

# Equitable Funding Structure

## Working Group



---

Office of the Governor

# Welcome



---

Office of the Governor

# Redesign to Restore Equalized Base Funding

**AASBO, Goldwater  
Institute, Arizona  
Charter Schools  
Association**

---

Office of the Governor



# Equitable Funding Structure Work Group

August 13, 2015



**AASBO**  
Arizona Association of  
School Business Officials



# OBJECTIVE:

Phase-in structure of equitable K12 finance for a student-based allocation model

Redesign the system to restore an equalized base

- standardized property tax rates
- state general fund appropriations

that contributes to all public K-12 students



**AASBO**  
Arizona Association of  
School Business Officials



# State Funding Formula for 2014-15 School Year

		District		Charter	
	Elem.	H.S.	Elem.	H.S.	
Basic student count amount *	\$3,831.32	\$4,195.27	\$3,784.02	\$4,143.47	
Capital Outlay Revenue Limit and Soft Capital	\$450.76	\$492.94	N/A	N/A	
Transportation	\$235.00	\$235.00	N/A	N/A	
Additional Assistance	N/A	N/A	\$1,621.97	\$1,890.38	
Total Funding Level	\$4,517.08	\$4,923.20	\$5,405.99	\$6,033.85	
Group B Special Ed.		Same for Districts & Charters			
Difference from District	N/A	N/A	\$888.91 19.6%	\$1,110.65 22.6%	

Source AZ Association of School Business Officials

Note: Not included in the formula amounts are those items that come to school districts from local property taxes such as budget overrides, desegregation dollars, and other items outside the Revenue Control Limit (RCL) and funding provided by the School Facilities Board and School Bonding.

# Funding Unavailable to Charter Schools & Some LEAs

## Operational

K-3 Overrides	\$4,764,208
M&O Overrides	\$386,576,764
Desegregation*	\$209,889,989
Dropout Prevention**	\$5,775,403
Small School Adjustment	\$24,751,128

## Capital

Capital Overrides	\$76,057,060
Capital Debt Service	\$712,770,689
School Facilities Board Debt Service	\$64,000,000
Building Renewal Funds	\$30,900,00
Adjacent Ways	\$72,465,669
<b>TOTAL</b>	<b>\$1,587,950,910</b>
Average Per-Pupil (1.2M enrollment)	\$1,323.29

