

K-12 Education Budget: Fiscal Year 2016

*Summary as passed by the Legislature and transmitted to Governor Ducey

The Arizona Legislature passed the Fiscal Year 2016 budget (for school year 2015-2016) in the early morning on Saturday, March 7, 2015. The budget bills were transmitted to Governor Ducey on Monday, March 9 and are awaiting his action. Governor Ducey negotiated this budget deal with Senate President Andy Biggs and House Speaker David Gowan, so he is expected to sign the budget package.

The two main bills for K-12 education are SB1469 (general appropriations; 2015-2016) and SB1476 (K-12 education; budget reconciliation; 2015-2016). Below is a summary of the K-12 budget provisions.

Elimination of School Funding

- Cuts school districts an additional \$113,457,200 in district additional assistance dollars (approximate loss of an extra \$135 per student). This is an overall loss of \$352.4 million to school districts when prior year district additional assistance formula cuts are factored in (over an 83% reduction in these funds).
 - Background: District additional assistance was the formula created in the FY2014 budget that combined the soft capital costs (classroom materials and supplies) and CORL funding (capital funding). The formula is currently cut \$238.9 million, and this budget cuts an additional \$113.5 million—for a total reduction to school districts of \$352.4 million. With this reduction, schools are losing 83% of the funding owed to them through the district additional assistance formula.
 - Small districts: Caps the sum of the district additional assistance formula reductions for school districts with a student count of less than 1,100 at \$5 million.
 - “Flexibility language”: Governor Ducey’s original budget required the district superintendent and school finance officer to certify that a district’s pro rata share of the \$113.5 million reduction amount be achieved through reductions in non-classroom spending. This language was removed and instead the following must occur:
 - A school district governing board is required to hold a public meeting to present the district’s plan for proposed reductions and include the percentage of classroom spending in the district’s adopted budget on the page that the governing board members sign.
 - For a C, D, or F ranked district, members of the community are permitted to submit comments and recommendations to the governing board within 30 days after the public meeting and the governing board is required to consider the community’s comments and recommendations at a public meeting.
 - Declares that it is the intent of the Governor and Legislature that school districts increase the total percentage of classroom spending over the previous year’s percentages in the combined categories of instruction, student support and instructional support (as defined by the Auditor General).

Inflation Funding

- Provides for 1.59% inflation increase to the per student base level amount and the transportation route mile factor. This amount falls far short of what the court has ordered for inflation funding. In July 2014 Judge Cooper ordered that the state must reset the base level to \$3,559.62 for the 2013-2014 fiscal year. This budget as passed the Legislature only

sets the base level at \$3,426.74 (this is the amount without teacher comp included). This is \$240.10 below what it should be in fiscal year 2015-2016 per the court ruling—\$3,666.84.

Below is a chart that shows the following:

- Column 1: The applicable fiscal year.
- Column 2: What the base level has actually been (as funded by the Legislature & Governor).
- Column 3: What the appropriate inflation adjustment has been each year.
- Column 4: What the base level would have been each year if adjustments had been consistently and properly made.

Fiscal Year	Legislative Base Level	Inflation	What base level should have been
FY 2008-2009	\$3,291.42	N/A	N/A
FY 2009-2010	\$3,267.72	2%	\$3,357.25
FY 2010-2011	\$3,267.72	1.2%	\$3,397.54
FY 2011-2012	\$3,267.72	0.9%	\$3,428.11
FY 2012-2013	\$3,267.72	2%	\$3,496.68
FY 2013-2014	\$3,326.54	1.8%	\$3,559.62
FY 2014-2015	\$3,373.11	1.4%	\$3,609.45
FY 2015-2016	\$3,426.74 (as passed Legislature and transmitted to Gov. Ducey)	1.59%	\$3,666.84

- Appropriates an additional \$74.4 million for a “down payment” on the inflation lawsuit. This money is funded in a separate line item at the rate of \$54.31, but it is not added to the permanent base level formula amount which is problematic.

Current Year Funding for School Districts

- Requires all school districts to move to current year funding starting in fiscal year 2017 (starting July 1, 2016). *This is an estimated loss of funding of \$40 million to school districts. This policy change makes it difficult to budget and immediately penalizes school districts with declining enrollment.*
 - “Student count” is defined as current year average daily membership rather than prior year.
 - Directs the Arizona Department of Education (ADE) to notify districts on the implementation plan for current-year funding by December 15, 2015.
 - Requires ADE to report the estimated fiscal impact on individual school districts for FY 2017 to the Governor, the Legislature, JLBC and the Governor’s Office of Strategic Planning and Budgeting.

