



FUNDING PREK-12 EDUCATION

110TH ARIZONA TOWN HALL FINAL REPORT

NOVEMBER 2017



ARIZONA
TOWN HALL

Creating Solutions

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The 110th Arizona Town Hall, which convened at the Hilton Phoenix/Mesa in Mesa in November 2017, developed consensus on the topic of “Funding preK-12 Education.” The full text of these recommendations is contained in this Final Report. Prior to the statewide gathering in Mesa, a number of precursor Community Town Halls provided valuable insights and ideas to the participants of the 110th Town Hall as well as to the communities where they took place. Reports of these sessions are on the Arizona Town Hall website at www.aztownhall.org.

An essential element to the success of these consensus-driven discussions is the Background Report that is provided to all participants before Town Hall sessions convene. The Arizona Board of Regents coordinated this informative background material in partnership with Arizona’s three public universities, as well as other industry professionals who have lent their time and talent to this effort. Together they have created a unique resource for a full understanding of the topic.

For sharing their wealth of knowledge and professional talents, our thanks go to the report’s authors.

Our deepest gratitude goes to John Arnold, Vice President for Business Management and Financial Affairs, Arizona Board of Regents who marshalled authors, created content and served as editor of the report.

The 110th Arizona Town Hall sessions could not occur without the financial assistance of our generous Professional Partners, which include the sponsors of the statewide effort: Arizona Public Service (APS), Salt River Project (SRP); Arizona Lottery; Helios Education Foundation; Stifel Nicolaus & Company, Inc.; University of Phoenix; Arizona Water Company; Hufford Horstman Mongini Parnell & Tucker PC; and numerous sponsors of the various Community Town Halls around the state.

The consensus recommendations that were developed by participants during the course of the 110th Town Hall have been combined with the Background Report into this single Final Report that will be shared with public officials, community and business leaders, Arizona Town Hall members and many others. This report is already being used as a resource, a discussion guide and an action plan on how best to fund preK-12 education in Arizona.

Sincerely,

Hank Peck
Board Chair, Arizona Town Hall
www.aztownhall.org

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**Recommendation reports from
Community Town Halls on this topic are
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REPORT OF THE 110TH STATEWIDE TOWN HALL “FUNDING PREK-12 EDUCATION” HILTON PHOENIX/MESA, MESA NOVEMBER 12-15, 2017

INTRODUCTION

“The legislature shall enact such laws as shall provide for the establishment and maintenance of a general and uniform public school system ...”

Article XI, Section 1, Arizona Constitution

In the 2015-2016 school year, Arizona educated an estimated 1,155,928 students in 237 public school districts (generally referred to in this report as “school districts”), 423 charter school organizations, 480 private schools, and eight accommodation districts. In 2016, Arizona conducted a poll, and a majority of those surveyed said the state should spend more money on education.

In the 1973 case, *San Antonio School District v. Rodriguez*, the U.S. Supreme Court ruled that education “is not among the rights afforded explicit protection under our Federal Constitution,” but that “no other state function is so uniformly recognized as an essential element of our society’s well-being.” *Rodriguez* effectively removed the constitutional burden for providing public education away from the federal government and placed it squarely on the states. Since *Rodriguez*, state high courts in all but seven states have ruled with varying outcomes on whether their state systems were “equitably” or “adequately” providing public education as required by their respective state constitutions.

Article XI of Arizona’s Constitution is dedicated to education. In part, Article XI implemented the commands of the Enabling Act adopted in 1910. Section 1 of Article XI requires the establishment of a public school system. Sections 8 through 10 of Article XI concern funding for education. These provisions evince the high priority attached to public education by the drafters of the Arizona Constitution. It is well-established that, when it comes to the quality of education, resources matter.

With these principles in mind, a cross-section of diverse participants traveled from throughout Arizona and convened in Mesa, Arizona for four days for the 110th Arizona Town Hall to discuss “Funding preK-12 Education.” The intent of the Town Hall was for participants to discuss how best to fund preK-12 education now and in the future while improving the quality of education provided. Participants discussed the following topics, among others: (1) the goals that Arizona is trying to accomplish with its preK-12 education system; (2) how state funding for Arizona’s preK-12 education system affects the accomplishment of these goals; (3) how our distribution of funding affects the attainability of these goals; (4) what revenue sources should fund Arizona’s preK-12 education system; and (5) potential barriers to this funding.