\*Limited to 19 districts

\*\*Amount frozen since 1999\no new districts; no additional funding

# **OPERATIONAL CONSIDERATIONS**

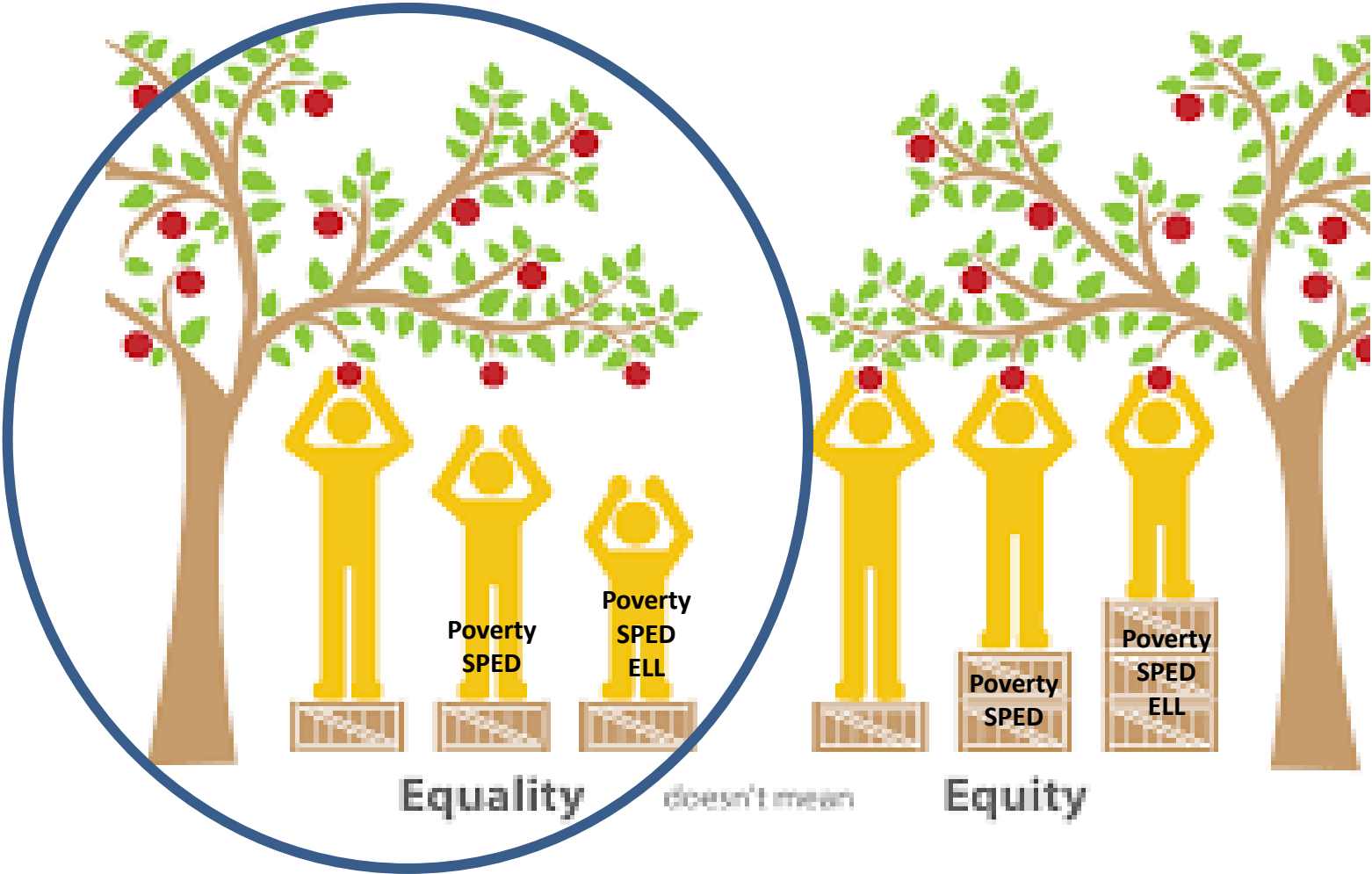
## **DEFINED AS: PAYING ONGOING EXPENSES ON AN ANNUAL BASIS**

Definition is flexible depending on a school's annual needs. For example, technology was considered a one-time fixed cost, but now may be included annually in a school's operational budget.

We are NOT discussing one-time costs such as buildings or facilities.



# Outcome: Equitable Funding Structure



Equalization Base Funding

+

Equitable Student Based Funding

# Equalization Base Funding Objectives

1. Uniform for public students
2. Defines state commitment to students- wherever they are enrolled
3. Addresses student needs
4. Equalized tax burden for the equalization base funding (overrides and facilities are not included)
5. State funding cannot control federal funding and other grants

# Current Inequities in Equalization Base Funding Formula

1. Teacher Experience Index (TEI)
2. Teacher Compensation\Evaluation (1.25%)
3. Additional assistance:
  1. District: transportation, technology and textbooks
  2. Charter: ALL capital, transportation, technology and textbooks
4. Small School Weight (?)
5. AOI (Online) (.95 full-time/.85 part-time)

# Weight Issues In the Equalization Base Funding

- Weight for grade level adjustment for high school and JTED.
  - Is it appropriate ?
  - Based on a study from 1970's which may not reflect current needs
- Special Education Funding-
  - Is it adequate based on population? Last report 2006-07
  - Is it properly structured to address extraordinary costs?

# Weight Issues In Equalization Base Funding Effects Distribution of Funds

Distribution of funds based on:

- Weighted Student Counts: Base support, CSF
- Unweighted Student Counts : Indian Gaming
- District and charter additional assistance is higher for high school students
  - District is adjusted also for size

# How does Arizona fund an equalization base?

Redesign the system to restore an equalized base\*

- Standardized property tax rates
- State general fund appropriations that contribute to ALL public K-12 students

\*JLBC support needed to get financial data

# Options: Tough questions!

- What is outside the equalization base to allow stable, predictable information for taxpayers?
  - Desegregation\Office of Civil Rights
  - Adjacent ways
  - Small school district adjustment
  - Transportation
  - Dropout prevention
  - Bonds & Debt Service
  - Overrides (K-3; M&O; Capital)
  - School Facilities Board Funding

# Options: Tough questions, continued!

- Do we need more state oversight?
- Do these items need to be brought into the equalization base? Or add as a weight? Or distributed through a grant program?
- What about student population growth?
  - Arizona has one of the highest projections for growth in the country, according to National Center for Education Statistics.
- Should differences exist if local communities want to increase support?



“If the options were easy political solutions, the student inequities would have been solved long ago!”

