

## Arizona's Education Budget Cuts Explanation FY 2009 – FY 2012

- Soft Capital Cut: Soft Capital is funding that school districts use to buy furniture, technology, textbooks, and other equipment. This formula has been reduced in each of the last four budget cycles (FY 09, 10, 11, and 12). The total soft capital allocation in FY 2012 is \$23,988,100 for statewide use. This is a fiscal year reduction of \$188,120,700 overall. If the soft capital formula had been fully funded this school year, schools would have received \$211,108,800 for soft capital expenses.
- CORL Reduction: The Capital Outlay Revenue Limit (CORL) funding is for capital and/or operating costs. The FY 2012 budget reduced the statewide CORL budget by a total of \$98,864,800. Of this amount, districts and charters were advised to backfill \$35 million of this cut by using their federal Education Jobs Fund money. The remaining CORL budget in FY 2012 is \$153,403,700. In prior fiscal years, school districts used an average of 63% of their CORL funds for basic operating expenditures.
- Prop 301 Inflation: During the 2000 election, the voters of Arizona approved Proposition 301 which requires the Legislature to annually adjust the funding for public schools slightly upward to keep the pace with the rate of inflation. The Legislature has always complied with the voter's will until the Legislature failed to fund the inflator to our school's base support level in both the FY 2011 and FY 2012 budgets. Instead, the Legislature choose to only fund the inflation factor for transportation and charter school additional assistance. This resulted in a loss of funds of \$61,392,900 in FY 2011 and \$39,895,400 in FY 2012. The AEA is currently suing the Legislature for failing to fund the entire inflation factor.
- Retirement Contribution Rate Shift to Employee: The FY 2012 budget made a policy change to require employees to pay a 53% share of the retirement contribution rate, and employers to pay a 47% share. Historically, this contribution has always been split equally with employees paying 50% and employers paying 50%. In addition to making this shift, the Legislature actually reduced basic state aid funding to schools in FY 2012 by the amount of the estimated savings in order to capture the money as a state savings. Thus, school budgets were reduced by \$32,714,800 statewide through this change, and the money was reverted back to the state's general fund. The AEA is currently suing the state on this issue.
- Eliminate Full Day Kindergarten Funding: The FY 2011 budget eliminated funding for the statewide full-day kindergarten program. This was a loss to schools of approximately \$218.3 million annually. Districts must pay for the program out of other funds or charge parents for the program. In some cases this can be up to \$4,000.
- Base Level Reduction: The base level is the standard amount provided for all students. In FY 2009 the base level was reduced, resulting in a \$98 million across-the board cut to K-12 education. This cut was made at the end of January 2009, leaving schools scrambling to make a large reduction to district budgets with only five months left in the fiscal year. In rectifying a shortfall in funding for schools in the FY 2011 budget, the Legislature reduced state aid to all school districts and charter schools by a total of \$100,566,869. Schools were told to use their federal Education Jobs Fund money to backfill this loss of funding. [Note: Arizona received \$207,657,300 in August 2010 from the federal government through the Education Jobs Fund program. These monies were targeted for use by schools for salaries, benefits and other general operating expenses.]

*Source: Arizona Education Association*

- Career Ladder Phase Out: The Career Ladder Program is a nationally-recognized performance based pay program in place in 28 of Arizona's school districts. The FY 2012 budget phases out this program over five years by reducing funding to it by 20% each year. In addition, the budget also repealed the statewide teacher performance pay plan in statute. This formula would have phased in Career Ladder funding for all school districts and charter schools by the end of FY 2018.
- Eliminate 9<sup>th</sup> Grade JTED funding: The FY 2012 budget eliminated state funding for ninth graders in JTED programs. Districts are permitted to serve ninth grade students using their local tax base (QTR) monies only.
- Charter School Additional Assistance: Charter schools receive an additional formula amount known as "additional assistance" in lieu of other funds that traditional school districts receive.
- Arizona Department of Education (ADE) Lump Sum Reduction: Reductions to ADE's budget that the Superintendent of Public Instruction is in charge of allocating.
- No Early K repeating: State law allows a student to be admitted to kindergarten before they are 5 years old. The law was amended to state that no student may repeat kindergarten if they started early. They must move on to first grade. Since kindergarten receives a funding weight (currently half an ADM), fewer students in kindergarten meant an \$11 million loss in funding in FY 2010. This freeze has continued.
- Roll back FY08 Math/Science Increases: The FY 2008 budget included \$1.9 million for the State Board of Education to increase the number of math and science teachers in the state. This money was eliminated in FY 2009.
- Achievement Testing Fund Shift: This money is provided by Proposition 301 for school accountability purposes. In FY 2010 – 2012, this money is shifted away from other school accountability activities and used to pay for the AIMS exam.
- Suspend Non-Formula Programs: In FY 2010, all non-formula ADE programs except for vocational education grants and school safety were eliminated. In FY 2011, the school safety program (\$4,028,000) was also eliminated. Non-formula programs include adult education and GED classes (\$1.7 million), gifted support (\$726,800), family literacy classes (\$360,200), early childhood education block grant (\$6,515,600), vocational education extended school year (\$238,500), AIMS intervention, dropout prevention program, and school accountability measures (such as solutions teams assigned to help underperforming schools).
- Excess Utilities: Until 2009, school districts were allowed to levy an additional property tax to help pay for utility costs that continue to increase. At the end of FY 2009 that authority expired (on July 1, 2009). The Legislature enacted a new formula, but failed to fund it, meaning that school districts have been forced to absorb between \$85 and \$100 million each year in increased utility costs with no additional funding. In the FY 2012 budget, the Legislature repealed the new utilities formula entirely.
- SFB Building Renewal: Under Students FIRST, passed in 2000, the Legislature is obligated to provide funding for preventative maintenance of school buildings in order to maintain adequate and equal facilities statewide. The Legislature has only fully funded the formula one time since 2000, and has not funded it at all in the past three fiscal years. This represents approximately \$234 million annually that is needed for repairs to school facilities that districts must either make themselves or risk their facilities becoming unsafe.

- **SFB New School Construction:** The School Facilities Board's (SFB) primary responsibility is to construct new school buildings for growing districts. Currently, districts qualify for new schools, but the Legislature has not funded the program. Until funding is provided for these schools to be built, these students will be in overcrowded classrooms. In FY 2008 the statewide cost to build schools through the new school construction formula was \$362 million.

#### **Other Issues**

- **K-12 Rollover:** Arizona is now rolling over \$952,627,700 of basic state aid payments annually. This means that state aid to schools currently consists of three deferred monthly payments from the prior fiscal year and nine (rather than 12) payments from the current fiscal year. Eventually these payments will need to be repaid as the practice is akin to borrowing on a personal credit card. The \$952,627,700 total rollover amount consists of the following: \$272,627,700 rolled over in FY 2008, \$330 million rolled over in FY 2009, and \$350 million rolled over in FY 2010.
- **Classroom Site Fund Losses:** Proposition 301 was passed by voters in the 2000 election. It established a 0.6% sales tax devoted to education. Each year, a portion of this tax is given to schools for teacher pay and other programs through the Classroom Site Fund. Due to the poor economy, sales tax collections have declined recently. Schools received \$500,932,700 in FY 2008. Schools are estimated to receive only \$290,213,500 in FY 2012, which is a \$210,719,200 decrease from what was received four years earlier. This significantly affects base pay and performance pay compensation.