The results of the discussions at the 110th Arizona Town Hall are included in this report. Though not all Town Hall participants agree with each of the conclusions and recommendations contained herein, this report reflects the consensus reached at the 110th Arizona Town Hall.

SETTING THE STAGE

Arizona's Educational Goals

The goals Arizona is trying to accomplish with its preK-12 education systems are to produce students who have developed critical thinking skills and incorporated collaborative abilities that result in civically engaged citizens who demonstrate economic independence and lifelong social and emotional success. Arizona's preK-12 education system should provide for academic proficiency in the fields of reading, writing, math, science, technology, social sciences (including civics and history), and arts and culture. It should also provide social and life readiness skills so students are prepared for college or a career. Focusing on these skills will translate into a productive adult, able to contribute to the workforce and the community.

To meet these goals, there must be a comprehensive curriculum that is equitable and relevant to all students – urban, suburban, rural, and tribal – and there must be highly-qualified and compensated teachers in our classrooms providing learning opportunities for these skills. Because the goals reach far beyond the classroom, we need to engage families and remember that “one-size fits all” is not an optimal approach to teaching. Arizonans need an educational system that meets the needs of a diverse student population that serves all Arizona children. This means that, inherent in the education system, students must be taught life skills, be able to cooperate and collaborate with other people to get along in society, and become engaged, productive citizens.

Arizona is not meeting these goals under the current K-12 educational structure.¹ This may be a result of the fact that we have not done a good job defining what success or “meeting the goals” means. It should include investing in quality teachers, teaching beyond performance measures (i.e., not “teaching to the test”), and focusing on the “why” as opposed to the “what” of education. Unfortunately, we are also not well-positioned to meet these goals in the future. To meet these goals in the future, Arizonans must look not only at teacher funding, but at educational funding in general. Arizonans must also acknowledge school choice as being a current element of the state's preK-12 education system, and that empowerment scholarship and tax credit programs that allow families to choose private or parochial education for their children all impact the funding of school districts and charter schools.

In addition, test performance and grade measurements need to be re-evaluated, especially in light of school choice. Most importantly, school funding sources must be addressed to meet Arizona's future goals, and this includes looking at a whole host of different funding mechanisms.

State Funding: Vital but Inadequate

Arizona's current K-12 education system is inadequately funded, and the funding problem is getting worse. The state's current funding formula does not fund pre-kindergarten (i.e., preK) programs, and does not universally fund full-day kindergarten. Compared to other states, Arizona has disinvested in the state's K-12 education system based on the amount we spend per pupil. In the early 1990s, Arizona ranked 34th in the nation in per pupil funding, when we invested 87% of the national average. By 2015, Arizona was only investing 65% of the national average, dropping our ranking to 48th. We also rank at or near the bottom of all national studies comparing teacher pay among states.

¹ References in this report to Arizona's “K-12 education system” (as opposed to “preK-12 education system”) are intended to highlight the fact that the state does not currently provide funding for pre-kindergarten programs. As discussed later in this report, we believe such programs should be funded in the future. In other words, we believe Arizona should move toward a true, state-funded “preK-12 education system.”

The state's failure to adequately fund Arizona schools and teachers severely limits our ability to achieve the goals we have identified for the preK-12 education system, resulting in a system that does not meet the needs of the state. For example, current funding structures and levels do not provide schools the necessary resources to attract, develop, and retain excellent teachers – or to invest in classroom resources, such as technology. Teachers should not be expected to live in poverty or rely on public assistance. Teachers should not be expected to pay for necessary classroom supplies out of their own pockets. Funding cuts have also adversely affected maintenance and operations budgets for schools, forcing many local districts to seek voter approval for bond issues and budget overrides, creating inequities among districts and communities with vastly different resources.

These inequities pervade various aspects of Arizona's current K-12 education system, beginning with our heavy reliance on local property taxes when statewide property tax rates are among the lowest in the nation and many Arizona communities have relatively low tax bases. In addition, the bulk of state funding is tied to Average Daily Membership, or ADM,² with imperfect and outdated regard for the significant diversity of our state or the special circumstances confronted by many local schools. This is counterproductive and a major flaw. We need to modify the state's funding formula to better take into account the unique needs of our diverse population.

