Understanding School Finance

Arizona Charter Schools Association

Goldwater Institute

Office of the Governor

Classrooms First
Initiative Council
June 26, 2015

Understanding Arizona's School Finance

CENTER FOR STUDENT ACHIEVEMENT

HOW ARE ARIZONA PUBLIC SCHOOLS FUNDED?

Technically, Arizona does not fund schools, nor does it fund students. Instead, the state provides funding to local school districts and independent charter holders that, in turn, distribute resources to their school sites. This graphic shows the various sources of revenue that fund our public schools. Core Funding is, for the most part, equitably provided to districts and charters. Supplemental Funding varies for each individual district or charter and is unreliable as the amounts can vary every year.

Each revenue source (circle) is shown relative to the size of all sources of funding. The shades of colors within each circle represent the proportion of each funding component.

CORE FUNDING

BASE AMOUNT

This is the starting point of the equalization formula, theoretically the same for every student in the state. The base amount is higher for almost all districts, since nearly all have the *Teacher Compensation 1.25%.*

Provided to all, amount varies

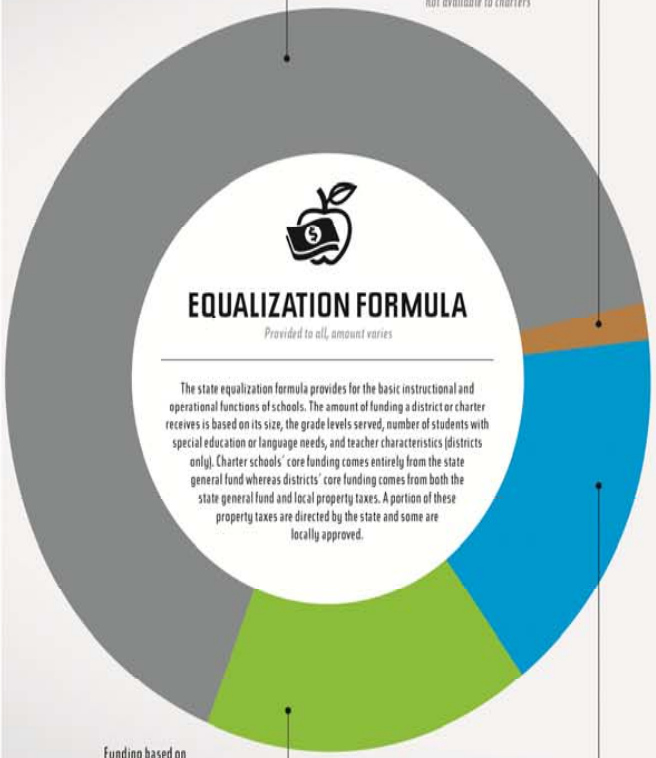
Funding based on

TEACHERS

TEACHER COMPENSATION 1.25%
To fund districts with approved teacher evaluation systems

TEACHER EXPERIENCE INDEX
To fund teacher compensation

Provided to some districts, amount varies, not available to charters



EQUALIZATION FORMULA

Provided to all, amount varies

The state equalization formula provides for the basic instructional and operational functions of schools. The amount of funding a district or charter receives is based on its size, the grade levels served, number of students with special education or language needs, and teacher characteristics (districts only). Charter schools' core funding comes entirely from the state general fund whereas districts' core funding comes from both the state general fund and local property taxes. A portion of these property taxes are directed by the state and some are locally approved.

Funding based on

STUDENT CHARACTERISTICS

Also known as Group A and Group B weights, these additional funds allocated based on the number of students with special educational needs, including English Language Learners, as well as the size of the district or charter (if under 600 students), and the grade levels served (elementary vs. high school).

Provided to all, amount varies

ADDITIONAL ASSISTANCE

Additional Assistance accounts for the largest difference in Core Funding between districts and charters.

CHARTER
Provides funds intended for:
- Transportation
- Technology and textbooks
- All capital needs, *including school buildings*

DISTRICT
Provides funds intended for:
- Transportation
- Technology and textbooks

Provided to all, amount varies

SUPPLEMENTAL FUNDING

Additional levies on the

LOCAL PROPERTY TAX

ADJACENT WAYS
Funds are used to pay for expenses related to new construction, e.g., safe egress or ingress from schools, creation and improvements of bus and fire lanes, or improvements to adjacent roadways.

DESEGREGATION
Provides funding to 19 school districts that are under a federal court order to rectify discrimanatory practices

DROPOUT PREVENTION
Funds activities in districts with high dropout rates to help keep students in schools.

