

[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Wednesday, May 25, 2016 2:14 PM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council  
**Attachments:** aca\_arizona\_classroom\_first.pdf

**Categories:** Daily Themes

Submitted on Wednesday, May. 25, 2016 2:13pm Submitted values are:

First Name: Aaron

Last Name: Coe

Phone Number: [REDACTED]

Email Address: [REDACTED]

Organization: Arizona Connections Academy

Comments:

Please accept the attached submission for the Classrooms First initiative on behalf of Arizona Connections Academy, an Arizona Online Instruction (AOI) authorized charter school. Thanks for the consideration.

Best,

Aaron

Documents: [http://education.azgovernor.gov/sites/default/files/webform/cfi/aca\\_arizona\\_classroom\\_first.pdf](http://education.azgovernor.gov/sites/default/files/webform/cfi/aca_arizona_classroom_first.pdf)



Jim Swanson, Chair  
Classrooms First Task Force  
Governor's Office of Education  
1700 W. Washington  
Phoenix, AZ 85007  
(submitted online)

Dear Mr. Swanson:

I am writing on behalf of Arizona Connections Academy ("ACA") in my capacity as President of the Board of Directors. In response to the call for proposals to inform the next phase of your work in examining the Arizona school finance formula, I want to call attention to an element of the funding equity challenge that might otherwise go overlooked.

ACA is one of many Arizona Online Instruction ("AOI") schools authorized to operate as a Charter School. We serve the unique needs of over 2000 Arizona students for whom online instruction is determined by their parents to be the best choice for their educational fulfillment. Like the other AOI's, Charters and Traditional School Districts, ACA has been challenged by the funding decisions that were made to help the State address its budget deficits. But the AOI's are further disadvantaged by a policy decision, made in 2009, to discount the funding to AOI's at 95% of what other schools receive for full-time programs (85% for part-time programs).

As the Task Force considers the various aspects of equity in funding students across different types and locations of schools, we respectfully request that you consider restoring AOI's to equal status with other schools, and stop the policy of discounting funding to AOI's that educate Arizona's children. We believe that funding should be based upon students and their individual learning needs and not based upon delivery method.

Online schools are full-service public schools with many of the same costs as their brick and mortar counterparts, including salaries, benefits, initial training, and ongoing staff development. An AOI school like ACA focuses the substantial majority of its funding directly on students – through teachers, staff, instructional support, curriculum, and technology. A quality virtual school is a complete public school, with a highly qualified, certified teaching staff; a comprehensive curriculum (including offline and print) aligned to state standards; student clubs, activities, and field trips; services for students with special learning needs; and complete accountability for student attendance and achievement, including performance on the state test. The number-one cost for a virtual school is its personnel – the teachers and administrators

with the additional cost of bringing the school directly to each of its students via cutting-edge technology.

ACA recently received a renewal of its Charter from the Arizona State Board for Charter Schools. The renewal process was rigorous and required extensive staff time to respond to the information requests of the State Board. The documentation associated with that renewal demonstrates the extent of the work that ACA – and other AOI's – must do to ensure the academic, financial and operational worthiness of our schools.

ACA educates in a student-centric and competency-based environment with individual attention and pace. Our delivery method may be different from other schools and our students and their needs may be unique but the expectations for successful student outcomes are the same for AOI's as they are for every other school in Arizona. A policy that allocates less to these students' education simply because they choose an online education makes it harder for their schools to meet Arizona's performance standards.

As the Task Force continues its work, I would be happy to provide additional detail about our school to further inform your deliberations. Thank you for your kind attention.

Sincerely,

Dr. Aaron Coe  
Board Chair  
Arizona Connections Academy

[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Thursday, May 26, 2016 11:05 AM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council  
**Attachments:** final\_azpe\_classrooms\_first\_submission.pdf

**Categories:** Daily Themes

Submitted on Thursday, May. 26, 2016 11:05am Submitted values are:

First Name: Brian

Last Name: Murray

Phone Number: [REDACTED]

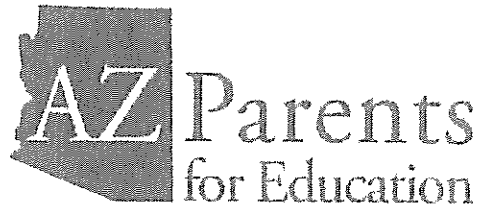
Email Address: [REDACTED]

Organization: Arizona Parents for Education

Comments: Attached please find a letter from our President with AZPE's proposal to make online families fully funded.

Documents:

[http://education.azgovernor.gov/sites/default/files/webform/cfi/final\\_azpe\\_classrooms\\_first\\_submission.pdf](http://education.azgovernor.gov/sites/default/files/webform/cfi/final_azpe_classrooms_first_submission.pdf)



May 27, 2016

The Honorable Doug Ducey  
Governor  
1700 W. Washington Street  
Phoenix, AZ 85007

Dear Governor Ducey and Members of the Classrooms First Initiative Council:

We write to you today as parents and about treating our kids with simple fairness. Governor, last year we were so honored when you used social media to put out a picture of yourself holding a sign that said #ITRUSTPARENTS, which was our social media campaign to engage and inform elected officials to remind them about the need for school choice and fairness in public education. For that we thank you!

For too long Arizona public school students who attend Arizona public schools online, do not get full or equal treatment on the issue of per pupil funding.

This came about through a negotiation with then Governor Napolitano and Senator Rich Crandall to intentionally fund our sons and daughters at a lesser amount with the promise that Governor Napolitano would allow for final passage of Arizona Online Instruction, which is now law.

However, this continued underfunding is simply unfair and does not address the underlying needs that our students face. For example, in a traditional brick and mortar school, students can all share a small group of microscopes, however in our schools every single student is mailed one to their home. These types of costs were never fully appreciated nearly ten years ago when online learning was in its infancy. But now we see a wide variety of schools, from districts, charters, hybrids and full time online schools being short changed on resources our kids need.

We would very much appreciate the opportunity to meet and present to you our vision how to make up the gap in funding so that our kids will be treated just like every other child in Arizona moving forward.

Earlier this year we were delighted to work with Senator Debbie Lesko on what a funding solution would look like in real terms. Senator Lesko, along with Education Majority Policy Advisor Matt Simon and JLBC Analyst Steve Schimpp worked on identifying the actual shortfall, and amount of equalization needed so that our children could receive equal treatment.

Below is a table created by JLBC which we believe accurately reflects the funding shortfall:

**Full Time AOI ADM**  
14,160.7 (districts and charters combined)  
X \$4,500 assuming full BSL funding per ADM  
\$63,723,200  
X 5% portion currently not funded  
\$3,186,200

**Part Time ADM**  
810.1 districts and charters combined  
X \$4,500 assuming full BSL funding per ADM  
\$3,645,500  
X 15% portion currently not funded  
\$546,800

Total = \$3,186,200 + \$546,800 = \$3,733,000

We also understand the difficult decisions that any body like yours must make. As parents we too have difficult choices, but above all else we put our kids first. Which is why every day we ensure our kids log in and attend class, do their homework, and we act as day to day learning coaches to help our kids as they learn at home, online. Trust me when I say it's not easy!

Working with the government is not easy either. We are parent volunteers who care so much about our schools we take the time to engage in the public policy process to help the thousands of families who do not have the time to do so, and I am proud to tell you that Arizona Parents for Education has over 7,000 members from across this great state.

We look forward to hearing from you and the opportunity to present to the council. Should you have any questions please don't hesitate to contact Brian Murray at 602-549-4580 with any questions. And check us out online at [www.facebook.com/azparents](http://www.facebook.com/azparents).

Again, thank you for your consideration.

Most sincerely,

A handwritten signature in black ink that reads "Robyn Jordan". The script is cursive and fluid, with the first letters of each word being capitalized and larger than the rest of the letters.

Robyn Jordan  
President  
Arizona Parents for Education

[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Thursday, May 26, 2016 1:23 PM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council  
**Attachments:** azaecproposalclassrooms1st.pdf

**Categories:** Daily Themes

Submitted on Thursday, May. 26, 2016 1:23pm Submitted values are:

First Name: Binky

Last Name: Jones

Phone Number: [REDACTED]

Email Address: [REDACTED]

Organization: Arizona Alternative Education Consortium

Comments: The Arizona Alternative Education Consortium is a grass-roots member association of personnel from alternative schools and alternative education programs at accommodation schools, districts, charters, county education service agencies, non-profits, community organizations, dropout recovery programs, and other dedicated stakeholders who support alternative education in Arizona. Our membership represents 100 schools and other organizations. The Arizona Alternative Education Consortium is the Arizona affiliate of the National Alternative Education Association.

Documents: <http://education.azgovernor.gov/sites/default/files/webform/cfi/azaecproposalclassrooms1st.pdf>





Arizona Alternative Education Consortium

## **Proposal to Classrooms First Initiative Council: Funding Alternative Education in Arizona**

### ***Introduction to Alternative Education***

Arizona statute and the State Board of Education have recognized that alternative education serves a **unique student population**. Alternative schools must have a **mission/charter that clearly identifies its purpose is to serve a specific student population** who will benefit from a nontraditional school environment. Nationally recognized characteristics of alternative education students include homelessness, students with disabilities, over-aged students, and/or students who have experienced traumatic life events. Recent statistics from the Arizona Department of Education show a higher special education population at alternative schools compared with traditional schools, 17% versus 8-10%. National research confirms that 14% to 20% of all students who attend alternative schools often have a learning disability, a significant mental health disability, and in many cases a dual diagnosis. Statistics from the Department of Juvenile Justice indicate that 64% of all students incarcerated and attending school in a juvenile justice facility have an identified disability. It is estimated that many more go undiagnosed due to school avoidance and disengagement. Education Commission of the States (2015) notes that at-risk special education students who also live in poverty are considered “catastrophic” and require a much higher level of support than other students require.

To qualify for alternative school status, each applying school in Arizona must annually certify with the Arizona Department of Education that 70% or more of its students are eligible.

Even though alternative education serves youth who may share some similar characteristics, diverse target student populations are schooled at various alternative schools, programs, and other non-traditional educational opportunities: ‘one size doesn’t fit all’. Most alternative high schools offer credit recovery. Some alternative schools recruit and successfully retain younger high school students by working with families to offer culturally appropriate support for first time high school graduation. Other alternative high schools serve over-aged students and/or re-engage former dropouts.

Each school fills a niche and requires properly trained faculty and staff, equipment, facilities, and unique flexibility to accommodate student needs.



Arizona Alternative Education Consortium

## ***20 to 1 Return on Investment for Arizona***

Alternative education in Arizona provides a **significant contribution to society** by providing educational opportunities. We have calculated a Return on Investment (ROI) for educating these high-risk Arizona citizens<sup>1</sup>.

**Arizona's Return on Investment for alternative education is 20 to 1. Arizona gets back at least \$20 for every dollar invested in alternative education.**

The cost to Arizona society of every citizen who does not stay in school and earn a high school diploma, or equivalent, is high. Twenty percent of young Arizonans never graduate from high school, and a similarly large percentage are disconnected from work and continuing education. The loss to Arizona includes:

- **Lost earnings**
- **Higher criminal activity**
- **Poorer health state**
- **Higher reliance on government programs**
- **Productivity loss**
- **Loss of tax revenue**

This loss per high school dropout is \$421,280 over a lifetime. When this figure is multiplied by almost 18,000 dropouts each year, the aggregate loss for Arizona annually is \$7.6 billion.