To achieve our goals for Arizona's preK-12 education system, in addition to addressing the inequities in our current funding system, we also need the state to fulfill its constitutional mandate by providing adequate funding for state schools. In that regard, to the extent that Arizona already dedicates approximately 43% of the state's general fund to K-12 education spending – good enough for a ranking of 11th nationally, as compared to average general fund spending of 35% among other states – the problem has more to do with the "size of the pie" than a lack of relative support for preK-12 education spending. Property taxes and sales taxes both have limitations as sources of funding, and we need to develop dedicated, sustainable funding sources for Arizona's preK-12 education system that meet the needs of schools, teachers, and students in an equitable manner. The state's funding system should also be transparent and promote accountability.

Resources Other Than State Funds

For school districts, Arizona divides funding into two categories: operating and capital. The funding formula begins with a per-pupil amount of funding provided for all students attending the district. The second step is to count the number of students in the district, and the actual number is increased or weighted for various factors. Once the weighted student count is established, the formula looks at teachers and provides additional funds based on teacher tenure and experience. Finally, one must factor in things such as inflation, soft capital, and transportation. In other words, the base support level plus additional assistance equals equalization. While funding may be equitable in certain respects because of the use of a formula, funding is not adequate, especially when it comes to rural schools.

State-supported funding includes Proposition 301, by which the statewide sales tax was raised from 5% to 5.6%. This took effect in 2001, and is set to expire on June 30, 2021. Proposition 123 increased distributions from the State Permanent Land Endowment Trust Fund and state general fund, Proposition 123 is set to expire on June 30, 2025.

There are resources other than state funds that play a role in accomplishing Arizona's educational goals, including the following: bonding and overrides, federal funds, application of technology, family and parental involvement, support from the business community, public-private partnerships, tax credits, non-

² Average Daily Membership (ADM) refers to a method of counting the number of enrolled students based upon the first 100 days of school in session. As examples: a student who enrolls five days after the start of the school year (and is continuously enrolled on a full-time basis thereafter) = $95/100 = 0.95$ ADM; a kindergarten student who only attends school for one-half of the day for the full 100-day period = 0.50 ADM; and a high school student who attends only three of the required four class periods for the full 100-day period = 0.75 ADM. [Source: Arizona Association of School Business Officials, School Finance Manual]

profit partnerships and faith-based groups. However, there are fluctuations in these funds based on several factors, including socio-economic factors and the area in which the school is located – urban, rural, suburban, or tribal – and these fluctuations can highlight the disparities among public schools. For example, there may be more of a commitment from the business community in an urban area where business and commerce are primary economic drivers. In addition, there are inequities and inconsistencies created by a community's ability to support bond issuances, budget overrides and other property tax measures. Further, bonding and overrides are now commonly used to support the basic needs of schools when these funding mechanisms were originally intended to provide funding above and beyond those monies received from the state.

It is the ultimate responsibility of the Legislature to create a funding system that provides resources to schools and teachers to meet the goals discussed in the first section of this report. All Arizonans should see public education as a shared responsibility when it comes to funding education at the state level. Innovative private funding, whether through philanthropy, fundraising, or new funding sources in partnership with private industry, can augment state funds.

The Impact of School Choice

Arizona's move toward school choice has unquestionably impacted education. These results, in turn, have implications for the funding, quality, accessibility, and equity of our current K-12 education system.

Conceptually, the virtue of "school choice" may seem obvious to many families who want the freedom to send their children to a school that both provides a good education and fits their particular needs. Open enrollment, specialized programs within school districts, joint technical education districts (JTEDs), and charter schools have increased competition and innovation within Arizona's K-12 education system.

However, the implementation of school choice in Arizona has incentivized schools to view students as products or commodities under our current funding system. In that regard, the competition between and among school districts, charter schools, and other school "choices" has been unhealthy – and empowers some schools to choose their students more than it empowers students (or their families) to choose their schools. In some instances, school choice has made it possible to divert public dollars to private pockets without sufficient oversight and transparency. And in many rural communities, "school choice" is often a fallacy, because there is only one school.

The application of school choice has also resulted in the educational segregation based on race, culture, socio-economic status, and ability. Many students do not actually have a choice based on their limited resources or other life circumstances, because students with resources have the ability to exercise school choice where students without the same resources do not have that ability. The same dynamics often apply to students who have special needs. The schools that serve these student populations face ever-increasing challenges as higher-performing students leave them for other public schools, specialty charter schools or private schools – and take their state funding with them. In other words, school choice tends to concentrate the highest-need and highest-cost students in schools with the lowest levels of state funding, while the highest-performing students are concentrated in other schools that tend to have higher levels of state funding, as well as access to other resources. It is also a concern that students have become commodities in certain desirable markets where existing school districts and charter schools, even though "A"-rated enterprises, have been poached of students for profit, not the lack of choice or academic need.

