

Current-Year Funding

Classrooms First Initiative Council

November 19, 2015

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Arizona Department of Education



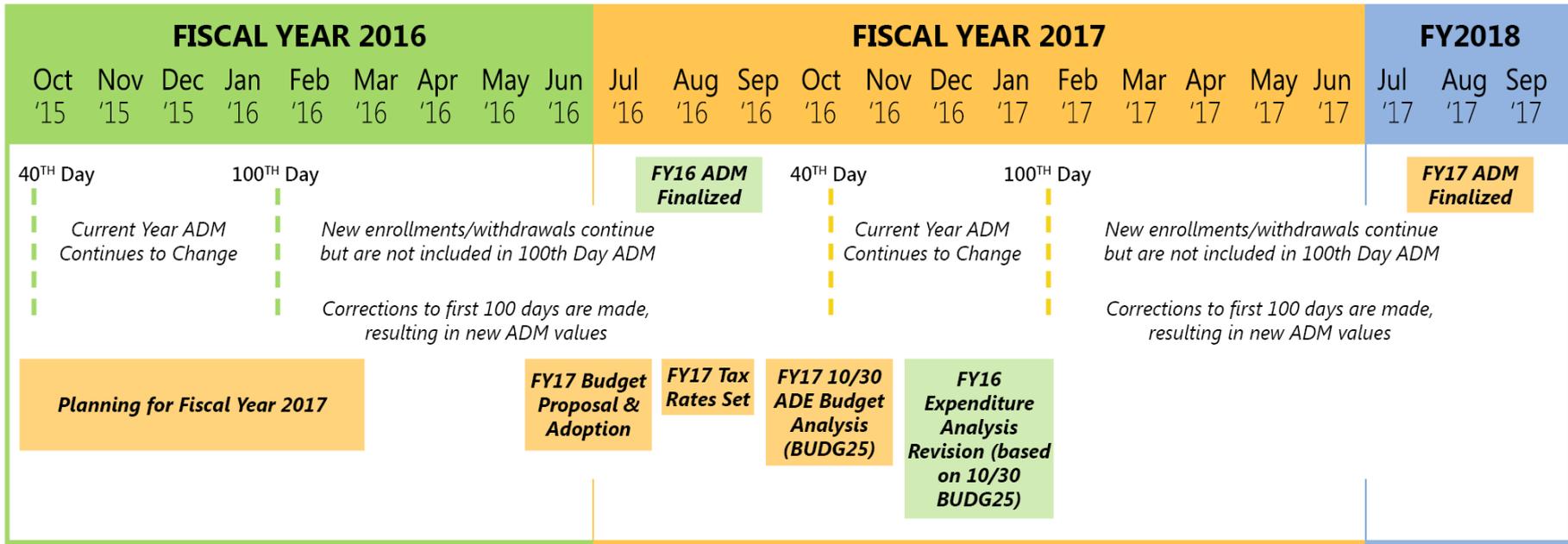
Road Map for Presentation

- Transition from prior-year to current-year funding for all school districts
- Impact of current-year funding on Arizona's IT system
- Only qualitative information will be provided
 - Fiscal impact will be provided to districts and the state on December 15, 2015.

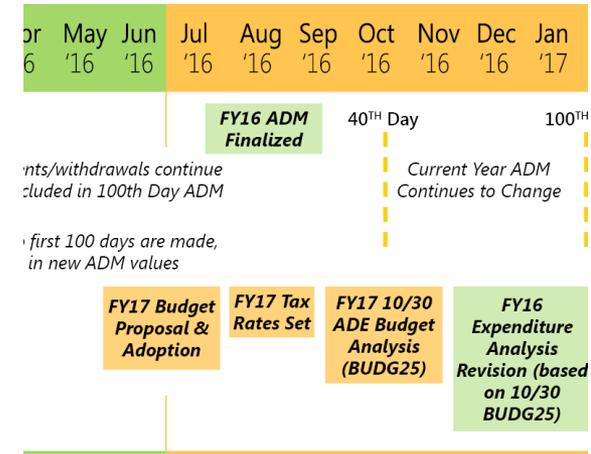
Moving to current-year funding?