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<sup>1</sup> Return on Investment is calculated using numbers reported in WestEd. (2014.) *How Arizona's dropout crisis affects communities, Creates economic losses for the State of Arizona*, retrieved from <https://www.wested.org/resources/how-arizonas-dropout-crisis-affects-communities-creates-economic-losses-for-the-state-of-arizona-57172/>



Arizona Alternative Education Consortium

Funding alternative education saves Arizona taxpayer dollars in budget categories beyond the K-12 public education budget. Arizona's current budget allocates approximately:

- \$27 million to the Department of Juvenile Corrections. The Juvenile Transition project at the Maricopa County Ed Service Agency calculated an annual cost of \$50,000 to put a youth through the juvenile justice system. Alternative schools break the school to prison pipeline. Alternative schools specialize in schooling youth, after or in lieu of punitive measures.
- Arizona's budget to the Department of Corrections is over \$1 billion. Youth schooled at alternative education campuses acquire invaluable academic and agency/employability skills versus learning in prison anti-social savvy, like how to become a better criminal. Arizona saves money by investing in schools – rather than incarceration.
- Arizona will spend almost \$500 million on the Department of Economic Security. With an investment in alternative education schools, Arizona will see fewer citizens who require welfare support because young people will be prepared to enter the workforce and become productive, contributing citizens thus increase their earnings and pay taxes. The U.S. Census Bureau reports that a high school graduate earns, on average, \$10,346 more annually than a dropout does.
- Researchers at the University of Colorado, New York University, and the University of North Carolina at Chapel Hill recently (2015) reported findings that being a high school dropout puts an individual at higher mortality risk than smoking. Investing in schooling for youth helps individuals become productive, working citizens – less likely to need AHCCCS for healthcare.



Arizona Alternative Education Consortium

## **Proposed Funding within Guardrails of Report to Governor Ducey**

### ***Equitable Funding Structure***

In the Classrooms First Initiative Council's December 2015 *Report to Governor Ducey: K-12 School Finance Findings*, Findings 1 – 3 address an equitable funding structure.

The current school funding formula uses “seat time” of 100 days. This creates a burden for all schools - especially those who experience increased enrollment as the year progresses.

Most alternative schools accept students after the student's 100<sup>th</sup> day because the mission of the school is to keep students engaged and in school. It is challenging for alternative schools and all schools that experience increased student enrollment throughout the year to staff their school and continue to educate the students who enroll after the 100<sup>th</sup> day of funding.

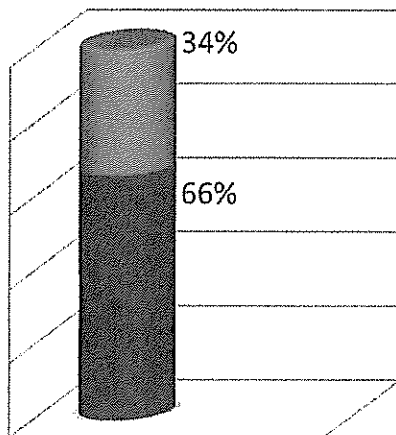
Alternative schools follow their mission of re-engaging students who would otherwise drop out. Students often come from schools that “counsel out” high-risk students after the 100-day funding opportunity window. This leaves students who are already behind in credit and low skilled another 80 days behind in the 180 days of mandated instruction. The summer hiatus often puts those students another 75 days behind. In fall, schools often re-enroll these students because of the funding they will receive, but then the cycle only repeats itself. These students are already behind in skills, and they become further behind – until re-engaged by alternative education. Students at alternative high schools need extra time and graduate beyond the 4<sup>th</sup> year of high school. Alternative high schools graduate students – it just takes longer. Fifth, sixth, or 7<sup>th</sup> year graduation rates are usually 40% more than 4-year graduation rates.

A sampling of student enrollment at alternative schools shows an increase of 10% to 34% after the 100<sup>th</sup> day funding.



## The 100-Day Dilemma

The Unintended Consequences of Arizona's School Finance Law  
The 100 Day Dilemma



Percentage Enrolling

- Before 100-day Deadline
- After 100-day Deadline

Arizona's School Finance Laws generate dropouts and encourage schools to drop students. Here is how this happens:

- ❖ Public schools in Arizona are allocated funds based on their student attendance numbers through the first 100 days of the mandated 180 day academic year.
- ❖ After some public schools receive their allocated amount at the 100 day deadline, many students are abruptly "counseled out".
- ❖ Alternative schools and other public schools then experience a significant surge in enrollment after the 100-day funding cycle.
- ❖ At an illustrative alternative school, only 48% of the students commence their attendance on the first day of the 100 day revenue cycle; late-start students' former schools have already received the funding for these students although the alternative school provides services to them for the last 80 days.
- ❖ Schools accept these "late start," non-funded students even though they will not receive any compensation through state funding. Many schools must augment the gap with fundraising efforts .
- ❖ The cost of educating these late entry students can reach as high as \$400,000 annually.



Arizona Alternative Education Consortium

### ***Student Centered Learning Priorities***

Since every dollar Arizona invests in alternative education returns twenty, it is in the best interest of the state to provide financial support to alternative education.

Arizona should consider additional funding and/or innovative ways to support alternative education. Funding alternative education is a state decision; there is no federal funding. Finding 14 discussed “Opportunity Funding.” Unlike schools serving low-socioeconomic students that receive federal funding, there are not additional federal funds for schools educating alternative education youth. Arizona should explore innovative ways to support the schools serving alternative education, high-risk youth and benefit from the 20 to 1 return on investment.

In their report, *Reinventing Alternative Education, Jobs for the Future* identified Oklahoma as one of the top states for policy and funding of alternative education. Oklahoma funds an additional \$700 per alternative education pupil. Outcomes for alternative education students include increased school attendance, a decrease in courses failed per semester, and a decrease in days of suspension.

#### **The Arizona Alternative Education Consortium:**

The Arizona Alternative Education Consortium is a grass-roots member association of personnel from alternative schools and alternative education programs at accommodation schools, districts, charters, county education service agencies, non-profits, community organizations, dropout recovery programs, and other dedicated stakeholders who support alternative education in Arizona. Our membership represents 100 schools and other organizations. The Arizona Alternative Education Consortium is the Arizona affiliate of the National Alternative Education Association.

[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Friday, May 27, 2016 11:22 AM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council

**Categories:** Daily Themes

Submitted on Friday, May. 27, 2016 11:22am Submitted values are:

First Name: Jacob  
Last Name: Boyle  
Phone Number: [REDACTED]  
Email Address: [REDACTED]  
Organization: Holbrook Unified School District  
Comments:  
Greetings-

In many areas of funding I believe the state should look at schools as urban, suburban, rural and remote. There is a true cost and disadvantage to some districts due to geographic location that creates disparity in spending power. An urban school may be in Phoenix while a suburban school in Cave Creek or even Casa Grande. A rural school would be Globe, Show Low, Holbrook and a remote school would be Pinon, Ganado, or Grand Canyon. The cost of goods and services increase greatly with delivery fees, gas, and lodging/per diem.

In addition to purchasing power, I believe a similar approach should be considered when looking at transportation cost. Glendale can get 20 years out of a bus, I can get 10 - 15 in Holbrook, and Pinon only 5-10 years. The per mile rate does not include the capital cost of operating our buses under some of the extreme environments - I'd imagine few buses in Phoenix require all wheel drive like they do in some areas of the state.

Your consideration and efforts are appreciated.

Thank you,

Jacob Boyle  
Documents:

[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Friday, May 27, 2016 5:00 PM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council  
**Attachments:** cfi\_council\_proposal\_5-27-2016.doc

**Categories:** Daily Themes

Submitted on Friday, May. 27, 2016 5:00pm Submitted values are:

First Name: Craig  
Last Name: Hazeltine  
Phone Number: [REDACTED]  
Email Address: [REDACTED]  
Organization: Self, Education Advocate

Comments:  
Attached is a hurried response to the Council's request for Proposals.

I strongly suggest that the work of the Council be subsumed into a broader and more inclusive effort to wrestle with the issues of education. Once we agree on what we are funding, we can turn our attention to how we raise the funds.  
Documents: [http://education.azgovernor.gov/sites/default/files/webform/cfi/cfi\\_council\\_proposal\\_5-27-2016.doc](http://education.azgovernor.gov/sites/default/files/webform/cfi/cfi_council_proposal_5-27-2016.doc)



PROPOSAL

ALTERNATE EDUCATION FUNDING CONCEPTS

MAY 27, 2016

SUBMITTED TO:

CLASSROOMS FIRST INITIATIVE COUNCIL

BY:

CRAIG S. HAZELTINE  
EDUCATION ADVOCATE

## OBSERVATIONS/CLARIFICATIONS

The Classrooms First Initiative Council has been handed a Mission Impossible task. With the Governor's dictate of no new taxes and the Council's mandate to not focus on new revenues, the Council's input is limited to promoting efficiencies and reallocating resources. You can look at how to shuffle the deck and how to cut the deck, but never mind that there are not enough cards to go around.

The tenor of the Council's Findings suggests a strong Charter School bias purporting funding inequalities and limitations on expansion. Resource allocation becomes "rob Districts to pay privately-owned schools" and efficiency translates into "further de-regulate Charter Schools so we can expand to capture more of the action."

Indeed, as has been repeatedly pointed out to the Council, it is heavily weighted toward privately-owned schools and their proponents. The technical and policy advisors are also tipped in favor of privatization advocates.

Such a strong presence and influence of the Charter Schools—disproportionate to their 14% share of the education "market"—pressuring for more of the funding and less accountability, raises concerns about the Charter School Industry's motives and overall performance. A "global" analysis of the 21 year history of Charter Schools in Arizona reveals that they are costing us--the people of the State—significant dollars directly and indirectly. This Proposal attempts to address these costs and suggests appropriate reforms as a pragmatic way to get more money into the classroom.

## SIMPLICITY

First, however, the value of simplifying funding should be addressed. Although simplifying funding formats may save a little on administration costs—less effort applying, tracking, reporting, and assessing—it otherwise does not generate any new money. A danger is the inadvertent reduction in total funding. With funding already at unacceptably low levels, any revisions must be thoroughly reviewed and analyzed with all other revisions so that total compensation is maintained.

Another danger of simplicity is the averaging nature of a "few sizes fit most situations" approach. The special conditions that created the multiple approaches and resultant complexity tend to be forgotten or ignored in the pursuit of simplicity. Special care must be given to a very thorough analysis of the unique needs of our communities and schools. A comprehensive review of

education funding should ensure that no school goes backwards in funding for agreed needs.

## CHARTER SCHOOL FUNDING ISSUES

### 1) EXCESSIVE ADMINISTRATIVE COSTS

Charter schools—on average—spend over twice what district schools spend for administrative costs. That is about \$775 more per student, or \$128 million, for the 2014-2015 school year. The seven largest charter school operators spent about 3 times what districts spent on average for that same period.