Provided to some districts, amount varies; not available to charters

Revenue sources for

SCHOOL BUILDINGS

Funds are allocated from the state general fund to the School Facilities Board for new school building construction, building renewal, and debt service.

Available to some districts, amount varies; not available to charters

Additional property tax revenues based on

LOCAL ELECTIONS

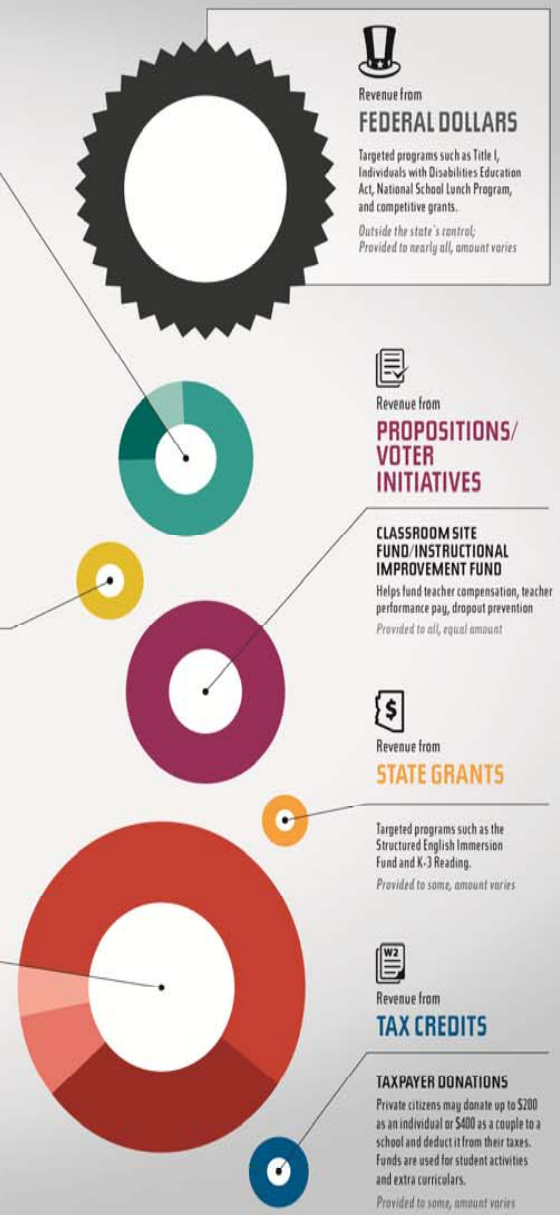
BONDS
Used for building school facilities

M & O OVERRIDES
Used to pay for teachers

CAPITAL OVERRIDES
Used for textbooks and technology

K-3 OVERRIDES
Fund early elementary education

Provided to some districts, amount varies; not available to charters



Revenue from

FEDERAL DOLLARS

Targeted programs such as Title I, Individuals with Disabilities Education Act, National School Lunch Program, and competitive grants.

Outside the state's control; Provided to nearly all, amount varies

Revenue from

PROPOSITIONS/ VOTER INITIATIVES

CLASSROOM SITE FUND/INSTRUCTIONAL IMPROVEMENT FUND
Helps fund teacher compensation, teacher performance pay, dropout prevention

Provided to all, equal amount

Revenue from

STATE GRANTS

Targeted programs such as the Structured English Immersion Fund and K-3 Reading.

Provided to some, amount varies

Revenue from

TAX CREDITS

TAXPAYER DONATIONS
Private citizens may donate up to $200 as an individual or $400 as a couple to a school and deduct it from their taxes. Funds are used for student activities and extra curriculars.

Provided to some, amount varies

Equalization Formula

- The state formula provides for basic instructional and operational functions of schools.
  - Funding is based on size, number of students (with special needs and language minorities) and teacher characteristics.
- Charter school funding comes entirely from the state's General Fund.
- District school funding comes from the General Fund, local property taxes, bonds, and overrides.