Your consultants.



**AASBO**  
Arizona Association of  
School Business Officials



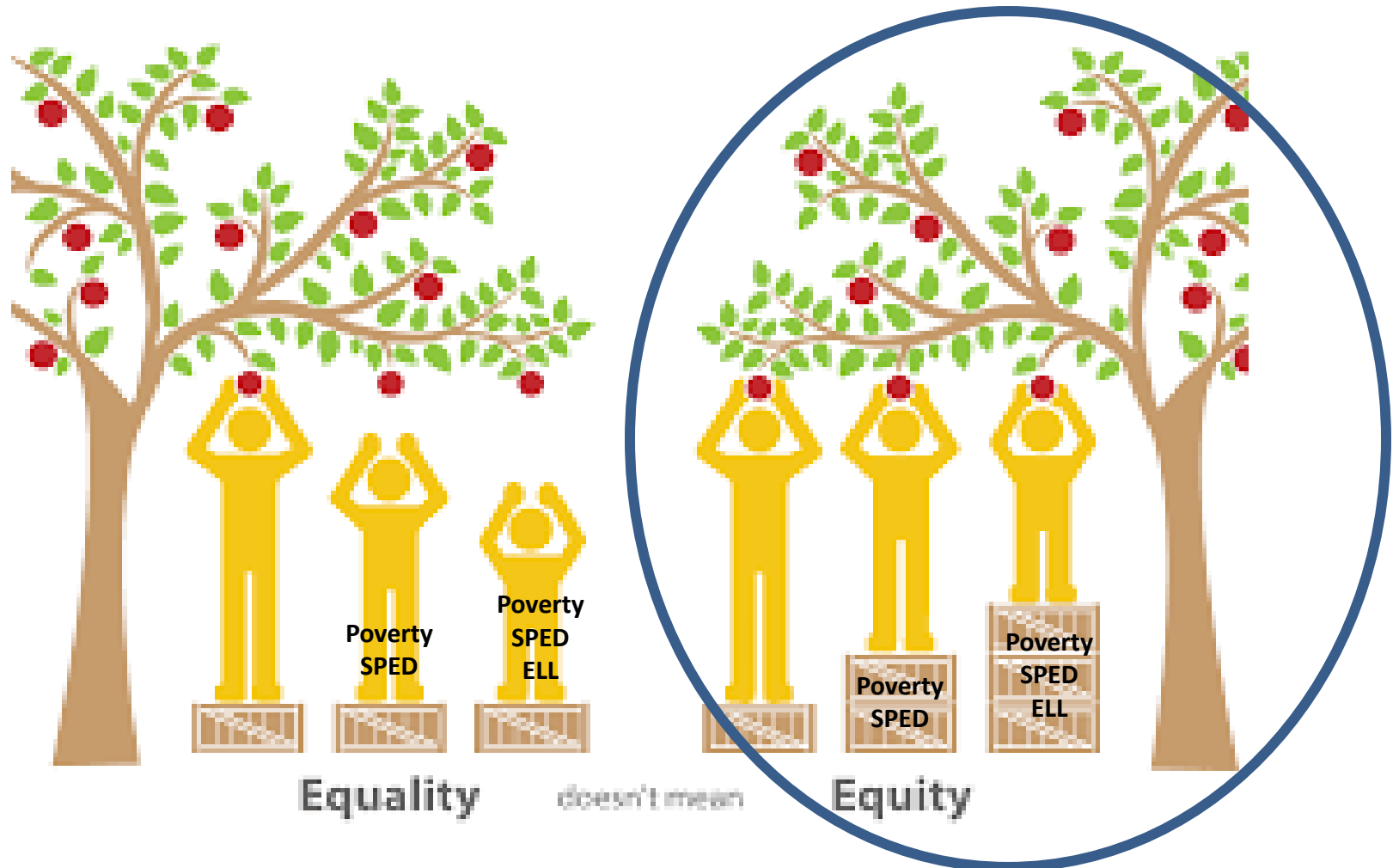
Next time:

**CAPITAL CONSIDERATIONS**

**&**

**EQUITABLE STUDENT-BASED FUNDING**

# Outcome: Equitable Funding Structure



Equalization Base Funding + Equitable Student Based Funding

# Equity Funding: Group “B” Considerations\*

## Equitable Student-Based Funding

- At-risk student weight
- 1% funding for highly impacted special education (i.e., CO)
- Full-day kindergarten funding (?)

\*Highlighting as part of our equalization base



# Adjourn



---

Office of the Governor