It is recognized that small start-up schools may have disproportionately higher administrative costs compared to a small student count. The bulk of the excessive administrative costs, however, are the result of very lucrative salaries to non-profit operators (often family and friends), or very high fees charged by for-profit sister management companies to cover extreme executive salaries and generous returns to (close) shareholders.

#### Reforms

*A) Set per student funding limits for each major expenditure bracket, including administration costs.*

*B) Increase reporting and accountability functions for charter schools.*

To shine a light on how and where this money is being spent, Arizonans for Charter School Accountability and the Grand Canyon Institute have three solutions to make corporate-owned charter schools more accountable to Arizona taxpayers.

1. Require charter school financial data to be collected and monitored by the Auditor General's Office (just as they are for traditional public districts). The Arizona Board for Charter Schools should be required to use this data to investigate and sanction charter schools that misuse taxpayer dollars.

2. Charter management companies need to be transparent in reporting salaries and other financial information related to administration expenses.

3. Implement a public database that shows public districts and charter schools expenditures on administration and the classroom, so parents can make more informed choices when looking for the right school.

*C) Require that all charter schools be administered AND OPERATED by non-profit entities registered with the State. Encourage the formation of a Charter School professional accountability group similar to the ECFA that promotes maximum service contribution to the community, sets goals on limiting overhead and administrative costs, and requires open and ethical accounting practices.*

## 2) JACKED-UP FACILITIES COSTS

A trend within the charter school world is to re-finance the school facilities, or sell the facilities to a sister organization, for huge gains that end up in the originators' pockets. The result is greatly increased indebtedness for the operator which often doubles the amount of money pulled out of the State ADM money for mortgage payments—less money for the classroom.

Further, if the charter school fails or simply chooses to go out of business, the operator or affiliate keeps the Real Estate.

### Reforms

*D) (See A above.) Set per-student funding limits for each major expenditure bracket, including facilities costs.*

*E) Include in the application and approval process to obtain a charter an accurate description, estimated cost and financing method of the proposed facility. Granting a charter shall be conditioned on the adequacy of the facility and the reasonableness of the costs compared to other school facilities.*

## 3) TAX CREDITS

Tax credits have become a back door funding method for charter schools to pull in more money. Tax credits, at 100% tax write down, are a full cost against the General Fund. By charging high fees for athletics, lab supplies, etc. which parents and grandparents are encouraged to pay through tax credits, the schools charge us—the people of Arizona—more money per student.

Tax credits are fatally flawed. They are regressive, in that poorer parents cannot float the cash flow between payment and tax refund. Many do not incur enough tax liability to take advantage of the credits in the first place. Further, tax credits are beyond any budget control. Individuals get to determine the spending obligations of the State.

## Reforms

### *F) Eliminate all Public School Tax Credits*

Provide enough base money for lab supplies, classroom supplies, most athletic costs, drama classes, band expenses, etc. Any participation fees that remain should be modest and within reach of all families.

### *G) Eliminate all Private School Tax Credits (Through STOs).*

Invest the \$140 million of public money in public-monitored schools.

## 4) CULLING

Another observed pattern in charter school operations is to sign up everyone possible at the beginning of the year, but once past the 100 day student count (which sets funding for the year), encourage any difficult students to go back to district schools but keep the money. The district schools are not only a field of opportunity to pick over, but also a very convenient dumping ground.

Beyond the direct cost of not receiving money for the returning child, the district school has the indirect costs of mid-year disruption, physical accommodations for unplanned additions, new assessments, behavior plans, etc.

Opposing perspectives come into view: Education as market opportunity versus Education as Social Responsibility.

## Reforms

*H) Revise the funding formulae so that the money travels back with returning students.*

[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Thursday, June 02, 2016 10:16 PM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council  
**Attachments:** district\_sf\_plan.pdf

**Categories:** Daily Themes

Submitted on Thursday, Jun. 2, 2016 10:15pm Submitted values are:

First Name: Jeremy

Last Name: Calles

Phone Number: [REDACTED]

Email Address: [REDACTED]

Organization: AASBO, EFRG, ASBA

Comments: The attached dashboard represents the work of AASBO, EFRG and ASBA in collaboration with ASA, GPEMC, School District CFOs and Charter Operators. It summarizes the Charter Recommendation, the District Recommendation and has built in features that will allow you to look at the impact on the State as well as on individual LEAs by creating a custom plan. Requires updated Flash Player.

Documents: [http://education.azgovernor.gov/sites/default/files/webform/cfi/district\\_sf\\_plan.pdf](http://education.azgovernor.gov/sites/default/files/webform/cfi/district_sf_plan.pdf)

# Per Pupil Formula Changes

## AASBO and the Education Finance Reform Group (EFRG)

### Per Pupil Formula Changes

- Eliminate the Teacher's Compensation Plan, Group A Weights and Teacher Experience Index
- Increase the FY 2016 Base Level from \$3,600 to \$4,300
- Shift the High School Base Weight of 0.163 (Currently shown as combined with Group A) to a Group B weight
- Retain weights for Small/Isolated Schools
- Increase the ED, MIMR, SLD, SLI weight from 0.003 to 2.275 to be in line with what was identified during the 2007 Special Education Cost Study
- Eliminate the Transportation Revenue Control Limit
- Eliminate all Overrides
- Provide the Transportation Support Level for Districts and Charters who are transporting students with their own vehicle and staff
- Provide a reimbursement for Contracted Transportation with an additional 3% to cover the cost of the LEA's oversight and administration
- Approve and Procure Transportation at the State Level on a single contract for all Public Schools
- Set a reimbursement amount to be used when parents are the contracted transportation provider and guidelines for when it is acceptable
- Set Capital Funding (Additional Assistance) at \$650 per student for Districts and Charters.

### Other Changes

- Implement a Statewide Property Tax for Public Education or revise the current State Equalization Tax Rate
- Create an SFB Grant Program designed to build new schools
  - Based on academic needs of a community
  - Designed to be offered, lease-free, to Charters who will meet the criteria of the grant
  - SFB Maintains ownership of the property

### Impact

- 95% of students will be in a school system, traditional or charter, that benefits from the changes suggested.
- In addition to improving the existing funding formula the impact will be to restore the \$590 million in cuts for both traditional districts and charter schools from the elimination of funding for full day K, and cuts to Charter Additional Assistance and District Additional Assistance.
- The changes would be phased in over time and could include both state and local sources.

State View

LEA View

District Plan

Charter Plan

Build A Plan

Tables

Charts

Item	District	Charter	District Plan
Base Level	\$3,600	\$3,600	\$4,169
Teacher's Compensation Plan	\$45	N/A	No
Group A Weight	\$378 - \$569	\$378 - \$569	No
High School Base Increase	\$587	\$587	No
Small School Weights	\$0 - \$1,444	\$0 - \$1,444	\$0 - \$1,444
Group B Weights	\$11 - \$28,609	\$11 - \$28,609	\$144 - \$28,609
Teacher Experience Index	\$0 - \$874	N/A	No
Transportation	\$0 - \$7,858	N/A	\$0 - 7,858
M&O Override	\$0 - \$1,081	N/A	No
Capital (Non-Facilities)	\$77 - \$594	\$1,529 - \$1,898	595
Dropout Prevention	Yes	N/A	Yes
Small School Adjustment	Yes	N/A	Yes
Desegregation	Yes	N/A	Yes
Public Facility Bonds	Yes	N/A	Yes
Public Facility Adjacent Ways	Yes	N/A	Yes

Students

LEAs

State	#	%	#	%
Lose > 20%	1,626	0.2%	6	0.9%
Lose 10-20%	6,342	0.6%	14	2.1%
Lose 5-10%	30,603	2.8%	69	10.5%
Lose < 5%	76,932	7.1%	129	19.5%
Gain < 5%	200,633	18.5%	156	23.6%
Gain 5-10%	122,219	11.3%	123	18.6%
Gain 10-20%	423,625	39.1%	114	17.3%
Gain > 20%	221,239	20.4%	49	7.4%
Total	1,083,219		660	

Districts	#	%	#	%
Lose > 20%	1,626	0.2%	6	2.6%
Lose 10-20%	2,721	0.3%	9	3.9%
Lose 5-10%	8,565	0.9%	15	6.5%
Lose < 5%	23,735	2.6%	21	9.1%
Gain < 5%	142,556	15.6%	35	15.1%
Gain 5-10%	99,833	10.9%	38	16.4%
Gain 10-20%	415,582	45.4%	67	28.9%
Gain > 20%	220,463	24.1%	41	17.7%
Total	915,082		232	

Students

LEAs

Charters	#	%	#	%
Lose > 20%	-	0.0%	-	0.0%
Lose 10-20%	3,622	2.2%	5	1.2%
Lose 5-10%	22,037	13.1%	54	12.6%
Lose < 5%	53,196	31.6%	108	25.2%
Gain < 5%	58,077	34.5%	121	28.3%
Gain 5-10%	22,386	13.3%	85	19.9%
Gain 10-20%	8,043	4.8%	47	11.0%
Gain > 20%	776	0.5%	8	1.9%
Total	168,138		428	

State Impact

Item	Current*	District Plan	Charter Plan	Custom Plan
BSL/RCL	5,760,658,291	6,766,109,704	6,000,332,711	6,766,109,658
Capital	358,382,499	644,515,568	1,857,768,901	644,515,568
Other	1,601,983,690	1,115,519,452	321,943,046	1,115,519,452
Total	7,721,024,479	8,526,144,723	8,180,044,658	8,526,144,678



[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Monday, June 06, 2016 10:59 AM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council  
**Attachments:** a\_for\_arizona\_classrooms\_first\_submittal.docx

Submitted on Monday, Jun. 6, 2016 10:59am Submitted values are:

First Name: Lisa

Last Name: Keegan

Phone Number: [REDACTED]

Email Address: [REDACTED]

Organization: A for Arizona

Comments: Attached is A for Arizona's proposal for the Council's consideration.

Documents:

[http://education.azgovernor.gov/sites/default/files/webform/cfi/a\\_for\\_arizona\\_classrooms\\_first\\_submittal.docx](http://education.azgovernor.gov/sites/default/files/webform/cfi/a_for_arizona_classrooms_first_submittal.docx)



June 6, 2016

Governor Ducey  
Chairman Swanson  
Members of the Governor's Classrooms First Council

Thank you for your due diligence in examining the existing school finance system and for giving us the opportunity to share our thoughts with you. Arizona's new school funding formula should be designed around what we hope to achieve. This is a wonderful opportunity to create a system of funding students that supports their unique needs, regardless of where they live, and that also incents all schools to offer a very high quality education. Arizona has developed a strong system of choice and innovation in schooling that is driving a rapid improvement in many parts of the state, and the new funding formula should be built around the evidence we have for what is most essential in a funding formula in order to offer exceptional quality.

A for Arizona sees three major goals for a new formula:

**1. Our biggest need is for more students to attend excellent schools.** Therefore, expectations for growing access to high quality schools must be baked into the formula. No formula should be neutral in regards to quality.