Core Funding- Equalization Formula

- Base Amount - Provided to all, amount varies
- Teacher Funds -
  - Experience: provided to some, amount varies, not available to charters
  - Compensation: to districts with approved evaluation systems
- Student Characteristics - Group A and B weights, provided to all, amount varies
- Additional Assistance - Accounts for the largest differences between districts and charters
  - Charter: transportation, technology, and textbooks, all capital needs
  - Districts: transportation, technology, and textbooks

Supplemental Funding

- Local Property Tax - additional levies provided to some districts, amounts vary
- School Buildings - School Facilities Board funds provided to some districts, amounts varied
- Local Elections - bonds and overrides (K-3, M&O and Capital) available to some districts, amounts vary
- Propositions/Voter Initiatives - provided to all, equal amount

Supplemental Funding

- State Grants - provided to some, amounts vary
- Tax Credits - individual contributions to some, amounts vary
- Federal Funding - outside of the state's control, provided to nearly all, amounts vary

Property Taxes in Arizona School Finance

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Vice President for State & Fiscal Affairs

GOLDWATER INSTITUTE

Where freedom wins.

June 26, 2015

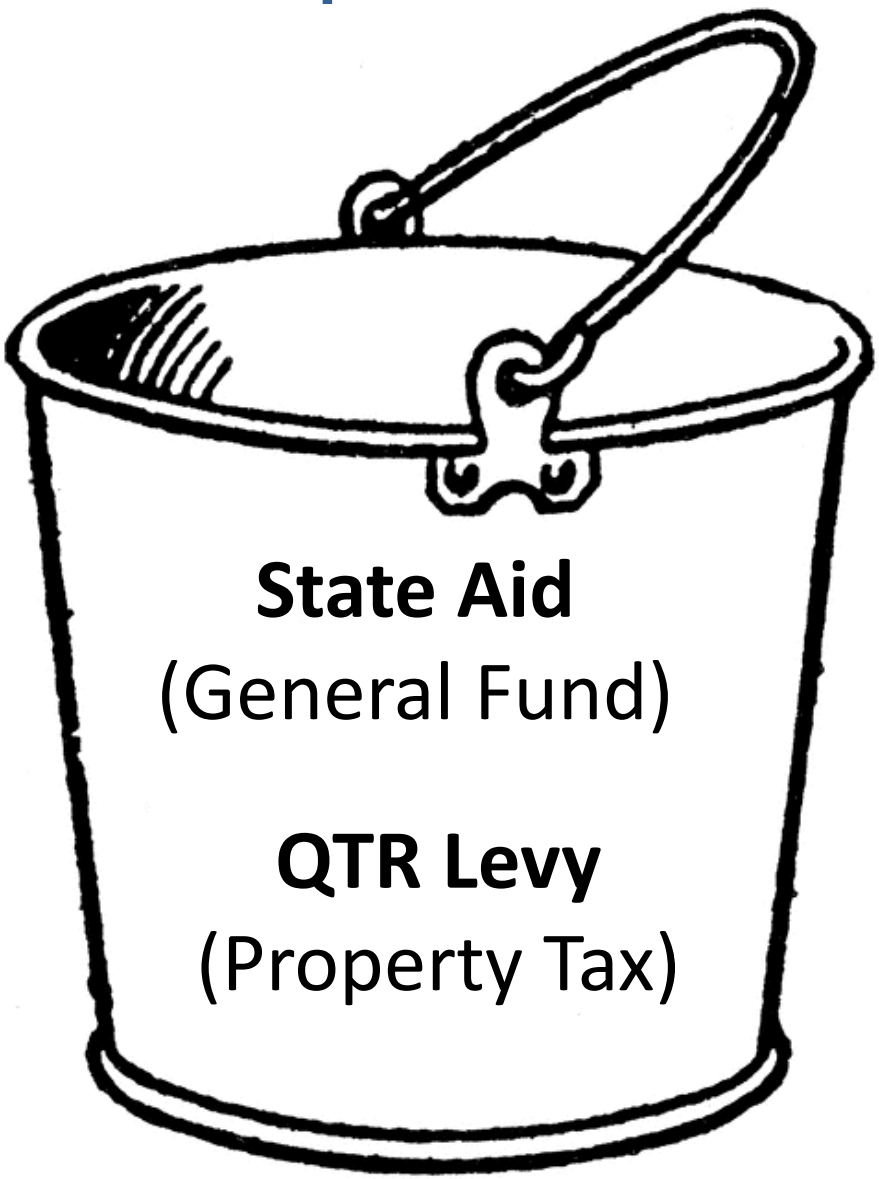
State control of K-12 property taxes

- Qualifying Tax Rate (QTR): determines the amount of equalization assistance school districts will receive
- State Equalization Tax Rate (SETR): a tax rate levied statewide helps fund equalization assistance
- Truth in Taxation (TNT): a formula that adjusts the QTR and SETR to reflect changes in the "current value of existing property"
- Homeowner Rebate: reduction in school district property taxes for owner-occupied homes, set by state law, $$ replaced by "additional state aid"
- 1% cap: Constitutional limit, effective tax rate of $10 per $100 of NAV, $$ replaced by "add'l state aid"