Differences in funding, governance, and accountability as between school districts, on the one hand, and charter and private schools, on the other hand, contribute to a lack of equity within Arizona's current K-12 education system. For example, school districts are required to comply with public bid procedures, are subject to performance audits, and provide transportation to their students – while charter schools are not subject to public bid requirements if they receive a waiver from their authorizer, and some charter schools opt not to provide transportation for their students. Charter schools, however, also face unique constraints given their lack of ability to use voter-approved bond financing or budget overrides to generate additional revenues.

Overall, there should be a level playing field for all types of public preK-12 schools in Arizona. School choice that serves the unique needs of individual students in an equitable manner is a goal worth preserving – but families and students should have a real choice, which frequently is not the case in the current system.

EFFICIENCY, EQUITY, AND TEACHERS

Methods Used to Distribute Funds

The methods used to distribute funds for Arizona’s current K-12 education system are ineffective, inequitable, and inefficient.

For example, currently charter schools and school districts receive funding from the state in different ways. For operational budgets, the funding formulas are the same, but 100% of charter school funding comes from the state, while school districts receive some of their funding from the state and some from traditional property taxes. Charter schools receive additional state assistance, relative to access School Facilities Board funding. School districts, with voter approval may levy taxes, obtain bonds and fund overrides. In addition, school districts and charter schools in wealthier areas generally have more money to spend, because extra-curricular tax credits can be designated for their particular school. The same holds true for the private school tax credit, a portion of which taxpayers can now actually designate for a specific student’s tuition. Finally, state law provides for automatic annual increases in the maximum allowable tax credits that benefit private schools and organizations, while the maximum allowable tax credits for public schools are locked in statute and may only be increased by a change in state law.

“Current year funding” is also not efficient or effective because it does not allow for the predictability of funds and proper budgeting. Historically, school districts were funded based on their prior year student count, while charter schools were funded based on their current year student count. The Legislature recently changed this, such that all public schools in Arizona now receive funding based on their current year student count. This approach creates challenges, especially for school districts, because it makes planning and budgeting difficult – particularly with teacher contracts, since school districts must enroll every student that comes that year, whereas charter schools limit the number of students they enroll for a particular year.

Funding structures need to adequately account for economic disparities between schools and their students by incorporating an opportunity measurement reflective of socio-economic status. Results-based funding also creates challenges; because it tends to allocate more money to schools with students who are already performing well, which does not necessarily translate into sufficient funding for the schools most in need of funding. Arizona should provide additional resources, including master teachers and mentors, to improve performance in failing schools so all children have a realistic chance to succeed.

While the Legislature can say that state funding of our current K-12 education system is “equitable” in that every school gets the same amount of money per student based on the formula, the reality is that state funding is inequitable because of each district’s variable access funds, including grants, bonds, and budget overrides. Accordingly, even a comparison of district-to-district funding reveals that Arizona’s current funding mechanisms are inherently ineffective and inequitable.

The “one size fits all” funding mechanism is inequitable because of variables between and among school districts, charter schools, and private schools receiving tax credits. And performance or results-based funding, both student- and teacher-based, often deprives the schools with the greatest need because the

schools that are already graduating highly proficient students are getting more money, which means less money is going to the underperforming schools, thus widening the funding – and performance – gap, resulting in greater inequities.

To level the playing field, changes in the methods of distribution of available funds must be considered. One suggestion is that the Legislature should deviate from current year funding, as it adversely impacts school districts and instead schools should be funded based on their prior year student count. Another suggestion is to modify the current property tax “qualifying tax rate” to a universal state property tax rate.³ Other considerations should include: allowing schools to obtain capital funding prior to children already being in the seats; removing all unfunded mandates that are placed upon public schools, increasing administrative inefficiencies, and implementing a statewide technology solution.

Valuing – and Paying – Teachers as Professionals

Inadequate state funding for Arizona’s current K-12 education system hinders our ability to recruit, develop, and retain teachers in several ways – which, in turn, is hurting the quality of education in our state. This is an emergency that needs to be addressed immediately; while the teacher shortage problem is not unique to our state, Arizona is facing a crisis when it comes to current and anticipated teacher shortages.

