

Education Budget Summary

Fiscal year 2014-2015 (July 1, 2014 – June 30, 2015)

As passed the Arizona House & Senate on April 7, 2014

The Arizona House and Senate passed a fiscal year 2014 – 2015 budget on April 7, 2014. The budget bills were amended through a Conference Committee process and passed the House by a vote of 36 ayes – 19 nays (Republicans in support; Democrats opposed) and passed the Senate by a vote of 18 ayes – 11 nays (Republicans and Democrat Leah Landrum Taylor in support; all other Democrats opposed). The budget will now be transmitted to Governor Brewer. Governor Brewer is expected to sign each of the budget bills. The bills that impact education are: HB2703 (general appropriations bill), HB2711 (higher education reconciliation bill) & SB1488 (K-12 budget reconciliation bill).

Inflation funding increase

- Inflation increase of 1.4% to both base level and transportation component of education funding formula.
 - Increases the base level to \$3,373.11 (currently \$3,326.54). This is a \$46.57 increase per student.
 - The \$3,373.11 is the amount without the teacher compensation increase. [Teacher compensation increases the base level by 1.25% which sets the amount at \$3,415.27 for 2014-2015. Teacher compensation permits a district to increase its base level funding amount by an additional 1.25% if its teacher performance evaluation system receives approval from the State Board of Education in accordance with A.R.S. §15-952. Funds received by this increased budget capacity may be expended only for additional teacher compensation. At this time, all districts in Arizona receive the 1.25% teacher compensation increase to the base level.]
- *The AEA’s ongoing lawsuit regarding a proper inflation adjustment is not met in this budget. The AEA is seeking a reset of the base level amount for the years in which no inflation was provided. Background on the lawsuit:*

The AEA and the Arizona School Board Association (ASBA) are currently suing the state in the case *Cave Creek v. Ducey* regarding inflationary increases to the base support per pupil funding level. The Arizona Supreme Court ruled in September 2013 that under Proposition 301 (voter approved in 2000) the state must adjust the K-12 base level annually for inflation. The base level serves as the starting point for computing formula funding for Arizona’s public schools. For the current fiscal year (2013-2014) the base level equals \$3,326.54. If always inflated under Proposition 301 it instead would equal \$3,559.62 for this current 2013-2014 school year (a difference of \$233.08 per student). In the September 2013 ruling, the Arizona Supreme Court sent the case back to Superior Court to determine the state’s financial commitment for base level inflation adjustments not made in recent years. During those years, the state inflated the transportation and charter school additional assistance formulas, but did not also inflate the base level for traditional public K-12 schools. Here 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 Arizona Legislature).
- Column 3: What the appropriate inflation adjustment pursuant to A.R.S. 15-901.01 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

Student Success Funding

- Renames the Performance Incentive Fund the Student Success Fund (SSF) and appropriates \$21.5 million for the 2014-2015 school year. Provides a session law formula to distribute these funds based on a district or charter school's achievement profile, improvement category and high school graduation number. [JTEDs and districts and charters that provide instruction only in grades K-2 are excluded from receiving these funds.]
- Requires each eligible school district and charter school to establish a local level student success fund to receive these monies from the state.
 - School districts and charters must submit a report by October 15, 2015 to the ADE that provides an accounting of the expenditure of monies distributed by the SSF during the previous fiscal year. The ADE must then post on their website for each eligible school district and charter holder the per pupil amounts for the SSF, and the total amount of the SSF.

District Sponsored Charter Schools

- Appropriates \$24.5 million (of the needed \$33 million total cost) to provide the charter additional assistance amount to district sponsored charter schools for 2014-2015 school year.
- As permanent law, prohibits a school district governing board, the State Board for Charter Schools, the State Board of Education, a university, or a community college district from granting a charter to a school district governing board for a new charter school that begins initial operations after June 30, 2013 or for the conversion of an existing district public school to a charter school that begins initial operations after June 30, 2013.
 - This means the following school districts may continue to operate their district sponsored charter school because they 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)
- As session law (meaning for the 2014-2015 school year only), allows district sponsored charter schools that begin operations in school year 2013-2014 to continue to be sponsored and operated by the school district only through the 2014-2015 school year.
 - The following school districts are impacted by this: Buckeye Union (2 schools), Cottonwood-Oak Creek Elementary (1 schools), Crane Elementary (1 school), Dysart Unified (4 schools), Gadsden Elementary (1 school), Higley Unified (2 schools), Humboldt Unified (5 schools), Liberty Elementary (3 schools), Litchfield Elementary (4 schools), Maricopa Unified (6 schools), Mohave Valley Elementary (2 schools), Paradise Valley Unified (11 schools), Saddle Mountain Unified (1 school), Sierra Vista Unified (3 schools), Tanque Verde Unified (1 school), Toltec Elementary (2 schools), Tucson Unified (1 school), Vail Unified (the 3 additional schools that were converted in 2013), Washington Elementary (5 schools), and Wickenburg Unified (2 schools).
- For the impacted school districts, they will not be subject to the statutorily required lump sum repayment of the charter school additional assistance for converting their charter schools back to traditional schools.
- Sets a cap starting in fiscal year 2014-2015 that prohibits the average daily membership (ADM) of students in district sponsored charter schools from exceeding by more than 20% the ADM for all students who attended school district charter schools in the school district in fiscal year 2012-2013.