The new formula should offer higher levels of support for excellent schools that promise to serve more students via their own growth or by mentoring others and asserting a much needed leadership role. Greater funding levels should be offered to highly performing schools serving low-income students as the time and talent required to reach excellence is greater in those settings.

**2. Dollars for education must not be separated into different silos, but should be weighted only by student need and school type, made fungible for operations and capital, and must follow students to their chosen schools.**

We have bypassed an era of assigning students to schools, and we should evolve our funding system to match that reality. Two decades of combined open enrollment, charters, and increasing access to private schools and online learning has created a system where we have an operational funding formula based on student need and portable with the student, but our system of school construction is wholly unrelated to student population.

Access to bonding via a combination of geography, property value, and public vote is not related to student attendance or school quality and can waste badly needed resources. In a system where all resources follow students directly into schools, the fit between construction and need for facilities is direct and efficient, "permission" to construct can be based on proven quality of the school model, and a priority can be made on teaching salary versus capital expense.

**3. Taxpayer support for schools must be predictable and equitable for individuals and for businesses.**

The most predictable and sustainable funding system for students and taxpayers will be one where all necessary resources are generated from a set of tax obligations that are shared statewide. A statewide taxing formula may be based on numerous taxing sources but is most likely to be clear, predictable, sustainable and equitable. Any meaningful effort at restructuring the school funding formula must include taxpayer representatives who can assist in modeling the impact of different suggested changes.



## RECOMMENDATIONS ON SPECIFIC FINDINGS

- **FINDING 1: A single funding formula for all Arizona public schools is achievable but must take into consideration differences in education delivery and funding formula and statutory inequities among public schools, such as bonds, overrides and desegregation.**

The new single funding formula must apply to students versus schools. As described in the September 2015 charge to the Council, the formula goal is to create a formula such that any parent could go online and see how much money their child generates. There may be weights or multipliers that are school-specific such as those for school size, location, or especially quality, but all baseline formula and weights ultimately accrue to the benefit of a student.

We believe this aspect of the new formula is critical. Equity in a school funding formula will only be attained by funding that seeks to support the specific needs of students, regardless of where in Arizona they live.

Moving to a single funding formula is not only achievable; it is essential and the explicit goal of this Council. The transition to a new formula will indeed have to take many current inequities into account, whose existence only underlines the importance of taking this on.

- **FINDING 2: The objective of an equitable and fair funding structure should be a system that has standardized property tax rates, combined with state General Fund appropriations, that contribute to all K-12 students.**

The strongest and most predictable funding system for all will be one where all necessary resources are generated from a set of shared statewide tax versus from taxes managed locally. A statewide taxing formula may be based on numerous taxing sources but is still most likely to be clear, predictable, sustainable, and equitable.

The next step in developing an appropriate set of statewide tax supports that will support the new student-based funding system will be to seek the counsel of taxpayer experts and representatives who can advise and model the impact of any/all proposed changes.

- **FINDING 3: Several variables in the funding formula may be collapsed into a base per-pupil amount for simplicity, efficiency, and flexibility in funding distribution.**
- **FINDING 4: School finance statutes and policies should be rewritten, reorganized, and more easily accessible for policymakers, business leaders, educators, administrators, and parents to interpret and apply for their own respective needs.**
- **FINDING 5: Allocation of resources for school districts should be made more flexible through lump sum funding, accounting and fund simplification, and full expenditure flexibility.**

Findings 3, 4, and 5 can all be achieved with a simplified formula. Any formula that is created to support all students in the state, weighted by their specific needs and then additionally by school specific weights is a formula that can be easily understood by all. This is especially true when operational and capital needs are combined in the same formula, as they are with public charter schools and with district schools that do not access bonds. That methodology, proven to be a successful and equitable method of combining operations and capital needs for decades, should be applied to all schools.



- **FINDING 7: The alignment between performance and funding should recognize the excellence of high-performing schools through a tiered “Achievement Weight” that rewards high-performing, low-socioeconomic schools on the highest funding tier.**
- **FINDING 8: High-performing public schools should have the flexibility to expand and replicate without the burden of regulatory, formulaic, and structural constraints.**
- **FINDING 14: Schools located within low-socioeconomic communities often face unique academic challenges.**

We think Findings 7, 8, and 14 are among the most important piece of a new formula, and believe that the Council should recommend urgent action here. Arizona has a number of very high quality public schools whose leaders wish to expand their capacity to serve more students. Even as a new formula is developed and implemented, we must act to allow those ‘A’ grade schools that are ready to expand, to do so immediately.

We must remember that we are not reinventing schooling; we are reinventing the formula in order to support a higher level of performance. For those who are already leading the pack, let them access the “Achievement Weights” that a new formula would make available ASAP.

Our recommendation for any achievement weights has been that a weight should be applied for ‘A’ grade work (and possibly for ‘A’ and ‘B’ grade work) and that the weight should be a multiplier equal to (x) for high wealth schools; 1.5(x) for mid-wealth schools; and 2(x) for low-wealth schools.

- **FINDING 9: School administrators should, where appropriate, seek to empower school leaders to be more actively involved in decision-making about school-level staffing, budgeting, and reporting processes.**
- **FINDING 13: School-level reporting is more useful than the “Annual Dollars into the Classroom Report” in showing how the funding each student generates is allocated and expended.**

We recommend that the Council include recommendations for pilot programs for willing school leaders to begin accounting for all student-generated funds at their individual school sites. This is no longer a new methodology, and there are several companies that can assist in this work. There are several large districts and charter school networks in Arizona and nationally who have begun to implement this practice and should be tapped for their expertise garnered to date.

- **FINDING 10: The state should conduct an updated cost study, or use the 2007 cost study for special education students, to identify the true costs of special education.**
- **FINDING 11: Statutes should be updated regarding the “Extraordinary Special Needs Fund” for high-cost special education students.**

We agree with these findings, but regarding the cost study, we caution that in our attempt to review these expenditures last year, we discovered very uneven practice in how special education expenditures are being recorded and reported. For example, it appears that some schools report the additional expenditures they make for special needs students, while others report the full amount of expenditures they make for such students. A serious cost study will need to account for these discrepancies.



▪ **FINDING 12: Policies should be identified for recruitment and retention of highly effective teachers.**

Of course we must pursue the most effective ways for school leaders to recruit and retain their staff, but where funding models are concerned, the best help we can give school leaders is to supply an adequate funding amount, and the ability to set a priority on teaching salary amongst all other expenditures. That is why it matters so much that all annual expenditures be delivered to schools in a way that means a priority can be set for teaching salary versus capital expense, for example.

▪ **FINDING 15: While outside the scope of the funding formula, the expiration of Proposition 301 is beginning to create financial uncertainty for all public schools.**

The significant revenues generated by Proposition 301's .6 cent sales tax will need to be replaced or substituted for. Its pending expiration creates an opportunity to review the policy aspirations of 301 as well as its revenues, and decisions should be made about the best way to create this needed level of support in a new formula. It may be that gradual increases in revenues dedicated via other taxes could be assigned to bridge the needed revenue gap and we do not believe it makes sense to start the discussion from an assumption that another statewide election for school revenues is the only way to create the necessary level of support.

The critical issue of support level is one that must be broached eventually in any meaningful discussion of a new funding formula. We support a process wherein Arizona's best schools serving very different student populations share information about their revenues and expenditures, and what they believe would allow us to scale their level of quality statewide. We must work from a vantage point of proven success. With so many examples of high quality public schools in Arizona, we need not "imagine" what a proper funding level is when we have experts operating schools at the highest performance levels who can assist in that analysis.

▪ **FINDING 16: Current statutes on the sale and lease of vacant buildings should be modified to allow school districts to sell or lease unused and under-utilized facilities more quickly. Additionally, the School Facilities Board (SFB) should be commissioned to catalogue a more accurate inventory of "under-utilized" space.**

We agree with this finding, and enthusiastically endorse new policies that will require any new school construction to occur pursuant to an approval by a governing or authorizing board that has reviewed the instructional vision and plans for the future school. Arizona should not build structures for schools; we should build only proven school models.

[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Monday, June 06, 2016 1:22 PM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council  
**Attachments:** sfc\_classroom\_first\_proposal.docx

Submitted on Monday, Jun. 6, 2016 1:22pm Submitted values are:

First Name: Rebecca

Last Name: Gau

Phone Number: [REDACTED]

Email Address: [REDACTED]

Organization: Stand for Children Arizona

Comments:

Documents: [http://education.azgovernor.gov/sites/default/files/webform/cfi/sfc\\_classroom\\_first\\_proposal.docx](http://education.azgovernor.gov/sites/default/files/webform/cfi/sfc_classroom_first_proposal.docx)



Stand for Children Arizona is grateful for the opportunity to present recommendations to Governor Ducey's Classrooms First Initiative Council.

This is an important time to review the state's funding system. After cuts to education from the Great Recession, Arizona has an opportunity to restore funding in a strategic, investment-minded fashion. The data is stark: Almost 70% of jobs in the near future will require post-secondary education, yet 60% of third graders can't read. Arizona must restructure our investment in education now, to ensure that our workforce needs are met in the future. We think that the initial Classrooms first findings from December 2, 2015 present opportunities to do just that.

In particular, we are encouraged by the general trajectory of the recommendations, advocating moving toward a student-based system, as well as a more equitable property tax system.

### Summary

Stand for Children Arizona would like to make recommendations focusing on three key priorities:

- A. Base the school finance formula primarily on a system of student weights aligned to current / updated known cost drivers.
- B. Add a poverty weight, or similar multiplier to compensate for the socioeconomic factors that affect student learning.
- C. Design any specific property tax proposal to ensure equal access to revenues among districts at a comparable tax rate.

While other recommendations in the report could have impact, these three in particular would have the most impact across the state in driving future student success. We recommend that these, or any of the policy recommendations that move forward, be focused on methods to help Arizona reach state-wide outcome goals, preferably aligned with Achieve60AZ, and the Education Progress Meter developed by the Center for the Future of the Arizona and Expect More Arizona.

It should also be noted that due to the likelihood of possibly creating "winners" and "losers" by refreshing Arizona's school finance system, ideally, formula design changes and any revenue enhancements must be considered together.

#### A. Ensure the formula is based on cost drivers

The first step is to determine the level support schools should receive. That is, we need to define the funding levels that should be allocated to schools to meet educational objectives. Arizona's formula should focus on student-driven cost drivers, rather than teachers in determining funding allocation. This could improve the ability of the formula to allocate funds proportionally to schools with the greatest need. The current teacher factors reward level of experience and compensation policies regardless of the population of students served. Assuming that the distribution of Arizona's teacher workforce reflects national trends, the most experienced and highest performing teachers are less likely to be

working in schools serving the highest proportions of high needs students. With funding allocations tied to teacher experience, this inequitable distribution of talent becomes entrenched in the funding structure. Removing these factors from the formula and replacing them with factors reflecting the cost of meeting the needs of the specific students in each district increases the likelihood that schools receive resources aligned with the actual costs and creates conditions to allow schools serving the high-needs student populations to compete for the most experienced and effective teaching staff.

