

DEMOCRATS' BUDGET PROPOSAL

Proposal by the House and Senate Democrats

Released on Thursday, May 28, 2009

The Legislative Democrats propose to address the FY10 budget deficit through a combination of cuts, utilization of federal stimulus funding, and revenues.

Revenue

- Expands the sales tax base to include almost all existing exemptions (except for health care and food) while lowering the rate from 5% to 3.4%, thereby accomplishing revenue neutrality and avoiding a Prop 108 clause (which would require a two-thirds vote majority).
- Raises the qualifying tax rate (QTR) by \$1.50. This generates \$730 million for K-12 funding at the local level through a property tax increase, thus reducing the cost of education to the state's General Fund.
- Allows the school tax (state equalization property tax) to come back on line this year (generates \$250 million for FY10 budget).

K-12 education funding

- Continues all the K-12 cuts from the FY09 budget (passed on Jan. 31, 2009). This means that K-12 funding is automatically reduced the \$98.1 million to the base and the \$21 million in soft capitol.
- Fully funds the 2% inflation factor required by Proposition 301 (the 2% to the base level and the 2% to the transportation formula = \$110 million).
- Cuts soft capital an additional \$60 million (on top of the already lost \$21 million in capacity from FY09).
- Funds the utility formula passed last session for "excess utilities" at half the amount. (\$40 million reduction)
- Appropriates an additional \$33 million for the Structured English Immersion (SEI) line item, which provides funding for English Language Learners.
- Fails to appropriate any building renewal funding. (\$230.4 million cut)
- Addresses the October 15, 2009 basic state aid payment through a transfer of funds to the Budget Stabilization Fund ("Rainy Day Fund" monies)—this means that whatever amount of funding is not paid using cash balances above the allowed 4% from school districts' budgets to make the third rollover payment, then the state will cover the remaining payment to school districts so there is no reduction in revenue during the beginning of a new school year.
- Eliminates the early kindergarten program by providing no state funding in the second year for kindergarten students who are not 5 years old by September 1. (\$11.2 million cut)
- Eliminates the early graduation scholarship program. (\$4.68 million cut)
- Eliminates the homeowner's rebate for school districts' Career Ladder and TRCL budgets. This option disqualifies these programs from the homeowner's rebate funding, which requires districts to either cut the program costs or raise the local property taxes. (\$20.9 million "savings" to the state General Fund)

- Cap Average Daily Membership (ADM) at 1.0 based on the percentage of total time a student is enrolled in a school district, charter school, or Technology Assisted Project Based Instruction (TAPBI) Program. (\$12 million cut)
- Reduces the Arizona Department of Education's budget. (\$3.8 million lump sum reduction)

Federal Stimulus Funding

- Per the Governor's proposal for using all remaining federal stimulus monies in FY10, the Democrats make a one-time reduction to the K-12 baseline amount and then use the federal stimulus money to backfill this cut. (\$224 million from federal stimulus)