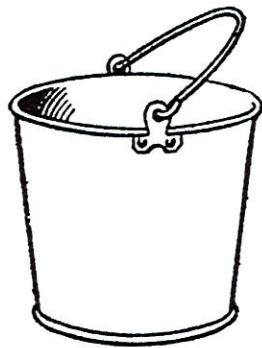


K-12 Funding's Three Sources = \$9.8 Billion

\$8,900 per student (1.1 Million K-12 students)

Local

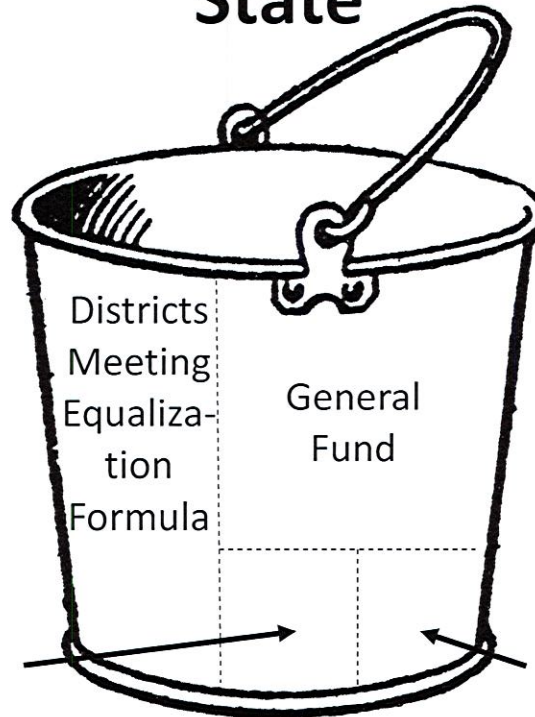


District Bonds and Overrides

\$1.6 Billion

\$1,400 per student

State



Prop 123 and Other

Prop 301, Classroom Site Fund

*State Revenues:
Basic Formula +
Voter Initiatives + Other*

\$6.9 Billion

\$6,300 per student

Federal



Federal Funds (such as Title I or special needs)

\$1.3 Billion

\$1,200 per student

A Review of Arizona's K-12 Funding Condition

State Revenues

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- Basic Formula (this includes Prop 123 money plus the recent 1.06% in teacher raises. Additional Assistance is part of this and in the current fiscal year reduced by \$352 million)

| | |
|---------------------------------|---------------|
| State share (general fund) | \$4.1 Billion |
| District share (property taxes) | \$2.2 Billion |
- Voter Initiatives

| | |
|---|---------------|
| Classroom Site Fund (separate sales tax and State Trust Land) | \$560 Million |
| Instructional Improvement Fund (gaming tax) | \$45 Million |
- Other State Initiatives (only to targeted schools)

| | |
|--|---------------|
| Results Based Funding (general fund) | \$37 Million |
| Full day K for high poverty schools (general fund) | \$8 Million |
| Rural Assistance (general fund) | \$2.6 Million |

Total State Revenues: \$6.9 Billion or \$6,300 per student

Local District Bonds and Overrides, wide variation

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- Budget Overrides for operational needs, like teacher pay (requires voter approval) \$487.6 Million
- Capital Overrides for capital needs (require voter approval) \$84 Million
- Debt Service on Bonds for capital needs (require voter approval and bonding capacity) \$718 Million
- Desegregation Levy to fulfill agreements with U.S. Office of Civil Rights (no voter approval, but districts must provide) \$208.5 Million
- Extremely Small District adjustment (no voter approval, property tax) \$28.3 Million
- Adjacent Ways (no voter approval, levy by the district) \$24.8 Million
- Dropout Prevention (no voter approval) \$5.8 Million

Total Local District Bonds and Overrides: \$1.6 Billion

(There's also \$53M in Public School Tax Credits raised by school districts and charters, though amounts vary by school, anywhere from \$0 per student to \$1,200+ per student. Technically, it's considered local money, but it's not through a property tax like the rest of these items.)

Federal Funds, vary by needs of each district

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- Title I for poverty students, Special Education, National School Lunch Program, etc. **\$1.3 Billion**

Total – all three sources \$9.8 Billion or \$8,900 per student.

Note 1.0 Just one example of why this can be so confusing. Key data collectors like AASBO and ATRA use different words to describe the same funding. One says the rates are a base formula consisting of the General Fund plus District Contributions and additional funding by districts that pass bonds and overrides. The other calls the two funding sources the Primary Rate and the Secondary Rate.

Note 2.0 Districts get money for capital from multiple sources. One source is District Additional Assistance that is part of the basic formula (the revenues come from a combination of state general fund and local property taxes). If their voters approve, they can also pass a capital override and/or a bond. DAA and capital overrides are for capital items like furniture, technology, textbooks but could include buses or a new roof. Bonds are traditionally for building a new school or major renovations of an existing school.