It should be noted that Stand for Children Arizona recommends against broadly shifting the system toward a flat per capita funding rate based on an unweighted student count. While much simpler in structure, a flat per capita funding system fails to recognize acknowledged cost drivers in the delivery of education services. Without student weights to adjust for characteristics that drive additional cost, the system would fail to deliver funds strategically, diminishing the capacity for each district to provide needed education services based on the particular needs of the students served. To preserve this capacity, at minimum, existing weights for students receiving special education and English Language services should be protected, and revised to align better with district practices or with new cost studies.

Recommendations:

1. Conduct or commission an updated special education cost study, or use the 2007 cost student for special education students, to identify the true costs of special education.
2. Conduct or commission a broader cost study to underpin any school formula element, in addition to special education.

**B. Compensate for the socioeconomic factors that affect student learning**

Arizona's formula should include an appropriate mechanism to target resources and interventions to students that are economically disadvantaged.

Finding 14 indicates the Council would not recommend a formula weight tied to low-income without a performance factor at this time, suggesting the issue could be studied further if additional time were granted. If Arizona enacts comprehensive formula reform, failing to incorporate a factor for low-income represents a major missed opportunity for improving the equity of the system and aligning the formula to known student-driven cost factors. Additionally, depending on how other suggested changes to the formula regarding the role of local property tax, performance-based funding, and other factors play out, failing to adjust funding allocations based on economic disadvantage would increase funding inequities.

Stand for Children Arizona believes that this is best done "outside" the formula. That is, rather than adding a lump sum to the districts to be spent at their discretion, a mechanism should be added to direct resources specifically based on the use of those funds to remediate or build intervention strategies. While 27 other states provide a poverty weight in their formula, in Arizona there is an urgent need to continue to target resources toward reading intervention, particularly in low income communities. Adding a poverty weight in the formula may be preferable for Arizona in the future because it protects the additional resources from annual budget negotiations and provides flexibility and local control.

Recommendations:



1. Add additional funds to the state-funded system specifically for targeted reading intervention in high poverty schools, to ensure state funds are being used strategically to address key issues. This could include technology investments, teacher training, and innovative reading programs.
2. Consider other student-based weights tied to participation in other high-cost programs and services, such as advanced career and technical education or gifted education. These funding levers could provide incentives to schools to provide industry certification programs that lead to high-wage jobs out of high school.

**C. Ensure equal access to revenues among districts and charters at a comparable tax rate**

Arizona's current funding mechanisms are extremely complicated and only the most experienced experts in Arizona's system can actually "follow the money." Much of the opaqueness is derived from the plethora of taxing rates and types across the state's districts. An additional layer is added regarding the state's charter schools – a significant, and growing, segment of the education landscape which must be included in a fair and reasonable manner. Determining the right funding mechanisms, and defining the mix of revenue streams that will fund the appropriate funding levels for schools, will lead to greater efficiencies and strategic investments in education across the state.

On the revenue side, Finding 2 suggests a desire to standardize property tax rates across districts. Currently, Arizona's local property tax system includes numerous incremental rates tied to various policies, some requiring voter approval for rate changes and others not. Although the report does not specify what is meant by "standardized rates," perhaps some consolidation of these multiple incremental pieces would be the objective.

Regardless of the exact mechanism, the key outcome to watch with an adjustment to the property tax system is equity. Both funding equity and taxpayer equity should be priorities. In other words, district and charter schools should have equal access to total revenues per student, and taxpayers in different districts should not be disproportionately burdened in generating those revenues.

Operationalizing this concept could take a range of forms with elimination of local property tax in favor of a statewide property tax at a standard rate, being the most extreme example. But assuming replacing local property taxes entirely with a new tax and state dollars is a non-starter, a less drastic option is for the state to set the Qualifying Tax Rate and require that all districts tax at that rate. The goal would be to create greater equity by restructuring the current system to make more funding available across the property tax spectrum and allow less local bonding. This in return would provide more funding for low economic areas and enough funds for the higher valued property areas in the state. Surplus funding from the local property tax could be directed to low performing schools and school districts that need more funding. The ultimate goal would be a consistent property tax rate across the board for property tax payers, and a predictable, dedicated funding source for school districts.

This local property tax adjustment should be substantial enough to replace Desegregation monies that currently go to only certain districts.

**Recommendations:**

1. Clearly map out ALL funding mechanisms in the K12 finance system, similar to finding 4 and 13.

2. Consolidate funding mechanisms where possible, and create more transparency for each funding stream.
3. Eliminate the ability of districts “in the know” to access property tax revenue without voter approval.
4. Conduct / commission a report from key players/experts in Education finance to identify consensus on Education funding that is equitable, sustainable and transparent, specifically addressing the current use of property tax, the Qualifying Tax Rate, and local bonding.

### **Implementation Considerations**

Many of the changes contemplated above and particularly those linked to fundamentally changing the school finance formula are likely to significantly redistribute the allocation of funding among school districts, creating “winners” and “losers” in comparisons of revenues generated under the current and amended system. One way to mitigate or eliminate funding losses to districts relatively disadvantaged under an amended funding formula is to simultaneously push through a funding increase through the new mechanism. This strategy allows the new funding formula to function as it is designed, but softens the impact to districts who do not benefit under the new system. Ideally, formula design changes and any revenue enhancements would be considered together.

Another option, which is often less expensive but is also much less efficient, is to create a hold harmless mechanism whereby districts are guaranteed a certain funding level regardless of the impact of the new formula. This type of mechanism strategically drives funding only to those districts experiencing a loss under the new system; but it effectively negates equity and efficiency gains made under the new formula by sending money back to those districts that disproportionately benefited under the previous system. If this type of remedy is the most politically (or fiscally) feasible, then enacting the hold harmless as a transitional mechanism with an expiration date is critical to eventually allowing the formula elements to fully function as designed.

### **Conclusion**

Stand for Children Arizona’s parent members are keenly aware of the need for school finance reform, and are grateful to the Governor and the Council for tackling this complicated issue. We believe that with strong leadership, a long-term vision and plan, and continuous community engagement, the citizens of Arizona from all sectors – government, business, philanthropy, and the education community can make difficult, yet necessary advances that ensure every child, regardless of zip code, is prepared for and has access to a college education – and can grow Arizona’s economy with a strong workforce.

Stand for Children Arizona would like to offer the Classrooms First Initiative Council our policy expertise and assistance in coordinating any of the above studies to ensure stakeholder engagement. We have national and local resources that we are happy to bring to bear on this important topic.

[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Monday, June 06, 2016 2:43 PM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council  
**Attachments:** az\_chamber.crs\_first\_proposal\_june\_6.pdf

Submitted on Monday, Jun. 6, 2016 2:43pm Submitted values are:

First Name: Katie

Last Name: Fischer

Phone Number: [REDACTED]

Email Address [REDACTED]

Organization: Arizona Chamber of Commerce and Industry

Comments: Please see attached. Thank you for this opportunity to provide comments and feedback on the Council's findings.

Documents:

[http://education.azgovernor.gov/sites/default/files/webform/cfi/az\\_chamber.crs\\_first\\_proposal\\_june\\_6.pdf](http://education.azgovernor.gov/sites/default/files/webform/cfi/az_chamber.crs_first_proposal_june_6.pdf)



June 6, 2016

Governor Doug Ducey  
Chairman Jim Swanson  
Members of the Classrooms First Initiative Council

Dear Governor Ducey, Chairman Swanson and members:

The national competition to grow jobs, to attract teachers for our schools, and to move students from waiting lists to highly performing schools has seldom, if ever, been as intense as it is at this moment. As a result, the need to modernize our school finance system has never been so urgent.

The policy work of the last two decades has supported the development of Arizona as a contender in the national education landscape. Arizona is one of the few states to show consistent gains statewide in the National Assessment of Educational Progress and has a cohort of schools and educators doing more to close the achievement gap than nearly any state in the country. As often noted, we have many nationally ranked high schools.

Students are achieving these results in a growing list of school design options. Traditional school models, online, college prep, arts-focused, career-ready, competency-based, and hybrids of all of the above are flourishing in our school choice environment.

Unfortunately, the state funding mechanisms for these increasingly nimble schools and students remain inequitable, inflexible, overly centralized, and blind to results. Further, with more than 200 funding districts in play, the labyrinth of tax burdens treats schools and businesses unfairly.

Arizona's public schools may be diverse in their design, but they share common expectations. And yet, they function with mismatched funding and, regrettably, ineffective schools can receive more funding than our highest performing schools and systems.

In response to the call for funding reform proposals in the context of the December 2015 Classrooms First Initiative Council findings, please know that there is strong alignment between the Councils' findings and the Arizona Chamber's 2016 Business Agenda and Fiscal Policy Taskforce recommendations.

As such, we simply take this opportunity to suggest ways to deploy certain findings. As articulated by the Governor at the launch of the Council, it is important to move this work forward with an eye towards outcomes, providing our best leaders discretion over their budgets, and bringing sanity to our complicated local property tax system.

The Arizona Chamber of Commerce and Industry is appreciative of this opportunity and we look forward to moving this work forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Hamer". The signature is stylized with a large, circular flourish at the beginning.

Glenn Hamer  
President and CEO

## THE FRAMEWORK

*Finding 1: A single funding formula for all Arizona public schools is achievable but must take into consideration differences in education delivery and funding formula and statutory inequities among public schools, such as bonds, overrides and desegregation.*

This is a strong strategy for bringing equity, transparency and simplicity to school funding as well as our complicated property tax system.

However, by itself, Finding 1 is not enough to achieve shared goals. Therefore, if timing and other challenges delay adoption of a consolidated formula, we do not suggest waiting for a consolidated formula to be in place before moving on other important Findings related to standardized property tax rates, performance funding, transparency, and empowerment of highly effective school leaders over their budgets. In fact, some performance transparency reforms may be necessary to lay the groundwork for larger funding reforms.

## RATIONAL PROPERTY TAX SYSTEM

*Finding 2: The objective of an equitable and fair funding structure should be a system that has standardized property tax rates, combined with state General Fund appropriations, that contribute to all K-12 students.*

Much like students are treated inequitably in our school funding system, so are taxpayers. Under our school choice system where students are allowed to attend any district or charter school outside of their natural attendance area that has room for them, district boundaries have become increasingly artificial and contribute heavily to inequities in school funding and taxpayer burden.

The “pancake effect” of multiple taxing jurisdictions in each region can be partially addressed by revisiting the local school district taxing system as this Council has started to do with Finding 2.

Additional progress could be made for schools and taxpayers by rethinking how any ongoing secondary property tax authority revenues are distributed and whether a single school-taxing district in combination with a standardized rate, rather than hundreds of school taxing districts makes more sense.

Due to the high stakes nature of property tax system changes for Arizonans who own homes or businesses, the various scenarios should be modeled to better understand the impacts to taxpayers before any final decisions are made on Finding 2.