District Additional Assistance

- Continues the \$238,985,500 reduction to district additional assistance.
 - This reflects the current reduction in place, so districts will have next year exactly what they received this school year.
 - During last year's budget, the Arizona Legislature combined the soft capital and CORL funding formulas into a new per pupil amount called "district additional assistance."
 - Caps the sum of the district additional assistance reductions for school districts with fewer than 1,100 Average Daily Membership (ADM) at \$5 million.

Charter School Funding

- Increases the Charter Additional Assistance amounts by 1.4%. The per pupil amounts are:

- \$1,707.77 for students in preschool programs for children with disabilities through grade eight; and
- \$1,990.38 for high school students.
- The Arizona Department of Education is directed to proportionally reduce the fiscal year 2015 charter additional assistance amounts apportioned to charter schools by \$15,656,000, including the charter additional assistance amounts appropriated to school districts for district sponsored charter schools.

Accountability & Achievement Testing

- Appropriates \$18,223,600 for accountability and achievement testing. Of this amount, only \$8 million is new funding provided by the state. [The total breakdown is \$7 million from Prop 301 funds and \$11,223,600 from the state's General Fund.]
- Requires the State Board of Education before making any changes to the achievement testing program to submit the estimated fiscal impact to the Joint Legislative Budget Committee for review.

Education Data System

- Appropriates \$12 million to the Arizona Department of Administration for implementing, upgrading and maintaining the student longitudinal data system and the Education Learning and Accountability System. [These funds must be used to complete a significant portion of the replacement of the SAIS and provide a majority of school districts and charters with dashboards and other technology tools to measure student achievement.]
- Continues, for fiscal year 2015, to require each community college district and each state university to transmit \$6 per full-time student equivalent to the Education Learning and Accountability System by December 1, 2014.

K-6 Technology-Based Language Development Literacy Intervention Pilot Program (for English Language Learners)

- Requires the State Board of Education (SBE) to develop a two-year K-6 Language Intervention Pilot Program and application procedures and selection criteria for school districts and charter schools that voluntarily decide to participate.
- Requires the SBE to submit a Request for Proposals (RFP) to educational technology providers for the delivery of technology-based language development and literacy interventions software to be made available to K-6 students who are identified as English Language Learners (ELLs).
- \$300,000 shall be used in fiscal years 2015 and 2016 for the purpose of providing payment to the educational technology provider selected by the State Board of Education. These funds shall come from the following accounts and be deposited into the K-6 Language Intervention Fund for the purpose of funding this pilot program:
 - Directs the Commission for Postsecondary Education (ACPE) to transfer \$546,800 by August 1, 2014 from the ACPE IGA/ISA.
 - Directs the Arizona Department of Education (ADE) to transfer \$53,200 in state general fund monies from the ADE Accountability and Achievement Testing Program.

Joint Committee on Broadband Expansion and Education Technology

- Establishes the 13 member Joint Committee on Broadband Expansion and Education Technology.
- Charges the Committee with reviewing the extent of available information on:
 - the availability of high-speed internet access within Arizona, particularly in rural areas;
 - the technological needs of school districts and charter schools, including infrastructure, internet connectivity, data security and information technology personnel;
 - federal programs relating to internet accessibility, including the federal e-rate program, and availability and access to federal monies, especially for rural districts;
 - the development of high-speed internet access in other states, including model governance structures; and
 - Arizona's current contracts for carrier services and telecommunications and the potential to incentivize the expansion of internet access throughout Arizona.

- Requires the Committee to submit a report of its preliminary findings by December 1, 2014 and a final report that includes recommendations to increase internet access to underserved populations, including best practices, funding sources and a model governance structure, by December 1, 2015.

School Emergency Readiness Pilot Program

- Requires \$100,000 of the \$3,646,400 appropriation to the Arizona Department of Education (ADE) for the School Safety Program to be used for the School Emergency Readiness Pilot Program.
- Directs school districts to submit applications to ADE by September 30, 2014 for participation in the Pilot Program. Requires ADE to select 3 school districts to participate by November 30, 2014.
- Directs school districts selected to participate to be provided and use a readiness and emergency management program incorporating the following:
 - education-specific emergency management software;
 - training of teachers and administrators in the readiness and emergency management program;
 - the development, implementation and maintenance of a comprehensive crisis plan for participating districts and their teachers and administrators.