Variations on a theme

- Non State Aid Districts: When the QTR is sufficient to fund the budget
- MQTR: Applies to big property in little districts
- JTED QTR: 5-cent tax rate for technical education districts
- Unorganized Districts: ½ QTR if you're not in a district
- Career ladder tax rate: Phasing out

Equalized



Voter-approved, but not equalized

- M&O budget overrides (15% of RCL)
- Capital budget overrides (10% of RCL)
- General obligation bonds (10% or 20% of NAV)

Non voter-approved budget categories

- Desegregation/OCR
- Adjacent Ways
- Transportation: TRCL - TSL
- Small School District Adjustment
- Dropout Prevention
- Interest on Registered Warrants

School Accountability (A-F Letter Grades)

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SUPPORT. ADVOCATE. LEAD.

Accountability Requirements

A.R.S § 15-241

- Student-level performance indicators
- Models based on statutory requirements of half growth and half academic outcomes
- Includes other indicators of school performance

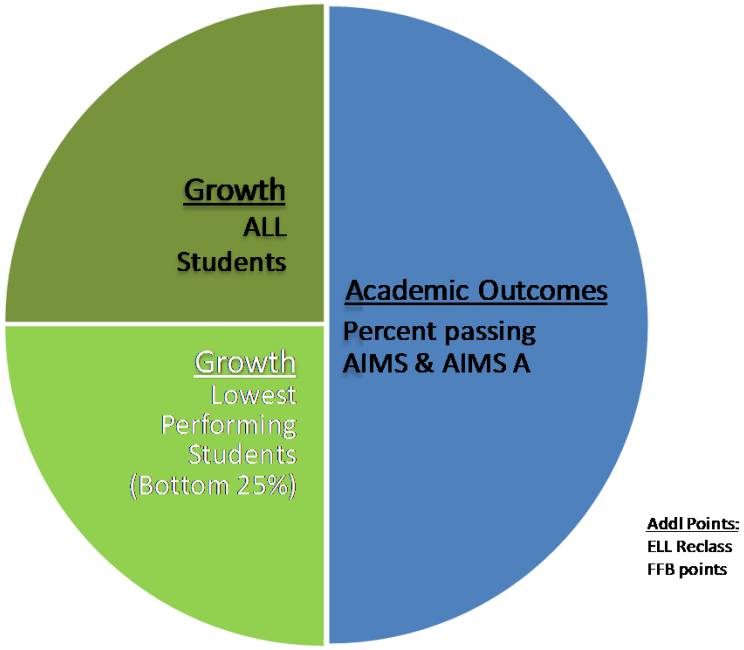
Accountability Requirements

Annual Measurable Objectives (AMOs)

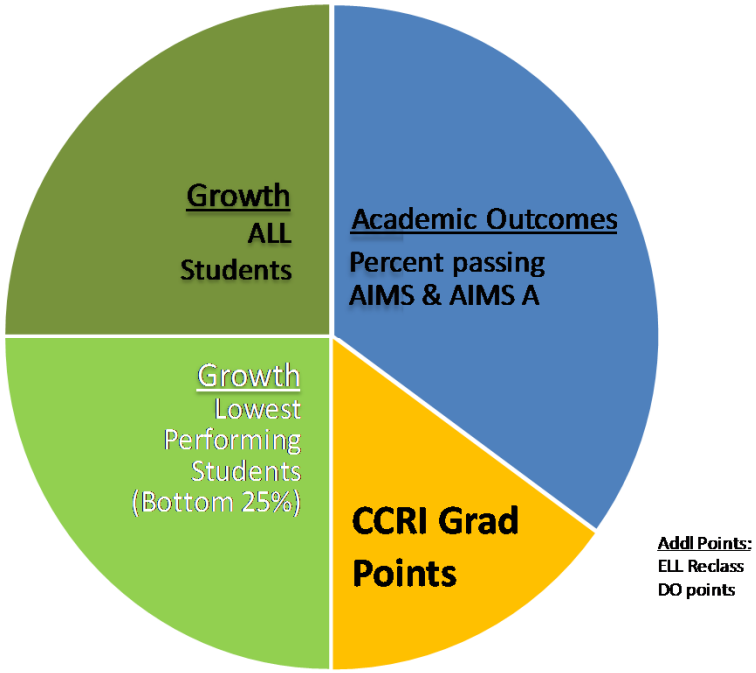
- Test 95% of all students;
- Unique yearly targets for subgroups;
- Annual increase in proficiency for all AZ students

