



# Maricopa Community Colleges

Financial Briefing  
Paradise Valley Community College  
February 15, 2008

# Overall Context

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- Three main revenue sources support basic operations: property taxes, state aid and tuition and fees
- State aid and tuition and fees are directly related to enrollment
- The Expenditure Limitation limits spending, and is tied to enrollment

# Overall context

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- 270,000 students
- 11,000 employees
- Over 10,000 credit courses
- AAA credit rating
- Bond program underway

# The Effect of System-wide Enrollment Declines

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- FY07-8 likely is the third consecutive year that enrollment will be down
- This means a decline in tuition and fees
- This means flat operational State aid (a decline in capital aid)
- This means no growth in operational State aid until at least FY09-10

# So...

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- Two of the three major revenue sources are negatively impacted by enrollment declines

# Property Taxes

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- Not impacted by enrollment declines but...the slowdown in the housing market likely will have effects starting in FY09-10 (lagged impact)

# Other Issues—Real or Potential

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- Anti-tax initiatives: bills, referendum (e.g., Prop 13)
- State budget problems: FY07-8, as much as \$870 m, FY08-9 as much as \$1.7 b that may result in cuts in State aid
- A recession: are we in one, will one happen, if so, how bad and long and how will that exacerbate financial issues at the State and our level?

# What does all of this mean?

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- Slowing revenue growth
- Possibility of State aid cuts, this year, FY08-9 or beyond
- Possibility of flat budgets down the road (expenditure limitation)
- Not a crisis but a time of change and a time to change

# What are others doing?

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- State agencies cut at least 10%
- County 10% cuts
- City of Phoenix 20% cuts

# State cuts

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- Governor has not proposed cuts to community colleges, not for FY07-8 or FY08-9
- Legislative chairs have: eliminate all capital aid, eliminate hold harmless, cut dual enrollment funding by 50%, cut the subsidy for out of county reimbursement, cut dual enrollment capital state aid
- Unclear that support from other legislators exist

# State cuts: Timing

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- Unknown
- New budget out from the legislature late February/early March?
- Need to agree on the size of the problem to be solved
- Need to agree on an approach

# So...

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- In FY07-8 or FY08-9, we could see cuts in state aid, which will further limit the availability of resources
- Property tax increases likely to slow by FY09-10
- All in all, resource growth continue to be constrained

# Steps

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- CEC January retreat on budget
- Actions—increase enrollment and decrease costs
- Actions—solutions are everyone's concern and problem

# Questions

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