Charter School Funding

- Reduces charter additional assistance funds by \$3 million (for a total combined reduction of \$18.6 million when prior year cuts are factored in).
- Charter additional assistance is increased by 1.59% (inflation amount) which sets the amount per student at \$1,734.92 for K-8 and \$2,022.02 for high school.
- Small School Weight for Charter Schools:
 - Applies the small school weight to charter schools if the charter holder combines the ADM of the charter holder’s school sites for the small school weight calculation.
 - Specifies that the small school weight is not applied individually to a charter holder if one or more of the following conditions exist and the combined ADM derived is greater than 600:

- The organizational structure or management agreement of the charter holder requires the charter holder or school to contract with a specific management company.
- The governing body of the charter holder has identical membership to another charter holder in the state.
- The charter holder is a subsidiary of a corporation that has other charter holder subsidiaries.
- The charter holder holds one or more charters.
- Reduces the small school weight amounts for charter schools by 33% in FY 2016 and 67% in FY 2017.

District Sponsored Charter School Phase Out

- Declares that it is the intent of the Legislature that district-sponsored charter schools be phased out by FY2017 (school year 2016-2017).
- Requires the ADE to fund incremental monies for district-sponsored charter schools at 50% in FY2016 (school year 2015-2016) and reduce budget limits accordingly.
 - This policy change impacts the following district sponsored charter schools that were in existence prior to June 30, 2013: Benson Unified (1 school), Casa Grande Union High School (1 school), Cave Creek Unified (4 schools), Fort Thomas Unified (1 school), Payson Unified (1 school), and Vail Unified (5 schools). Any other school district that operates a district sponsored charter school was permitted to continue to receive those additional charter school funds only through the current school year (2014-2015).
 - Background: During the 2014 legislative session, the legislature put a moratorium on school districts converting schools to charter schools and allowed some to continue through this current school year only (2014-2015). Only the charter converters that existed prior to June 30, 2013 were permitted to continue on an ongoing basis (past the current 2014-2015 school year). The policy change in this budget eliminates all funding to district sponsored charter schools by FY2017 (school year 2016-2017).

Reduced Funding to Joint Technical Education Districts (JTEDs)

- Continues the reduction to large JTEDs (those with more than 2,000 students) at 95.5% of what would otherwise be funded.
- Reduces, starting in fiscal year 2017 (the 2016-2017 school year), the base support level funding that a district or charter school and a JTED receive for students enrolled in JTED courses or satellite campus program courses to 92.5% of the amount that otherwise would be received.
 - Restricts a school district from prohibiting or discouraging students from attending JTED courses.
 - Permits a school district or charter school that experiences a reduction in funding for JTED satellite programs to use a portion of received JTED monies to offset the loss of regular funding, up to the reduction in funding experienced.

Access Our Best Public Schools Fund (repeals “Student Success Funding”)

- Repeals the “Student Success Funding” program created by Governor Brewer. Transfers \$23.9 million that would have gone to this fund to create the “Access Our Best Public Schools Fund.”
- Access Our Best Public Schools Fund:
 - The fund will be administered by the School Facilities Board.
 - Monies in the fund are available to public schools that are members of the Arizona Public School Achievement District to construct new school facilities or expand existing facilities.

- Requires at least 50% of the monies be used in low socioeconomic areas.

Career Ladder Completely Eliminated

- Decreases the state's General Fund portion of Career Ladder by the remaining amount of \$716,700 for the complete phase-out of the Career Ladder Program. Funding for the Career Ladder Program is all together eliminated in school year 2015-2016. (This was part of a previously enacted budget policy, but want to capture it on this summary as Career Ladder funding is eliminated altogether in FY2016.)

1% Cap

- Limits the state's portion of the 1% constitutional cap on net assessed value to \$1 million per county starting in FY2016 (this is a \$20.2 million reduction in state funding). Any increases over \$1 million will be prorated among the remaining levying jurisdictions in that county. Currently, this impacts two counties—Pima and Pinal. There are six school districts that will be affected: Pima County: Tucson Unified- \$8 million, Altar Valley- \$6,750, San Fernando- \$35; Pinal County- Maricopa Unified- \$564,800, Superior, \$40,800, Mammoth-San Manuel- \$3,300.
 - Background: The Arizona Constitution limits primary resident property taxes to 1% of the net assessed value. The state reimburses any homeowner whose property taxes exceed this rate through what is called the 1% cap funding. There are currently 27 school districts that have increased their tax rate above the 1% cap at a cost to the state of \$23.7 million. This new policy adoption specifically addresses those counties where the state is paying over \$1 million for this 1% cap (Pima and Pinal counties).

Vacant School Buildings Report & School District Bond Approval List

- Requires the SFB to annually submit a list of vacant and unused buildings to the Governor, Senate President, and House Speaker. This list must be made available to applicants for charter schools and existing charter schools.
- Requires the School Facilities Board (SFB), by December 31st of each year, to report to JLBC on all Class B bond approvals (each school district shall report any bond approvals to SFB annually by December 1).

Teach for America

- Provides a \$500,000 appropriation for Teach for America.

School Emergency Pilot Program

- Creates a \$100,00 School Emergency Readiness Pilot Program (from the \$3.65 million ADE School Safety Program funding).
- School districts may submit applications to ADE to participate in the program by September 30, 2015, and the ADE is directed to select three school districts to participate by November 30, 2015.