FY2020 Executive Budget Proposal

What does it mean for Arizona Educators?

It’s the end of the first week of the 2019 legislative session and Governor Doug Ducey has outlined his funding priorities for the Arizona Legislature. On Friday January 18, 2019, the Governor's Office released the FY2020-21 Executive Budget Proposal where education continued to be touted as the top priority issue. AEA has reviewed the Governor’s Education Budget Proposal and below we outline what Arizona educators need to know as the legislative session gets rolling. Bottom line, we have a lot of work to do to move the Governor on making SIGNIFICANT, SUSTAINABLE, and FAIR INVESTMENTS in our schools that meet the needs of our students.

AEA Principles for Solving Our Education Crisis

As a key stakeholder in the Invest in Ed coalition, AEA will review any education funding proposal in a way that measures whether or not the proposed plans meet our principles to resolve the crisis facing our schools. As we begin 2019, Arizona’s education system remains in crisis. There are still 1,700 teacher vacancies across the state, and nearly 1,000 teachers have decided to leave the classroom this school year alone. In order to finally resolve this crisis, we are need a budget and funding proposal that aligns with the following principles:

- Brings more than $1 billion per year into K-12 education, with additional resources to fund early childhood and higher education
- Includes a combination of revenue sources that will be sustainable over the long term
- Will make our education funding system fairer for low- and middle-income families
- Allocates money based on student needs in order to close the opportunity gap
- Provides transparency and oversight, without adding complicated new accountability systems

Required Baseline Investment in Governor's Budget

These are funding priorities that the Governor must meet. They include the annual inflation adjustment at 2% and student enrollment growth at 0.8%. Additionally, during Red for Ed in the 2018 session the Governor made long-term promises to K-12 education and is now obligated to fulfill those promises in his baseline investment.

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<th>$ in millions</th>
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<tr>
<td>2% Inflation Adjustment $140.4</td>
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<tr>
<td>0.8% Student Enrollment Growth $59.6</td>
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<tr>
<td>Additional 5% Teacher Pay Increase $164.7</td>
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<td>Year Two: District and Charter Additional Assistance $67.8</td>
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<td>Other Adjustments in Funding Formula $-50.6</td>
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<tr>
<td>Eliminate One-Time Funding for Gifted Ed and Code Writers $-1.5</td>
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<tr>
<td><strong>Total Cost of Doing Business</strong> $380.4</td>
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Grants and Incentives to Select Schools (Vary Year to Year)

These are funding initiatives that the Governor has outlined as new or expanded programs from prior years. They include the Governor's Results-Based Funding Initiative, which continues to double down on high-stakes testing.

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<tr>
<td>Results Based Funding Expansion $59.7</td>
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<tr>
<td>Career and Technical Education Incentive Program $10</td>
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<tr>
<td>School Resource Officers $9.3</td>
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<tr>
<td>School Counselors and Social Workers $6</td>
</tr>
<tr>
<td>New School Construction $137.6</td>
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<tr>
<td>Building Renewal $28.4</td>
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<td><strong>Total Grants and Bonuses</strong> $251</td>
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Administrative Additions
There are several administrative expenses that the Governor is proposing to include in the budget. These include staff hiring for state agencies and research.

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<tr>
<td>ADE Audit and School Safety Study</td>
<td>$0.6</td>
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<tr>
<td>Charter Board Staff</td>
<td>$0.8</td>
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<tr>
<td>Civics Curriculum Development</td>
<td>$0.5</td>
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<tr>
<td><strong>Total Administrative Additions</strong></td>
<td><strong>$1.9</strong></td>
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**Total Proposed K-12 Budget** **$631.9**

***The amounts above do not include $3 million that the Governor proposes for the ADE automation system from the ESA account and $25 million for a supplemental appropriation for building renewal grants in FY2019.

Finally, the Governor’s budget includes a $21 million appropriation for the Arizona Teachers Academy which began as an unfunded mandate to the state’s three universities.

K-12 Education

The Cost of Doing Business in the Era of Red for Ed

Permanent 15% Teacher Salary Increase
Building on the 10% teacher salary increase that Red for Ed secured during the 2018 legislative session, the Governor’s proposal includes an additional $164.7 million for a total of $470.7 million to fund the permanent 15% salary increase. This funding remains permanent as the proposal maintains it in the base level, which is adjusted for inflation each year going forward. The definition of teacher remains narrow and is limited to “teachers who taught in an Arizona school district or charter school during the 2018-2019 school year and who teaches at the school district or charter school during the 2019-2020 school year.”

District and Charter Additional Assistance
The proposal maintains the Governor’s obligation to increase the ***Basic State Aid formula or District Additional Assistance (DAA) and Charter Additional Assistance (CAA). In FY2020, there is an additional $68 million appropriated to raise Additional Assistance to $168 million. ****The Governor’s proposal maintains the full restoration of $371 million in Additional Assistance by FY2023.