The most obvious concern is in the area of teacher compensation. Current state funding for teacher salaries and other compensation often fails to provide an adequate wage, much less a professional wage. Many teachers are forced to work second jobs and ultimately leave the profession or the state. Arizona salary ranges for teachers are not reflective of the educational and professional development required for educators. We need to increase our teachers’ base pay and provide other types of compensation aimed at attracting and retaining excellent teachers, such as tuition reimbursement and student loan forgiveness. In that regard, our system should also provide financial incentives for teachers to obtain certificates and complete professional development training.

Deficiencies in state funding for Arizona’s current K-12 education system adversely affect teacher recruitment and retention in other, less direct ways, as well. For example, requiring teachers to teach subjects outside of their specialty, large classroom sizes, restrictions on teacher autonomy, and a lack of community support all affect job satisfaction among teachers. As a state, we need to respect teaching as a profession by investing the resources necessary to address these problems – and fund classroom support, such as teacher aides, that allow teachers to focus on being teachers. Funding structures also need to provide work-life balance for teachers, as well as encourage the development of teacher mentors within the profession, and incorporate trauma informed teaching modules and cultural sensitivity training as strategies for encouraging development and retention of excellent teachers.

Starting salaries make it difficult to recruit new teachers. Arizona’s teacher shortage crisis is both a pipeline problem, and most pressing, a retention problem. Low teacher salaries and the other job satisfaction issues described above all contribute to this retention problem. Indeed, we lose 50% of our new teachers within 3-5 years after they begin working in the classroom. Given the large number of experienced teachers that will retire in the near future, this creates a circular problem, because experienced teachers are needed to train and mentor new teachers – but many of them are getting burned out due to the burdens imposed by such high turnover in the profession.

Quality education is dependent on quality teachers. Our state’s public policy and education funding must recognize the importance of recruiting, developing, and retaining excellent teachers. To that end, we need better public awareness about the value and importance of Arizona’s preK-12 education system.

³ Qualifying Tax Rate (QTR) means a hypothetical tax rate that is multiplied times the Primary Assessed Valuation and Assessed Valuation for SRP properties to determine the local tax levy effort required before a school district is eligible to receive state equalization assistance. The QTR is adjusted annually, based on an inverse relationship to the assessed valuation for the entire state. [Source: Arizona Association of School Business Officials, School Finance Manual]

Specifically, we need to value teachers as professionals and provide them with compensation and other support reflective of that status. To achieve this result, a significant new revenue stream must be provided to enable substantial new investment in public education, and no potential revenue streams should be excluded from this discussion.

Funding Education Infrastructure

In 1994, the Arizona Supreme Court declared in *Roosevelt v. Bishop* that Arizona's system of school capital finance was unconstitutional. The court found that the statutory financing scheme for public education was the cause of undisputed gross disparities in school facilities and was in violation of the "general and uniform" clause of the Arizona Constitution. While the court did not ultimately require equal funding per pupil for capital, the court did require that Arizona establish minimum facility standards and allow districts to go beyond these minimum standards, if desired, spending local funds.

Arizona responded to the court's decision by establishing a centralized, statewide system for funding school capital (with the exception of soft capital) administered by the School Facilities Board. The system was based on the premise that the state would provide full funding to ensure that all educational facilities in school districts meet minimum state standards, and provide new facilities in response to enrollment growth. Consistent with the court's decision in *Roosevelt*, the system also allowed school districts to spend local monies to exceed the applicable state standards. However, the school capital funding mechanisms have been modified substantially since they were first enacted, and the state's failure to adequately fund the School Facilities Board has detrimentally affected the infrastructure of our current K-12 education system. Significant deferred maintenance, even with a change in the funding distribution mechanism (from a building renewal formula to a grant formula), has exacerbated the problem. As a result, earlier this year, another lawsuit was filed on similar grounds to those argued in the *Roosevelt* case.

Arizona school facilities should foster a space where children can learn in a safe and healthy environment. All Arizona public district school facilities are taxpayer assets that should be treated as such. With the School Facilities Board, the formula used to be \$250 million – though fully funded only in one year – and the new grant program is \$30 million, which is "a drop in the bucket" relative to our schools' infrastructure needs, especially considering this includes technology costs.

To make up the difference in funding, school districts must use bonds to bring all schools up to minimum state standards. As a result, those districts in which bond elections pass are better-positioned to maintain their school facilities and other infrastructure, including technology. But in districts where bond elections do not pass, schools are crumbling, transportation systems are unsafe, and technology needs are not being met. Charter schools do not have the capacity to issue bonds but can use additional taxpayer money received from the state for school construction and other infrastructure projects. Overall, the dual system of school districts and charter schools does not foster efficient use of public capital resources and taxpayer dollars.