## SUSTAIN AND GROW EXCELLENCE

*Finding 7: The alignment between performance and funding should recognize the excellence of high-performing schools through a tiered “Achievement Weight” that rewards high-performing, low-socioeconomic schools on the highest funding tier.*

*Finding 8: High-performing public schools should have the flexibility to expand and replicate without the burden of regulatory, formulaic, and structural constraints.*

*Finding 16: Current statutes on the sale and lease of vacant buildings should be modified to allow school districts to sell or lease unused and under-utilized facilities more quickly.*

It was once written, “You cannot direct the wind, but you can adjust the sails.” Many of the Findings are in play if we adjust our sails to catch the opportunistic breeze of schools and leaders who see the potential in students thought by others to be too far behind to catch up. Now is the time to rapidly grow the armada of Arizona schools that not only believe every student can learn but prove it and to let them lead the way.

To sustain and grow excellence, results must be rewarded. Formula weights are a transparent option to fund positive outcomes and we strongly support Finding 7. However, should Finding 7 be modified, funding should remain formula-driven as a strategy to provide sustainability. Predictable funding – including renewal of Proposition 301 dollars - helps effective schools sustain their impact and is important in the work to bring every student a consistently high-quality educational experience.

Schools can use performance dollars to retain educators closing achievement gaps, pay for the additional time many educators put in to help close learning gaps, and to grow their footprint through traditional expansion or by supporting other schools wanting to replicate their results. Our highest performing schools should have maximum discretion over dollars. But where direction is warranted or preferred, these effective strategies should be prioritized.

M & O funding dollars are not the only area where performance can be recognized. The State should also move towards a facilities construction or facilities sharing model that is at least partially contingent on outcome data. Providing highly performing schools first option at unused public space to expand or revisiting how state and local funds are distributed for new construction in fast-growing communities should all be on the table in this redesign discussion.

## REVENUE

The Arizona Chamber of Commerce & Industry has traditionally had a cautious approach to new spending. But we realize that we cannot cut our way to a common funding formula or to rewarding excellence. We believe that growth in state revenues and the renewal of Prop 301 will give us an opportunity to rethink the design and distribution of the formula. Additionally, how capacity in additional assistance is re-established and any revenue that might result from moving to a single, school-funding taxing district should all be on the table for these discussions.

[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Monday, June 06, 2016 4:42 PM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council  
**Attachments:** classrooms\_first\_equity\_funding\_proposal\_06.06.16.pdf

Submitted on Monday, Jun. 6, 2016 4:41pm Submitted values are:

First Name: John

Last Name: Kelly

Phone Number: [REDACTED]

Email Address: [REDACTED]

Organization: Triadvocates

Comments: Submitted on behalf of a consortium of school districts to promote equity in funding that addresses student needs. Proposal title is Equity Funding in Arizona, with endorsements from 8 Superintendents from diverse school districts.

Documents:

[http://education.azgovernor.gov/sites/default/files/webform/cfi/classrooms first equity funding proposal 06.06.16.p  
df](http://education.azgovernor.gov/sites/default/files/webform/cfi/classrooms_first_equity_funding_proposal_06.06.16.pdf)





# EQUITY FUNDING PROPOSAL

FY 2017

*"Our charge is to ensure that every child -- regardless of where they live -- has access to an excellent education."*

*Governor Ducey, June 26, 2015*

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## EQUITY FUNDING IN ARIZONA

Classrooms First Initiative Council,

Thank you for the opportunity to provide input into a revised school funding proposal. It is critical that Arizona's leaders in government and education work together now to establish a funding formula that provides all Arizona school children equitable resources to help them succeed and become adults who build a stronger state and nation.

While we recognize that there is much debate surrounding education funding, including effects on achievement, efficiency of spending and the benefits of publically funded vs. privatized school systems, we can all recognize that publically funded schools have served America well for decade upon decade. In fact, it is highly likely that the very people who will make decisions on the funding of Arizona schools are products of a public education.

We also recognize that the Council has been given the charge to analyze all aspects of school funding, including desegregation funding. This proposal is a **first step** in addressing the perceived inequities of Arizona's current desegregation funding plans.

Moving forward, a school finance formula that provides adequate weights to cohorts of students based on special needs, language proficiency, and poverty may do a great deal to more equitably – across all school types – ensure funding is available to provide the programs, support and innovations necessary to improve student outcomes across the board.

The task at hand is of utmost importance. An equitable school funding system can be a game-changer for the children of Arizona and for the state as a whole. This proposal, developed and endorsed by superintendents in Arizona, contains essential elements of a school funding formula that will help Arizona become a marquee state for education.

Thank you for your consideration, your work and, most importantly, your service in helping the students of Arizona succeed.

## EQUITY FUNDING IN ARIZONA

“Public education is not broken. It is not failing or declining. The diagnosis is wrong, and the solutions of the corporate reformers are wrong. Our urban schools are in trouble because of concentrated poverty and racial segregation. But public education is not ‘broken.’ Public education is in a crisis only so far as society is and only so far as this new narrative of crisis has destabilized it.”

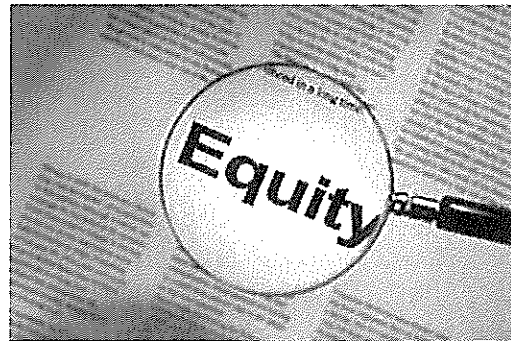
— Diane Ravitch, *Reign of Error: The Hoax of the Privatization Movement and the Danger to America's Public Schools*

# EQUITY FUNDING IN ARIZONA

## Background

Equity is defined as the quality of being fair or impartial. The term “equity” should not be confused with the term “equal,” meaning the same in quantity, size, degree and value. The concept of equity in school funding centers upon analyzing the dynamics of each school system’s students, including factors, such as student disabilities, language-minority students, free and reduced populations and other existing conditions that have historically been barriers to success.

A child’s future should not depend on heritage, parental income, living conditions, or the zip code where the student lives. Unfortunately, statistics show that these factors do influence children’s ability to thrive, but we also know that a quality education can level the playing field and remove barriers to success.



The Classrooms First Initiative has brought about an opportunity to revisit the concept of equity in Arizona’s funding formula. This is the time to analyze the costs associated with servicing poverty-stricken students and language-minority students who will one day become the future of Arizona.

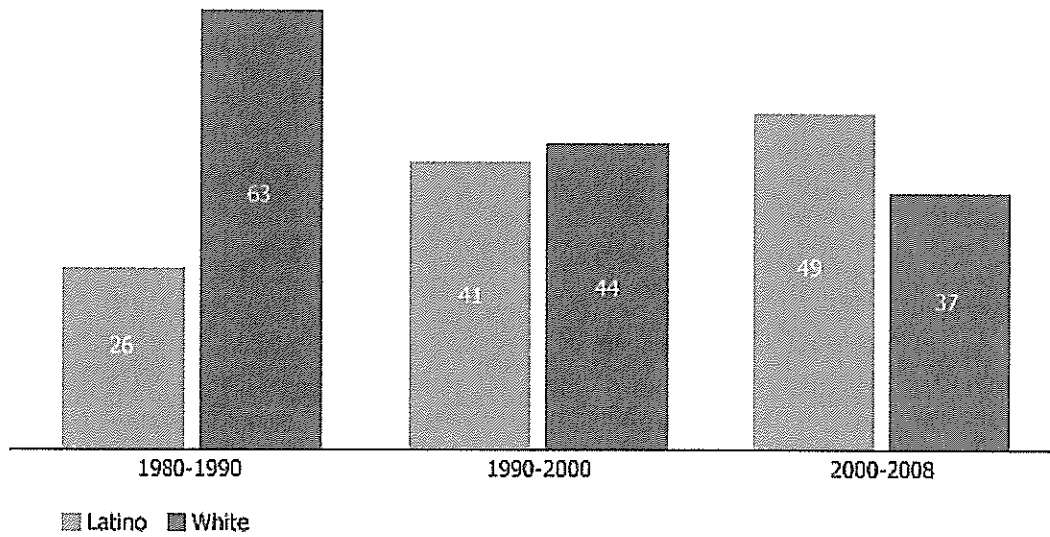
### CHANGING DEMOGRAPHICS OF ARIZONA

Our state is changing, and it’s changing quickly. “Arizona’s population is comprised of a larger portion of Hispanics and American Indians than the nation as a whole,” according to the 2016 Arizona Minority Student Progress Report produced by the Arizona Minority Education Public Analysis Center.

Demographic shifts inevitably bring diversity into the classrooms of Arizona, and that diversity brings about unique circumstances for every child who enters our public school system. This may mean transitioning to English as their primary language, receiving proper academic supports, and receiving the highest quality of education regardless of where the student may reside.

# EQUITY FUNDING IN ARIZONA

**Percentage of Arizona Population Change  
Due to Latino and White Population Growth**



**Sources:** Frank Hobbs and Nicole Stoops, *Demographic Trends in the 20th Century*; and U.S. Census Bureau, 2008 American Community Survey 1-Year Estimates.

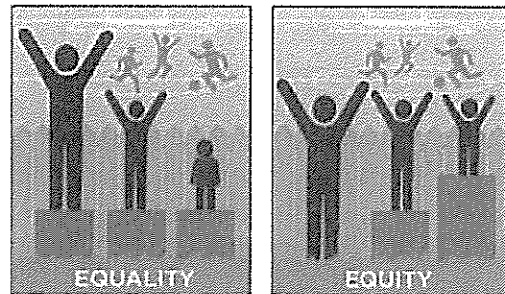
# EQUITY FUNDING IN ARIZONA

## Equity in Arizona

As the population shifts, it's important to keep equity top of mind and examine how it plays out in our school systems. A hypothetical:

At the beginning of their senior years, students in Arizona are given \$1,000 to help as they make their way to graduation and beyond. We would likely see three scenarios:

- Students with more plentiful resources and parental support would likely focus on preparing for their post-secondary opportunities, perhaps paying for college applications, academic assessment or possibly a trip to visit a university.
- Students in more modest circumstances likely would focus on immediate needs, such as transportation, school supplies and graduation expenses. While they may look to further education, few resources would be left to put toward those efforts.
- Our neediest students would concentrate on basic needs: food, clothing, school supplies, and household bills. These students would not reach for expanded opportunities. The priority is day-to-day life.



School districts experience the same realities as the scenarios described above:

## EQUITY FUNDING IN ARIZONA

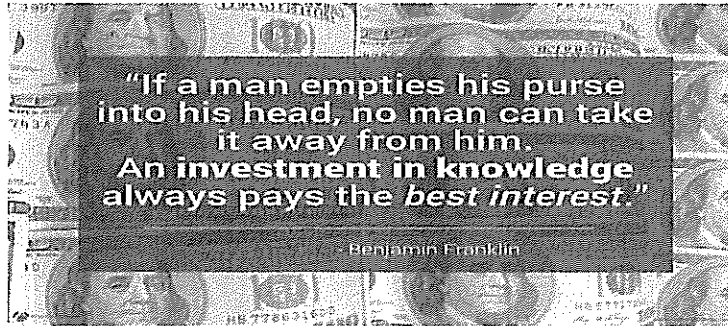
- Those located in more stable socio-economic areas are able to focus resources and prepare for post-secondary readiness.
- More mixed districts provide the basics for each student to help them graduate and do their best to help them prepare for a higher education. Schools in these districts tend to have larger class sizes, service more diverse populations and many times have to prioritize capital expenses over instructional expenses.
- Districts in areas where poverty is a rule of thumb have to spend their resources on overcoming the barriers of poverty, mobility, language deficiencies and interventions to ensure students aren't falling so far behind that they won't graduate. Financial resources are dispersed in teacher salaries, intervention programs and social services, leaving few additional opportunities to accelerate students to the same level as the first tier of students. These schools are simply in survival mode.