Below is the projected spending in Additional Assistance:
- FY2020: $168 million total ongoing funding
- FY2021: $236 million total ongoing funding
- FY2022: $303 million total ongoing funding
- FY2023: $371 million total ongoing funding

***In FY2016, Governor Ducey cut $113.5 million in district additional assistance. This was an approximate loss of $135 per student and an overall loss of $352.4 million (or an 83% funding cut) when district additional assistance formula cuts were factored in.

****They intend to advance appropriate the funding in future budgets, however, because the current Governor and legislature cannot control what future governing bodies will do, this is not guaranteed funding.

New School Construction and Building Repairs
The Executive Budget proposes $92.1 million for the construction of seven new schools in districts that reached capacity in 2019. Those districts include: Chandler Unified, Douglas Unified, Maricopa Unified, Pima Unified, Safford Unified and Somerton Elementary (two schools).

Additionally, the Governor proposes returning to the previous process for approving new school construction, where elementary schools would be approved two years prior to reaching capacity, and middle/ high schools would be approved three years prior. This change in the new school construction approval process results in five new schools being awarded in FY2020, so the Governor includes $98.8 million in his proposal. The five additional schools would be built in the following districts: Laveen Elementary, Vail Unified (two schools), Yuma Union and Sahuarita Unified.

Governor’s Grants and Incentive Programs

Results-Based Funding Expansion
The Governor continues to grow his Results-Based Funding program that rewards “high-achieving schools” with funding for performing well on standardized tests. The proposal includes an increase of $59.7 million for a total of $98.3 million appropriated for the expanded Results-Based Funding program.
The proposal transitions the funding model from awarding funds to schools scoring in the top 10% of A2MERIT, to now funding schools who receive an “A” or “B” letter grade in the state accountability system. Low-income schools (where 60% or more of the students qualify for free- and reduced-lunch) that receive an “A” letter grade will be awarded $400 per pupil, while low-income schools who receive a “B” letter grade will receive $225 per pupil. High-income schools (where less than 60% of the students qualify for free- and reduced-lunch) that receive an “A” letter grade will be awarded $400 per pupil.

AEA has opposed Results-Based Funding since its inception in FY18 because it expands inequities across school districts. High-achieving schools likely already have enough resources available to them, while struggling schools do not. AEA would rather see this $98.3 million invested in schools that need additional resources or in the base level to continue raising all schools, not a select few.

Career and Technical Education
Governor proposes the creation of a ***$10 million incentive program for Career and Technical Education Districts (CTED), offering up to $1,000 for each high school student who graduates with a specific industry certificate. The Arizona Commerce Authority (ACA) will designate the qualifying industry certificates based on in-demand employment sectors. These currently include: manufacturing, business and financial services, healthcare, construction and information technology.

***In FY2015, Governor Ducey continued the funding cuts to large CTEDs (those with 2,000 students or more) by only funding 95.5% of the formula. This proposal does not restore the funding for 9th grade.

School Safety Plan
Governor will re-introduce the Arizona Safe Schools Plan that he attempted to get approval for during last session. His proposal includes expanding the grant-based School Safety Program managed in the Department of Education with $9.3 million to fund the 89 schools who applied for School Resources Officers, but did not receive funding. Additionally, he creates a new, similar, grant-based program for school counselors and social workers with $6 million in funding. Finally, the Governor proposes $250,000 for the School Facilities Board to study national best practices in school safety. The results of the study are expected to provide clearer guidance on the most effective physical and virtual infrastructure modifications needed to improve school-site safety.

Charter School Oversight and Accountability
Governor proposes $785,500 for the State Board for Charter Schools to hire 10 staff members to increase financial oversight over Arizona charter schools. The funding will increase the frequency of site visits to schools from once every five years to once every three years.

Higher Education
Arizona Teachers Academy
The Executive Budget provides $21 million to the Arizona Board of Regents to distribute to universities and community colleges to fund the Arizona Teachers Academy. The proposal expands the Arizona Teachers Academy in four ways:

- Expand Eligibility: academy eligibility is no longer limited to education majors. Students majoring in Science, Technology, Engineering and Math (STEM) are now eligible.
- Four-Year Benefits: Students who participate in the Academy may request tuition reimbursement for up to four years, with priority provided to juniors and seniors.
- $1,000 Stipend: Annual incentive stipend for students who agree to teach in STEM, special education, low-income areas and tribal and rural communities.
- Broadened Participation: Expanded to include non-resident and community college post-baccalaureate students.

Conclusion
The Red for Ed movement has heavily influenced the education funding debate in Arizona. It shows in the Governor’s proposal that he has no choice but to fulfill the commitments he made to educators during the 2018 legislative session. However, the Governor continues to miss the mark on truly meeting the needs of the Arizona’s students and educators. His proposal lacks a long-term vision for Arizona schools and does little to resolve the ongoing crisis in our schools. AEA is prepared to work with anyone to resolve the education funding crisis in our state, including the Governor.

Additional Budget Documents and Resources
- Governor Executive Budget Presentation
- FY2020 Executive Budget Summary