Teach for America

- Appropriates \$500,000 for Teach for America. Of that amount, 50% must go to urban counties and 50% to rural counties.

Information Technology Certifications

- Appropriates \$1 million to the Department of Education for Information Technology Certifications.

JTEDs (Joint Technological Education Districts)

- Funds small JTEDS at 100% of funding formula. The large JTEDs (those with more than 2,000 students)—EVIT, West-MEC and Pima County JTEDs are funded at 95.5% of the formula.
- Appropriates \$500,000 for JTED performance funding. Requires the Arizona Department of Education (ADE) to allocate the JTED performance funding on a pro rata basis based on the actual costs incurred to secure industry credential assessments and examinations for eligible JTED students.
- Appropriates \$1 million to rural JTEDs for soft capital/equipment.

K-12 Rollover

- Continues to defer \$930,727,700 in basic state aid payments for fiscal year 2015 until fiscal year 2016. Appropriates \$930,727,700 in fiscal year 2016 for these deferred payments. Allows the State Board of Education to make the rollover payment no later than July 12, 2015. [This earlier payment requirement helps school districts with cash flow issues because it only requires them to “float their budget” or borrow money for two weeks into the fiscal year. Since the K-12 rollover is paid off for districts with less than 600 students, this only impact districts with more than 600 students.]

Vote detail for the large appropriation bill--HB2703 general appropriations bill

House vote on budget on April 7, 2014—Passed by 36 ayes to 19 nays (with 5 not voting).

Member Name	Vote	Member Name	Vote	Member Name	Vote
John Allen	Y	Lela Alston	N	Brenda Barton	Y
Sonny Borrelli	Y	Paul Boyer	Y	Kate Brophy McGee	Y
Chad Campbell	NV	Mark A. Cardenas	N	Heather Carter	Y
Demion Clinco	N	Doug Coleman	Y	Lupe Chavira Contreras	N
Jeff Dial	Y	Juan Carlos Escamilla	N	Karen Fann	Y
Eddie Farnsworth	Y	Thomas Forese	Y	Rosanna Gabaldón	N
Sally Ann Gonzales	N	Doris Goodale	Y	David M. Gowan Sr.	Y
Rick Gray	Y	Albert Hale	NV	Lydia Hernández	NV
John Kavanagh	Y	Adam Kwasman	Y	Jonathan Larkin	N
Debbie Lesko	Y	David Livingston	Y	Phil Lovas	Y
Stefanie Mach	N	Debbie McCune Davis	N	Juan Mendez	N
Javan "J.D." Mesnard	Y	Eric Meyer	N	Catherine H. Miranda	N
Darin Mitchell	Y	Steve Montenegro	Y	Norma A. Muñoz	NV
Justin Olson	Y	Ethan Orr	Y	Lisa Otondo	N
Jamescita Peshlakai	N	Warren Petersen	Y	Justin Pierce	Y
Frank Pratt	Y	Martín J. Quezada	NV	Bob Robson	Y
Macario Saldate IV	N	Carl Seel	Y	Andrew Sherwood	N
T.J. Shope	Y	Steve Smith	Y	Victoria Steele	N
David W. Stevens	Y	Bob Thorpe	Y	Kelly Townsend	Y
Michelle Ugenti	Y	Bruce Wheeler	N	Andy Tobin	Y

Senate vote on budget on April 7, 2014—Passed by 18 ayes to 11 nays (with 1 not voting). *Senator Leah Landrum Taylor was the only Democrat to vote for this budget.*

Member Name	Vote	Member Name	Vote	Member Name	Vote
Ed Ableser	N	Nancy Barto	Y	Carlyle Begay	N
David Bradley	N	Judy Burges	Y	Olivia Cajero Bedford	N
Chester Crandell	Y	Andrea Dalessandro	N	Adam Driggs	Y
Steve Farley	N	David Farnsworth	Y	Steve Gallardo	NV
Gail Griffin	Y	Katie Hobbs	N	Leah Landrum Taylor	Y
John McComish	Y	Barbara McGuire	N	Al Melvin	Y
Robert Meza	N	Rick Murphy	Y	Lynne Pancrazi	N
Steve Pierce	Y	Michele Reagan	Y	Don Shooter	Y
Anna Tovar	N	Kelli Ward	Y	Bob Worsley	Y
Steve Yarbrough	Y	Kimberly Yee	Y	Andy Biggs	Y