Traditional Model

Elementary School 2013-2014



High School 2013-2014



Elementary Composite Score

Percent Passing

Spring 2014 AIMS & AIMS A

Reading & Math only

ELL

Reclassification

FY 2014 new AZELLA test scores

Students in any grade who test "Proficient"

FFB Rate – Elementary

2014 improvement over 2013 Grade 3 Reading

2014 improvement over 2013 Grade 8 Math

Average of 2014, 2013, & 2012 FFB Rate

High School Composite Score

Percent Passing

- Spring 2014 AIMS & AIMS A
- Fall 2013 (FY 2014) AIMS & AIMS A
- Reading & Math only

CCRI Graduation Component

- 4 & 5 year cohort rate
- 6 & 7 year cohort rate*

ELL Reclassification

- FY 2014 new AZELLA test scores
- Students in any grade who test "Overall Proficient"

Dropout Rate – HS Only

- FY 2014 rate

PROPERTY TAX RATES CONTROLLED BY THE STATE

Tax Year	State Tax Rate	State Eq. Rate	Total QTR	QTR Change	% change
1977	1.6000	-	-	-	
1978	1.1000	-	-	-	
1979	0.4800	-	-	-	
1980	1.2500	0.5000	5.2000	-	
1981	0.9500	0.5000	4.9600	(0.2400)	-4.6%
1982	0.7500	0.5000	4.7200	(0.2400)	-4.8%
1983	0.7500	0.5000	4.7200	0.0000	0.0%
1984	0.4000	0.5000	4.7200	0.0000	0.0%
1985	0.4000	0.5000	4.7200	0.0000	0.0%
1986	0.3800	0.5000	4.7200	0.0000	0.0%
1987	0.3800	0.5000	4.7200	0.0000	0.0%
1988	0.4700	0.5000	4.7200	0.0000	0.0%
1989	0.4700	0.5300	4.7200	0.0000	0.0%
1990	0.4700	0.5300	4.7200	0.0000	0.0%
1991	0.4700	0.5300	4.7200	0.0000	0.0%
1992	0.4700	0.5300	4.7200	0.0000	0.0%
1993	0.4700	0.5300	4.7200	0.0000	0.0%
1994	0.4700	0.5300	4.7200	0.0000	0.0%
1995	0.4700	0.5300	4.7200	0.0000	0.0%
1996	-	0.5300	4.4000	(0.3200)	-6.8%
1997	-	0.5300	4.4000	0.0000	0.0%
1998	-	0.5300	4.4000	0.0000	0.0%
*1999	-	0.5217	4.3308	(0.0692)	-1.6%
2000	-	0.5123	4.2530	(0.0778)	-1.8%
2001	-	0.4974	4.1294	(0.1236)	-2.9%
2002	-	0.4889	4.0592	(0.0702)	-1.7%
2003	-	0.4717	3.9166	(0.1426)	-3.5%
2004	-	0.4560	3.7862	(0.1304)	-3.3%
2005	-	0.4358	3.6180	(0.1682)	-4.4%
2006	-	0.0000	3.4788	(0.1392)	-3.8%
2007	-	0.0000	3.2040	(0.2748)	-7.9%
2008	-	0.0000	2.9244	(0.2796)	-8.7%
2009	-	0.3306	2.7452	(0.1792)	-6.1%
2010	-	0.3564	2.9594	0.2142	7.8%
2011	-	0.4259	3.5364	0.5770	19.5%
2012	-	0.4717	3.9168	0.3804	10.8%
**2013	-	0.5123	4.2530	0.3362	8.6%
2014	-	0.5089	4.2246	(0.0284)	-0.7%
2015	-	0.5054	4.1954	(0.0292)	-0.7%

*The Truth in Taxation (TNT) law was enacted in 1998, effective in 1999, providing a mechanism to adust these rates to offset changes in the current value of existing property.

** Prop 301 capped the QTR at the 2000 level.
The rate in 2013 would have been $4.2796 were it not for the cap.

The State Equalization Rate was suspended for tax years 2006 through 2008.
If the rate had been levied, it would have been adjusted for TNT.
What the rates would have been is shown below.

2006	-	0.4190
2007	-	0.3859
2008	-	0.3522