- Beginning July 1, 2016, the student count – is defined as the average daily membership (ADM) for the current year
- The Arizona Department of Education will notify school districts by December 15, 2015:
 - How it plans to implement current year funding in FY17
 - Report the estimated fiscal impact by district

Timeline



Budgets Estimated

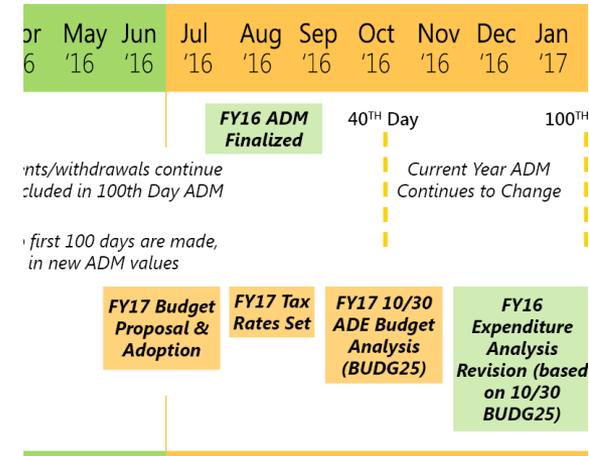


Impacts of Funding Model Transition

1. Prior-year funding is based on ADM from the prior school year under current year, basis is estimated ADM for upcoming school year
 - A. If school districts budget in excess of limit, expenditures/budgets must be reduced
 - B. Under current-year funding, changes will occur for **every** school district.
2. Renewal or nonrenewal of teacher contracts must be made prior to knowing the final budget
 - A. Once the budget is known:
 1. Existing teacher contracts must be honored
 2. It will be difficult to hire new teachers

Funding Implications

- State aid rollover
 - \$930,727,700 is being rolled over in July 2017 before knowing student count
- Lump sum reduction
 - \$380 million will be reduced before knowing student count
- Revenue control limit
 - Expenditure capacity in excess of the 4% limit is permanently lost
- Overrides
- Eligibility for small school adjustments now will not be known at budget proposal/adoption time



Property Tax Rates

Impacts of Funding Model Transition

1. Non-state aid school districts will receive inadequate or excess tax revenues (but county school superintendents must certify and report)
2. Inability to set tax rate higher than previous year
3. Homeowner's rebate and 1% cap will be effected

A Lost Year of Funding

Impacts of Funding Model Transition

1. Under prior year funding, students are paid for each year they attend school.
2. There will be a loss of one year of funding during the transition to current-year funding.
 - Schools will *not be paid* for their students from the 2015-16 school year.

School Year	2013-14	2014-15	2015-16	2016-17	2017-18
Student's Actual Grade	Kindergarten	1 st Grade	2 nd Grade	3 rd Grade	4 th Grade
Existing Prior-Year Funding Model		Kindergarten	1 st Grade	2 nd Grade	3 rd Grade
Transition to Current-Year Funding Model*		Kindergarten	1 st Grade	3 rd Grade	4 th Grade

**In this scenario, 2nd grade is not funded*

IT Impact: Prior-Year vs. Current-Year Funding

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Technical Implementation of Transition

- Current-year funding is feasible if necessary direction and approvals occur by February 2016.
- The current-year funding requirement would be added to AELAS School Finance Project Investment Justification (PIJ).
 - PIJ was approved by the JLBC in May 2015 for FY1
- Must defer current 2nd and 3rd quarter AELAS projects to FY17.
 - Approvals are needed by February 2016 from DGC, State Board, ITAC and JLBC

AELAS Impacts

- Current-year funding was not in the appropriated funds target for AELAS
- To accommodate current-year funding, AELAS scheduled and funded for FY16 will be deferred to FY17
 - Work includes modification of SAIS components of School Finance
 - Also included a web-based budget for districts to forecast ADM
- Large outreach effort required to prepare all districts for this transition to current-year funding
 - 37 percent of estimated cost would go to outreach

Risks of Transitioning

- 80% of SAIS School Finance components have not transitioned to AELAS
 - This high complexity equates to a high risk and high cost
- Testing and user acceptance prior to implementation is tied to availability of School Finance personnel
 - This is considered a medium risk and cost
- 20% of SAIS School Finance has already been converted to AELAS
 - This is considered low risk and cost
- Two major School Finance component modifications are a duplication of effort and cost (APOR and CHAR)