- a. Aside and separate from the above is the School Facilities Board, a state agency charged with building new schools. Theoretically, the SFB would be responsible for building all new schools, but because they don't have sufficient funding, districts still need to bond. They also administer a Building Renewal Fund which provides grants to districts that apply for money for building repairs. The revenue source for the SFB is the state general fund and during the recession its funding was virtually nothing. In the last few years, more money has been appropriated, but it is still not enough to fill all districts needs for new schools or major repairs. Charters are not subject to School Facilities Board building standards and receive no funding from SFB.

Note 3.0 Charter schools get more base funding since they do not have access to bond and override funding because they are not districts. Charters educate 15% of our kids, but consume 24% of the state portion of the budget.

Questions/Answers to Funding Summary

1. *Why do charters get more funding than traditional publics?*

Answer: The Legislature decided charters should get more base funding to make up for the fact they don't have the ability to pass bond and override elections. They are not districts and have no geographic voter constituency.

2. *What's the contribution from 301 funds to teacher salaries?*

Answer: In 2014 - \$4,810. In 2015 - \$5,034. In 2016 - \$5,315. So – more than 10% of current teacher salaries are funded by 301.

3. *What's the impact of funds required for special needs kids (called special education) and where does that show up?*

Answer: Depending on the type of disabilities that each child has (categorized as Group A (mostly mild) or B (severe)), the funding varies for each student. The combination of the number of students and their particular disabilities will have an impact on the average funding for a school and therefore the district. As an extreme example, a school like Arizona Autism will have average funding of \$25,000 or more per student. Not because the base funding for the school is any different than any other school, but because it serves, almost exclusively, students who are identified and funded for a severe disability. The revenue source for students with disabilities is the base formula (revenues are a combo of general fund and local property taxes) and federal funds.

4. *What about the effect of ESAs and STOs?*

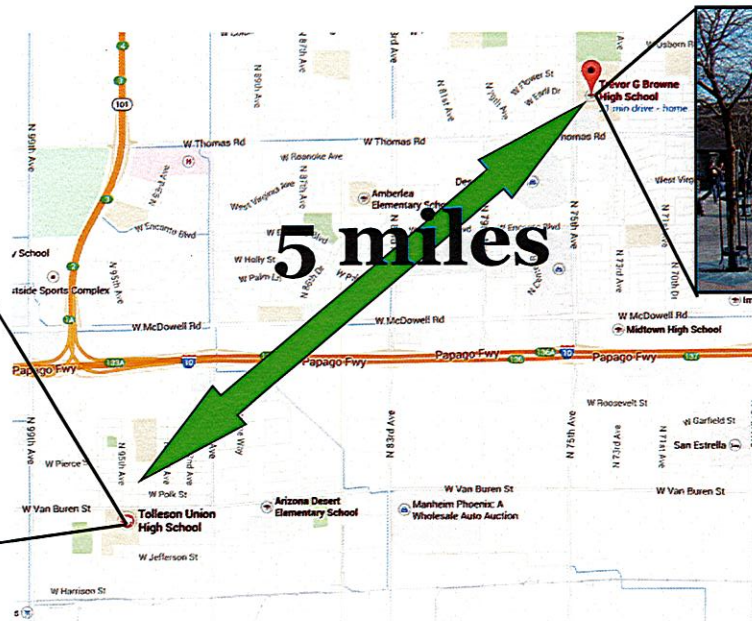
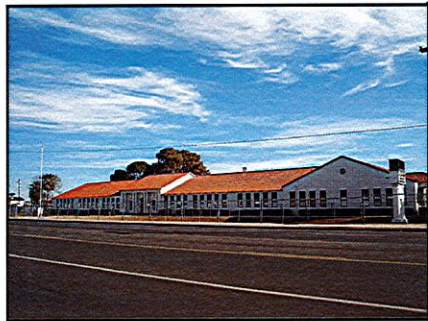
Answer: ESAs (Empowerment Scholarship Accounts) are vouchers that take money from the public system and give it to parents to help fund private school tuitions. STOs (School Tuition Organizations) are Arizona Department of Revenue approved tax exempt organizations that make tuition awards to individual students. Source of funds are corporations and individuals that take advantage of the tax credit. Most STOs take a 10% fee to perform this service. The cap for corporations is \$74.3 million in 2017 and \$89.1 million in 2018.



Examples of Inequity

Tolleson Union District

Phoenix Union District



Total Per Pupil Spending: \$7,558
Avg Teacher Pay: \$44k
Avg Teacher Exp: 8 yrs
Admin per pupil: \$654

Total Per Pupil Spending: \$10,365
Avg Teacher Pay: \$61k
Avg Teacher Exp: 13 yrs
Admin per pupil: \$932
Deseg money: \$55.8m

Per 2016 Auditor General report & ADE Supt Report

The taxpayer's watchdog for over 75 years