This is where an equitable funding formula can make all the difference. It is clear that schools and districts that service our neediest children must receive a higher level of funding to provide an equitable education and a future as bright as any other child in Arizona.



## EQUITY FUNDING IN ARIZONA



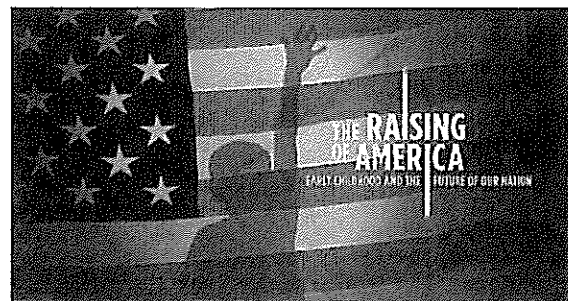
### INVESTING IN ARIZONA'S STUDENTS

True equity that serves all students in a manner that allows every student an equal chance at success can only be achieved by considering the needs of students in a common and uniform manner.

The first challenge is to determine the needs of students as well as barriers to helping children develop to their fullest. The variations of student needs are immense and differ according to community and individual factors. We have found that the current formula should be adjusted to better reflect the realities of our students and our districts.

### EXISTING EFFORTS IN ARIZONA TO ACHIEVE EQUITY FUNDING

For many years, Arizona has recognized the costs associated with educating students with diverse needs through the Arizona Equalized School Finance Formula. The B-weighting formulas in the present school finance formula fund



## EQUITY FUNDING IN ARIZONA

students associated with special education, English Language Learners and other special programs like K-3 reading. However, the current factors for each B-weight need adjustments to be in accord with costs associated with each classification, and additional weights must be considered.

## English Language Learner B-Weight

ELL funding has been a topic of debate in Arizona and was fueled by *Flores vs. Arizona*. As a result of the *Flores* case, a study called *The Arizona English Language Learner Cost Study*, was published by The National Conference of State Legislatures (NCSL). This cost study identified the cost to educate English Language Learners was as much as \$4,600 when teacher salaries and benefits, classroom aides, stipends, bonuses, purchased services, textbooks, teaching supplies, test administration, compensatory education services, transportation, professional development, recruiting, tuition and fee reimbursement were factored.

Currently, Arizona provides a B-weight for ELL students calculated at .115, which generates approximately \$399 per ELL student for school districts to provide research-based interventions for English language proficiency, including small class sizes, English language programs, tutorial, and other research-based education programs.



The cost associated with English language acquisition costs much more than the current formula provides. The **Arizona English Learner Cost Study (2005)** identified the cost to educate each ELL student up to \$4,600, depending on whether the student was categorized as having high or low needs. As part of the study, a state panel concluded the incremental spending for ELL students over non-ELL students would average \$1,785 per ELL student in grades K-2 and \$1,477 per ELL student in grades 3-12. The largest component of the cost was for classroom teacher salaries for class size reduction, paraprofessionals, speech and language professionals, technology, and compensatory education services. This study would require an adjustment of the

## EQUITY FUNDING IN ARIZONA

state funding formula B-weight to increase to {.50} for K-2 grade students and {.425} for 3-12 grade students.

Arizona has historically been subjected to complaints pertaining to services provided to ELL students, from identification to remedial services to reclassification rates. English Language Learners are also more likely to experience academic gaps created by their inability to speak, read, write, and communicate in the English language. As part of the equity funding formula, it is important to recognize that Arizona is obligated to find ways to remedy language deficiencies as a barrier to academic success.

In summary, the following proposals must become guiding principles for allocating additional B-weighting for all ELL students:

1. Upgrading the weightings for all basic and intermediate ELL students to {.50} for K-2 grade students and {.425} for 3-12 grade students.

At the new weighting this would provide approximately \$1,822.50 for K-2<sup>nd</sup> grade students and \$1,549.13 for 3<sup>rd</sup>-12<sup>th</sup> grade students to fund smaller class sizes and special services, including implementation of ILLP (Individual Learner Language Plan). Presently the state funds about \$399 per student.

2. Establishing an ELL weighting for all ELL students who are required to be monitored for two years. The suggested weighting for the students is to continue funding at {.115}. That would yield approximately \$419 per student to offset costs for continued services to ensure ELL students are fully proficient before reducing services.

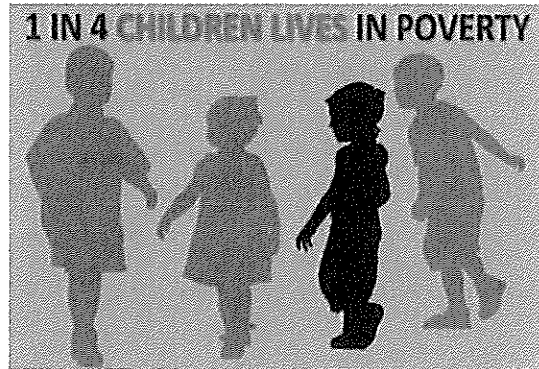
\*The dollar amounts were based on FY2016 support Level of \$3,645 with the passage of Prop 123.

# EQUITY FUNDING IN ARIZONA

## Poverty B-Weights

Poverty has been the leading factor in school segregation, depressed student performance, and limited opportunity in general for children throughout America for decades. Poverty has historically oppressed an individual's potential for success in school systems. Whether it is the constraints on transportation, levels of support service in local communities or the ability of families in poverty to overcome their environment, students subjected to school systems in high-poverty environments encounter disadvantages to achieve success.

Arizona has the ability to address equity issues throughout the state by adding a poverty B-weight to ensure the most disadvantaged students have equal opportunities for success.



We propose the following options for adding a B-weighting for students who attend school districts in high-poverty settings.

### Example 1:

Districts/charters with a poverty rate above the state poverty rate average (23 percent in 2015, according to the 2015 Auditor General's Report) would be allowed an additional B-weight in the revised formula. This weight would be calculated as a percentage of each district's student body that exceeds the state poverty rate.

- a. Example: District A has 5,000 students and a poverty rate of 35 percent. The state poverty rate average is 23 percent. District A is 12 percent above the state poverty rate; therefore, District A would receive a B-weight for 12 percent of the 5,000 students that attend District A (i.e. 600 ADM).

## EQUITY FUNDING IN ARIZONA

We suggest the poverty weight be {.20}, which would provide approximately \$694 per student to fund smaller class sizes, transportation, programs, and special services associated with poverty factors.

### Example 2:

Districts and charter schools would receive additional B-weights based on their free and reduced lunch percentages:

- ⇒ 40 percent - 59 percent free and reduced rates (.05) weight
- ⇒ 60 percent - 79 percent free and reduced rates (.10) weight
- ⇒ 80 percent - 100 percent free and reduced rates (.15) weight

- b. District A has 5,000 students and a 42 percent free and reduced lunch percentage. The district would calculate  $5,000 \times .42$  qualifying 2,100 students for a poverty count at a .05 weight.

These proposals are contingent on finding an equitable way of defining how to qualify students as living in poverty. One measure available is the Census poverty rate provided for each district in the state. A second potential poverty factor is the free and reduced lunch qualifiers for each district and charter school in the state.

Regardless of the system to delineate the factors of poverty, equity relative to poverty must be addressed in any revised funding formula. Now is the time to recognize that poverty is a factor in student success.

# EQUITY FUNDING IN ARIZONA

## Final Thoughts

We believe that an equitable funding formula that takes into consideration all factors that contribute to the ability to educate every child in Arizona can make monumental change in our state. The Classrooms First Council has an opportunity to be an agent of change, to make the state of Arizona a leader in education funding and make the state a model for equity in funding.

We ask the Classrooms First Council give full consideration to the proposal to:

1. Recognize the diversity that exists in Arizona through a revised, equity-based funding formula.
2. Increase the "B-weights" for English Language Learners in Arizona.
3. Add a poverty weight to the existing formula for school districts that experience poverty as a barrier to student success.

We stand behind Governor Ducey's ideology: "Our charge is to ensure that every child – regardless of where they live – has access to an excellent education." To ensure this happens, we must make substantive changes to our current school finance formula and stand behind the diversity of Arizona.

Yours in education,

Dr. Robbie Koerperich  
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[koerp@holbrook.k12.az.us](mailto:koerp@holbrook.k12.az.us)

Mr. Dave Dirksen  
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## EQUITY FUNDING IN ARIZONA

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Superintendent  
Washington Elementary School District  
[paul.stanton@wesdschools.org](mailto:paul.stanton@wesdschools.org)



[REDACTED]

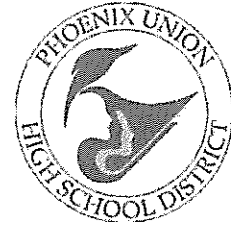
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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Monday, June 06, 2016 6:24 PM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council  
**Attachments:** classrooms\_first\_deseq\_districts\_06.06.2016.pdf

Submitted on Monday, Jun. 6, 2016 6:24pm Submitted values are:

First Name: John  
Last Name: Kelly  
Phone Number: [REDACTED]  
Email Address: [REDACTED]  
Organization: Triadvocates  
Comments: Letter submitted by the Superintendents of PUHSD and TUSD as a supplement to the Equity Funding Proposal previously submitted.  
Documents:  
[http://education.azgovernor.gov/sites/default/files/webform/cfi/classrooms\\_first\\_deseq\\_districts\\_06.06.2016.pdf](http://education.azgovernor.gov/sites/default/files/webform/cfi/classrooms_first_deseq_districts_06.06.2016.pdf)

**TUCSON UNIFIED**  
SCHOOL DISTRICT



June 6, 2016

Mr. Jim Swanson  
Chairman  
Classrooms First Initiative Council  
The Governor's Office of Education  
1700 W. Washington Street  
Phoenix, AZ 85007

– Submitted via web –

Dear Chairman Swanson:

The mission of the Classrooms First Initiative Council (the "Council") has been made apparent: equity, transparency, portability of student funding and alignment of funding to improve student results. As the Council has discovered, the current school funding formula is designed to promote equity of funding. But there are factors outside of the formula that operate in conflict with some of the equity goals.

As described in the *Equity Funding Proposal*, submitted by a coalition of school districts (Koerperich/Dirksen et al), several decades of evidence support the proposition that learning outcomes for specific populations of students can be substantially affected by the programs in place to support those students; and those programs are possible through the availability of funding to address those student needs. The availability of teaching strategies, curriculum, interventions, or other program innovations, crosses across all education delivery types – districts, charters, AOI's and home schools. The ability of Local Educational Agencies ("LEA's") to design, implement and maintain appropriate learning programs is challenged by the unfettered student mobility that state policy enables.

