGENDA REVIEW**

Agenda Review was called to order at 7:15 p.m.

Items for the February 23, 2016 Regular Board Meeting were reviewed and discussed. Items with specific discussion included the following:

12.2 Proposition 301 Workforce Development and Job Training Plan for FY 2016-17 This proposition was passed 18 years ago and runs through 2020. Funding was allocated for 39 faculty who teach CTE. If funding is lost, the classes they teach will have to be dropped.

13.1 Lease of Suite D104 at Rio Southern to All 4 Paws Training, LLC It was asked if this lease was discussed with the other tenants, in particular with respect to pets having the opportunity to relieve themselves. Todd Simmons stated he would respond to the Board prior to the board meeting.

15.1 Proposed Fee Changes Fiscal Year 2016-17 Budget With regard to the basis for fee changes, Vice Chancellor Thompson indicated that these were generated at the department level or were faculty generated. They reflect new courses and special materials. Some are decreases with the intention of maintaining costs.

15.2 Proposed Tuition & Fees Fiscal Year 2016-17:

- We are fifth lowest expensive community college in the country. The system is efficiently run and the consequences would be not being able to keep up the system.
- Significantly competitive with private and proprietary schools.
- There are three levels of students/families: higher income, lower end covered by Pells, and those that struggle to pay. Elements of student success are why we exist. Last two years funding has been returned 7 fold from those who pay the state in taxes.
- Concern about declining enrollment. Hard to raise tuition when enrollment is declining. Why not offer non-credit classes to fill empty seats.
- Declining enrollment is due to economy that is improving. This national. Our county continues to grow. Need to meet workforce demands.

Agenda Review was adjourned at 8:11 p.m.