

REPUBLICANS' K-12 EDUCATION BUDGET

Passed by the Senate and House on June 4, 2009

Summary of 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 capital.
- Cuts soft capital an additional \$175 million (on top of the already lost \$21 million in capacity from FY09). School districts with fewer than 600 students will be impacted with only half of this reduction. Of the remaining \$22.9 million statewide allocation of soft capital funds, a district may use their local share for any operating expenses.
- Fails to fund \$102 million to the base level for the 2% inflation. Provides only the 2% inflator to the transportation formula (\$8 million).
- Eliminates the funding for the new utility formula that was passed last session for "excess utilities" (\$80 million cut to districts that previously levied for "excess utilities").
- Caps 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 Career Ladder program funding by 0.5% for FY10 (from 5.5% to 5%) and limits this program only to teachers who participated in FY09 (the 2008-09 school year. (This is a state general fund reduction of \$3.87 million.) In addition, repeals the new but unfunded teacher performance pay program that was established last session (the "Gilbert School District" proposal to provide the additional Career Ladder funding to all school districts).
- Continues the moratorium on new school construction but permits the School Facilities Board to issue up to \$100 million for new school construction in Qualified School Construction Bonds as authorized by the federal stimulus act.
- Repeals funding for classroom space for full-day kindergarten programs.
- Fails to appropriate any building renewal funding (\$230.4 million cut).
- Hard cap on desegregation funding at the 2008-09 level (\$797,900 cut). This is a permanent cap to deseg budgets at the prior year level and a prohibition to districts from increasing expenditures due to enrollment growth and inflation.
- 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). Exempts current kindergarten students from this provision.
- Reduces by half the Community College & High School "Dual Enrollment" Program (\$2.2 million cut).
- Permanently repeals rapid decline funding (\$2.2 million cut). Rapid decline funding temporarily assists districts with funding losses that otherwise would occur when a district experiences more than a 5% loss of its ADM count in a given year.
- Suspends the Early Graduation Scholarship Program for FY10 but continues to fund existing students with available fund balances (\$4.68 million cut).

- Reduces the basic state aid formula for the Technology Assisted Project Based Instruction (TAPBI) Program by funding it at 85% for part-time students and 95% for full-time students. Renames TAPBI the "Arizona Online Instruction" and expands the program statewide.
- Freezes JTED funding at the FY09 level and allows the two newly formed JTEDs to receive state funding.
- Eliminate the homeowner's rebate for school districts' Career Ladder, Desegregation 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. (\$48.3 million "savings" to the state General Fund)
- Continues the K-12 rollover into FY11 (\$602.6 million).
- Changes the state aid payment schedule in order to pay 1/12th of the annual cost each month and make each payment on the first day of the month. (Current law skips August and November payments, makes double payments in April and May, and makes all payments on the 15th of the month.)
- Reduces the Arizona Department of Education's budget (\$4.2 million lump sum suspension/reduction and \$692,400 in reduction to ADE personnel).
- Requires the Joint Legislative Budget Committee (JLBC) to factor in prior year shortfalls or surpluses when calculating the Classroom Site Fund per pupil amount.
- Limitation of tax rate increases for these 10 school districts: Ash Creek Elementary, Bowie Unified, Combs Elementary, Eloy Elementary, Hayden-Winkelman Unified, McNeal Elementary, Red Rock Elementary, San Simon Unified, Santa Cruz Valley Union and Superior Unified. Prohibits these governing boards from fixing, levying or assessing a primary property tax rate that is higher than the current year's rate. (\$800,000 "savings" to the general fund).
- Repeals the current sunset date for the corporate tax credit program to private schools. Now, this program will continue at an increase of 20% every year. The program is currently set to expire on June 30, 2011. It began in 2006 at a cost to the state of \$10 million, grew to \$12 million in 2007, grew to \$14.4 million in 2008, grew to \$17.28 million in 2009, and will grow to \$20.74 million in FY10—with an annual increase of 20% each year thereafter.
- Sweeps up to 10% of annual permanent fund receipts to manage state trust lands (for FY10 this amount is about \$9.8 million). This means that the state is removing its financial obligation to fund a state agency and is instead funding this portion of the Land Department by sweeping funds earmarked for the Education Trust.

Revenue

- Permanently repeals the school tax (state equalization property tax). This is a loss of \$250 million annually in revenue to the state that is used to fund basic state aid.

- Sweeps \$95 million from the vehicle license tax (VLT) in order to fund a portion of basic state aid. This funding currently goes to cities and counties for their general fund to provide services at the local level.

Policy changes

- Includes language that requires a teacher to repay a school district for the cost of a substitute teacher if the teacher engages in a lobbying activity.
- Removes current statute that requires a school board to notify a provisional teacher of nonrenewal by April 15; thus, there will be no date in statute set for this notification.
- Removes the contract dates (between March 15 and May 15) in which districts are required to offer teaching contracts for those teaching over three years. Thus, there will be no date in statute set for contracts and school districts will each set their own contract notification deadline.
- Eliminates the May 15 statutory deadline for notice of salary reduction. Instead allows each school district to set its own salary reduction deadline for teachers.
- Prohibits a school district from adopting policies that provide employment retention priority for teachers based on tenure or seniority.
- Permits a school board to establish their own qualifications for the superintendent of their district and allows a school board to hire a non-certificated superintendent.
- Requires every school that offers full-day kindergarten to offer meaningful half-day kindergarten if there are enough students at the school to fill an average-sized class. Permits districts to charge tuition for full-day kindergarten if they eliminate the program in FY10 due to budget reductions.

Local funding

- Permits districts to use Class B bonds for furniture, equipment and technology. Bonds used for these items must mature within five fiscal years after the bonds are issued.
- Increases the maximum amount for a maintenance and operation (M&O) override from 10% of a school district's revenue control limit (RCL) to 15% of the RCL and repeals the ability for a school district to go out strictly for a 5% K-3 override. Thus, the current 5% capacity from a K-3 override would now apply to a general override amount of 15% total. This change gives high school districts the additional 5% capacity; however, it could make it harder for districts that currently have a K-3 override because the next time it was referred to the voters, it would have to be included in the district's general M&O override amount for an amount up to 15%. This could be very difficult to pass in areas. School districts with current K-3 overrides often go out during different election years for the K-3 override and at another time for an up to 10% M&O override. With this change, these districts would be forced to do both during the same election.