The Council, in its December 2015 findings, identified the funding associated with promoting desegregation to certain school districts, and not others, as an area of inequity. While true that school districts operating under desegregation orders or under the guidelines of a civil rights agreement are permitted by Arizona statute to levy taxes that other districts can't, those funds are designated to remedy historic circumstances and activities that have been deemed discriminatory.

Moving forward, a school finance formula that provides adequate weights to cohorts of students based on special needs, language proficiency, and poverty may do a great deal to more equitably – across all school types – ensure funding is available to provide the programs,

support and innovations necessary to improve student outcomes across the board. That is why Tucson Unified School District (“TUSD”) and Phoenix Union High School District (“PUHSD”), the two school districts who were, or are, under desegregation orders, endorse the recommendations incorporated in the *Equity Funding Proposal*.

If the Council incorporates recommendations substantially similar to those in that proposal, then we believe there can be a supplemental commitment to work toward a phase down of the funding our Districts access through A.R.S. 15(910)(G), “Desegregation Levy Authority.” A phase down must be designed to ensure that the Districts can maintain the elements of curriculum, student support and programs called for in their Unitary Status Plans. For TUSD, any change must await the removal of court supervision and an agreement on a Unitary Status Plan, which cannot happen prior to 2017. For both Districts, the phase down must ensure that spending authorized under the Desegregation Levy Authority is specifically tied to outcomes in their Unitary Status Plan, and that the phase down does no violence to the programs intended to eliminate the vestiges of discrimination and its impact on student success.

Under the conditions enumerated above, PUHSD and TUSD commit to a process with the Council to identify a strategy to reduce – and find substitutes for – our reliance on the desegregation levy in a manner consistent with the Council’s and the Governor’s policy goals. This process must be addressed delicately because of both the federal court oversight, as well as the impact that changes might have on student success. We are committed to working with the Council to design a predictable and accountable process to meet the State’s objectives to serve all students in all schools.

We thank you for your efforts and look forward to lending our insight and expertise to help you achieve your goals.

Sincerely,

Dr. H. T. Sanchez  
Superintendent  
Tucson Unified School District  
[Heliodoro.Sanchez@tusd1.org](mailto:Heliodoro.Sanchez@tusd1.org)

Dr. Chad E. Gestson  
Superintendent  
Phoenix Union High School District  
[Gestson@phoenixunion.org](mailto:Gestson@phoenixunion.org)

[REDACTED]

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**From:** Office of the Arizona Governor <noreply@az.gov>  
**Sent:** Tuesday, June 07, 2016 9:01 AM  
**To:** GOE  
**Subject:** Submit a Proposal to the Council

Submitted on Tuesday, Jun. 7, 2016 9:00am Submitted values are:

First Name: Greg  
Last Name: Donovan  
Phone Number:  
Email Address: [REDACTED]  
Organization: JTED Consortium  
Comments:  
Dawn,

You will see below is the suggested structure for JTED funding for consideration for the Classroom First initiative committee. We had been asked to submit to you by today in order to have information available for the committee to include in their submittal to the Governor and other interested parties.

We appreciate this opportunity to submit our JTED State funding system request.

Please feel free to contact us if you or other committee members have questions.

On behalf of the JTED consortium.

Greg Donovan

Funding For JTED Districts:

Any new proposed JTED funding formula MUST be included in the K-12 comprehensive funding formula. It MUST include 9-12 students. It should retain "any time of day, any day of the week" already embedded in the statutes.

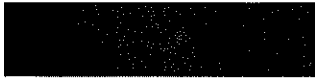
JTEDs are to be funded from .25 to 1.00 based on seat time with member districts receiving their full 1.00.

The K-12 comprehensive funding structure should also include funding of DAA, with no reductions.

JTED central campus students should also receive an additional weight in the school transportation formula (for the member districts) that would offset the member districts increased costs for transporting students to central campus locations.

BUSINESS RULES – the Arizona Department of Education is 4 years behind in promulgating business rules for JTEDs. Quarterly the JTED Consortium asks for an update on the rules. None has been forthcoming. Therefore, we request – ALL Arizona Department of Education rules, based on statutory requirements, SHALL be completed within the fiscal year of the statute being enacted.

Thanks for our opportunity to present and for your consideration. The JTE Consortium



Documents:

## **An Equitable Student-Funding Formula**

### **A Concept for Classrooms First Initiative Council Discussion**

Arizona Governor Doug Ducey appointed the Classrooms First Council to propose one equitable, transparent funding formula for all students. In response, the Arizona Charter Schools Association has developed an equitable student-funding formula concept. This concept addresses the inequities of student funding, is substantially uniform among school districts and charter schools, and is revenue neutral as Governor Ducey requested. The intent of presenting this discussion concept is to encourage conversation about school finance solutions among the Council and the public.

### **Formula Outline**

*Base Level + Student Weights + School Weights + Operational Assistance + Transportation = Total Formula*

Assumptions:

- Operational Assistance (replaces additional assistance) will be the same for all students, at current charter additional assistance amounts (Approximately \$1,000 increase per district student.)
- Reform and adopt a transportation formula that is available to all LEAs
- Lump sum flexible funding without capital or M&O designations
- Establish an “Extraordinary Costs Fund” to address unmet transportation or transition related costs
- Increase Group B weights pending the results of a Group B special education cost study
- Include Group A weight amounts into the base level, simplifies formula
- Identify a funding stream and appropriate reforms of the Extraordinary Special Education Needs Fund
- Geographically isolated LEAs shall continue to receive an isolated school weight
- Small school weights shall be applied consistent with policies adopted in 2015

### **Revenue Collections Adjustment**

*Adjust revenue collections to properly fund equitable student funding formula*

- Consolidate QTR and state equalization property tax rates into a single uniform tax rate
- The consolidated tax rate will be calculated to fund the student funding formula, and will be offset by:
  - Cease through a transition plan the collection of tax levies for district bonds and overrides in excess of determined percentage
  - Cease through a transition plan the collection of local property tax levies in support of adjacent ways, dropout prevention, and small school adjustment
- School districts shall be authorized to exceed their total annual budget by up to 5% with voter approval
- Phase out School Facilities Board
- Phase out desegregation: 10 years for court order districts, 5 years for OCR districts

### **Alignment with Classrooms First Initial Findings**

*Findings as reported in the December 2015 Classrooms First Initiative Council Report to Governor Ducey*

The Arizona Charter Schools Association is in support of the Council's findings; however, this proposal does not attempt to address all of the findings of the Classrooms First Initiative Council.

- Finding 1: A single funding formula for all Arizona public schools must take into consideration differences in education delivery and funding formula and statutory inequities among public schools.
  - This proposal leaves intact those foundational principles of equitable funding that made Arizona's financing mechanism a model when originally adopted in 1980. It also allows for the recognition of additional costs due to geographic and school and district size.
- Finding 2: The objective of an equitable and fair funding structure should be a system that has standardized property tax rates, combined with state General Fund appropriations, that contribute to all K-12 students.
  - This proposal utilizes a single uniform property tax rate and greatly minimizes the inequitable reliance on local property taxation.
- Finding 3: Several variables in the funding formula may be collapsed into a base per-pupil amount for simplicity, efficiency and flexibility in funding distribution.
  - This proposal consolidates the current Group A funding into the base level; it also utilizes a uniform additional assistance amount for all students, district and charter.
- Finding 4: School finance statutes and policies should be rewritten, reorganized, and more easily accessible.
  - With the simplification of the formulas as proposed here the necessary statutory changes will result in a more easily accessible set of relevant statutes. Furthermore, this proposal recognizes the need to address an overly complex transportation formula and calls for the development of a transportation funding structure that would benefit all students.
- Finding 5: Allocation of resources for school districts should be made more flexible through lump sum funding, accounting and fund simplification, and full expenditure flexibility.
  - This proposal specifically calls for the elimination of funding silos, capital and M&O, and allows school districts to benefit from the flexibility of lump sum funding already provided to charter schools.
- Finding 7: The alignment between performance and funding should recognize the excellence of high-performing schools.
  - While this proposal does not specifically address this finding, the Arizona Charter Schools Association strongly supports the need to recognize Arizona's best schools, particularly those overcoming the challenges facing low-income students. The restoration of ongoing additional assistance reductions could be used to address this finding.
- Finding 10: The state should conduct an updated cost study to identify the true costs of special education.
  - This proposal allocates significant funds to addressing the special education funding shortfalls experienced by all schools serving high need special education students. Changes to the existing Group B weights should be based on sound research and attempt to align funding with the required services of a student's IEP.

- Finding 11: Statutes should be updated regarding the “Extraordinary Special Needs Fund” for high-cost special education students.
  - While this proposal does not go into this level of detail, The Association does believe strongly that updates to this fund are necessary. Specifically, we support reforms that would make the fund responsible for the costs associated with students who require a residential or private educational placement.

### A “Revenue Neutral” Approach

Current Formula		Student Equity Formula
	Base Funding	\$875,000,000
\$329,000,000 (-\$242M State, -\$87M Local)	Transportation Funding	\$329,000,000
	Special Education	\$350,000,000
\$1,200,000,000	Local Bonds & Overrides	
	Allowable Budget Overrides	\$310,000,000
\$103,000,000	Adjacent Ways, Dropout, Small School Adjustment	
\$210,000,000	Desegregation	
<b>\$1,842,000,000</b>	<b>TOTALS</b>	<b>\$1,864,000,000</b>

*Note: This analysis assumes the full funding of existing charter additional assistance and district additional assistance amounts.*

*In FY17, charter additional assistance will be reduced by \$18,656,000, and district additional assistance will be reduced by \$352,442,700.*

*This is a total of \$371,098,700.*



## SUMMARY OF ADDITIONAL CONSIDERATIONS FOR FORMULA REDESIGN

- Consider moving on Findings for performance funding, transparency, empowerment for highly effective school leaders, and actions related to fixing our property tax system as appropriate and viable if a combined effort stalls or will move slowly.
- Revisit how secondary property tax revenues are distributed if the redesign retains such authority.
- Explore a single school taxing district and not just a standardized rate, thus eliminating the confusion and inequities of hundreds of school taxing districts.
- Model various scenarios to better understand the impacts to taxpayers before any final decisions are made on recommendations that impact property tax rates and levies.
- Ensure performance-funding design is sustainable so that our best performers can sustain talent and have predictability in their budgets.
- Give highly effective school leaders maximum discretion over their budgets. But where direction is warranted or preferred, effective strategies should be prioritized.
- Make facilities funding, except that which is needed to maintain health and safety standards, at least partially contingent upon academic outcomes including new facilities sharing/under-utilized facilities policies, and new facilities construction needed to absorb community growth.
- Identify potential revenue sources for the implementation of the Findings including portions of the following: general fund revenue growth, Proposition 301 renewal dollars, restoration of additional assistance revenues, and any dollars that might be realized from establishing a single school funding property *tax rate*/moving to a single school funding *tax district*.