

Governor Ducey's Fiscal Year 2015-2016 Proposed K-12 Education Budget

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 \$352.5 million to school districts when prior year district additional assistance formula cuts are factored in (over an 80% 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 \$239 million, and Governor Ducey's budget proposes an additional cut of \$113.5 million—for a total reduction to school districts of \$352.5 million. With this reduction, schools are losing 80% of the funding owed to them through the district additional assistance formula.
- Governor Ducey mandates that districts make these cuts from “non-classroom spending” via cuts to administration, plant operations, food service, student transportation, and instructional support. The superintendent and school finance officer must certify that the reduction has been made in non-classroom spending.
- Important: These school employees and the student services they provide are vital to a student's success, health, and safety, and compliment the work of a classroom teacher. Classroom expenditures statewide average 53.8%; however, administrative costs in Arizona are one of the lowest in the nation at 10%. In addition, there is no annual audit by the Auditor General's office of classroom expenditures for charter schools. According to the Auditor General's annual report, here is the current breakdown of expenses outside the classroom (this info is only the statewide averages, so each district's expenditures look different for each category):
 - Plant operations (12.3%): School equipment repair, building maintenance, custodial services, grounds keeping, and security. In addition costs for heating and cooling and property insurance are counted here.
 - Administration (10%): Superintendents, principals, business managers, clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resources activities, and administrative technology services.
 - Student support (7.7%): Counselors, social workers, nurses, audiologists, speech pathologists and attendance clerks.
 - Instructional support (6%): Employees who train teaching staff and develop curriculum, special education directors, librarians, and instruction-related IT (information technology) staff.
 - Food services (5.3%): Food supplies and costs related to preparing and serving meals.
 - Transportation (4.9%): Maintaining school buses and transporting students.

Charter School Funding Reduction

Reduces charter additional assistance funds by \$10,268,900. Directs this reduction to be in non-classroom spending at charter schools.

Inflation Funding

\$85.3 million for 1.57% inflation increase to the per student base level amount, the transportation route mile factor, and the charter school additional assistance. Also provides \$74.4 million for the base level increase. 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. Governor Ducey's proposal only sets the base level at \$3,481.23 which is \$184.89 below what it should be in fiscal year 2015-2016—\$3,666.12.

Fiscal Year¹	Legislative Base Level²	Inflation³	Appropriately Adjusted Base Level⁴
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	\$3,481.23 (Ducey's proposal)	1.57%	\$3,666.12

¹ Fiscal Year: The applicable fiscal year.

² Legislative Base Level: What the base level has actually been (as funded by the Legislature and Governor).

³ Inflation: What the appropriate inflation adjustment has been each year.

⁴ Appropriately Adjusted Base Level: What the base level would have been each year if adjustments had been consistently and properly made.

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

- Repeals the “Student Success Funding” program created by the Brewer administration. Transfers \$23.9 million that would have gone to this fund to create the “Access Our Best Public Schools Fund.”
- This fund will be administered by the School Facilities Board to create options for “high-quality program expansion for both charter schools and district schools accepted into the Arizona Public School Achievement District.” For high-performing charters, this fund may be used to expand existing facilities or construct new ones. The main purpose is to guarantee debt financing.
- Requires that 50% of the approved projects for this fund be in low-income communities.
 - **Background:** During the 2014-2015 school year, districts and charters received a total of \$21.5 million statewide for the Student Success Funding program. This was former Governor Brewer's new program that rewarded schools in three ways: 1) students reaching or exceeding grade-level proficiency, 2) students achieving above-average growth from the prior year, and 3) students graduating from high school. The proposal weighted student growth for students who did not meet grade-level proficiency. The funding for the Student Success Funding program is repealed in the Ducey budget and remaining dollars are transferred to the Access Our Best Public Schools Fund.

District Sponsored Charter School Phase Out

Requires the remaining district sponsored charter schools to revert to traditional district schools. The funding these schools receive will be held at the current fiscal year 2015 base support level of \$3,373.11 and additional assistance level of \$1,684.19 for K-8 schools and \$1,962.90 for high schools until the district base support level increases to the same level. This saves the state's General Fund \$346,300 and denies districts the opportunity to receive the additional funding increases that charter schools will continue to receive under the charter school funding formula.

- 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). This policy proposal caps the charter additional assistance dollars at the current level for those district sponsored charter schools and requires them to revert those schools back to traditional district schools.

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.

Homeowner's Rebate Cap

Caps the Homeowner's Rebate at 44% of the Qualifying Tax Rate (QTR). This will impact all taxing jurisdictions in the future if the QTR would have naturally gone above 44% because the funds needed will not be contributed by the state any longer. This means fewer dollars for school districts if the QTR were to ever go above 44%. It is currently at 43.6%.

- Background: The state pays a portion of each homeowner's school district primary property taxes, up to a maximum of \$600 per parcel through the Homeowner's Rebate. This program also pays for any portion of a homeowner's primary property taxes for all taxing jurisdictions (not just schools) that exceeds 1% of the full cash value of their home. Beginning in 2014, the state changed the rebate from a fixed amount of 40% to a floating rate that is calculated by the Arizona Department of Revenue. As a result the cost to the state's General Fund has grown as the calculated rate has increased from 40% to 43.6%. The reimbursement rate is projected to continue to rise, at a cost to the state's General Fund of over \$15 million per year. Governor Ducey's budget is capping the Homeowner's Rebate at 44% of the QTR.

1% Cap

Caps the state's portion of the 1% constitutional cap at \$1 million per county. 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. This will result in a reduction in the spending capacity of these school districts by those listed amounts.

- 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 policy recommendation in the Ducey budget specifically addresses those counties where the state is paying over \$1 million for this 1% cap (Pima and Pinal counties).

Fails to Appropriate Funds for School District Enrollment Growth

Governor Ducey's proposal provides \$55,235,400 for a predicted 4.5% increase in charter school Average Daily Membership (ADM). The Ducey budget predicts that district ADM (student growth) will be zero. Overall, the Ducey budget provides a 0.66% increase in student count for the fiscal year 2016 budget (this is a smaller number than the 4.5% since charter school students represent a much smaller proportion of the entire student count in Arizona). The legislature's budget analysts (JLBC) predict enrollment growth at 1.4% across the board (districts and charters) for a total cost of \$82.2 million. If the budget approved by the legislature uses the Ducey enrollment growth numbers and student enrollment turns out to be higher as JLBC predicts, then the state's budget will fall short and districts will need a supplemental appropriation in early 2016 in order to meet their funding needs for the 2015-2016 school year.