The Legislature needs to be held accountable for ensuring that the quality of Arizona's school facilities demonstrates our respect for teachers and students, and instills pride in our local communities. Under the state's current infrastructure funding model, that is not the reality.

REVENUE SOURCES

Quantifying the Additional Funds Needed to Achieve our Educational Goals

As noted above, current funding of our K-12 education system is inadequate to achieve our goals for Arizona's schools – but that has not always been the case. Historically, Arizona was not at the bottom statistically in national rankings measuring public support for education until the state began reducing its investment in the system in the early 1990s. Since then, the Legislature's propensity for adopting new tax cuts, vouchers, and tax credits starves our public schools of funding by reducing overall public support for our current K-12 education system and diverting available funds to private or parochial schools or extra-curricular activities in public schools.

We need to change course and begin reinvesting substantially in Arizona's preK-12 education system. Specifically, we need to consider each of the following investments:

- A one-time investment to address existing deficiencies, including deferred maintenance – \$1.3 billion (amount estimated as of 2002, to be updated; one-time expense)
- Increasing teacher pay with a view toward bringing Arizona's teacher salaries in line with the national median – \$900 million annually
- Restoration of the capital funding formula – \$380 million annually
- Restoration of the cut in Charter Additional Assistance – \$18 million annually
- Updating and fully funding the building renewal fund – \$250 million annually
- New school construction – \$343 million (one-time expense); \$250 million annually
- Implementing full-day kindergarten – \$240 million annually
- Development and implementation of a state-funded preK program – \$200 million annually

Additional investments are also needed to fund other teacher recruitment and retention initiatives, such as in-state tuition waivers and student loan repayment programs; early childhood education programs (in addition to full-day kindergarten); community college workforce development programs; programs that serve higher-need students; and measures designed to reduce class sizes. These investments must be in addition to, not in lieu of, voter-approved funding generated pursuant to Proposition 301. In all cases, we must identify sustainable sources of funding for the ongoing investments that need to be made in our preK-12 education system; we cannot allow educational funding to be left to the political whims of individual legislative sessions or elected officials.

In simple terms, we need to invest at least \$1.3 billion (to be updated to reflect the current need) on a one-time basis – and at least \$2 billion annually, with annual increases for inflation in the future – to position our preK-12 education system to meet the educational goals that we have identified for it.

Approaching such funding needs incrementally with a long-term outlook may make certain goals, such as increasing teacher pay and reducing class sizes, more attainable in the short-term. To the extent that direct voter involvement is required to approve additional funding, we must be intentional in our approach to voters with proposals that are well-articulated and provide sufficient funding for a long period of time, given that proponents can only go "back to the well" every 10 to 15 years.

The Impact of Propositions 301 and 123

When Arizonans approved Proposition 301 in November 2000, they raised the statewide sales tax from 5% to 5.6%, with the increased revenues dedicated to public education. The new sales tax rate took effect in 2001 and is scheduled to expire on June 30, 2021. This measure, championed at the time by Governor Jane Hull, and companion proposals passed by the Legislature, laid the foundation for a substantial portion of Arizona's education policy regarding infrastructure and funding. For example, in FY 2017, the sales tax generated more than \$696 million in support to public universities, community colleges, school districts, and charter schools. Proposition 301 also provides for annual cost-of-living increases, with funding per student rising annually by the rate of inflation or 2%, whichever is less.

Proposition 123 was championed by Governor Doug Ducey in 2016 as a solution following many years of litigation over education funding, as it increased distributions from the State Permanent Land Endowment Trust Fund and made other changes in Arizona's K-12 finance system. Proposition 123 increases land trust distributions from 2.5% per year to 6.9% per year through FY 2025 and provides for additional general fund support. In FY 2016, Proposition 123 generated \$299 million in funding for Arizona's current K-12 education system for the purpose of fulfilling unmet inflation funding requirements, as mandated by voters when they approved Proposition 301.

The revenues generated from Propositions 301 and 123 are essential to the current funding structure for Arizona's K-12 education system. While Proposition 301 has some issues, in that a sales tax can be regressive, it still should be renewed prior to its expiration date – and voters should strongly consider raising the incremental statewide sales tax from 0.6% to at least 1% (or more). If Proposition 301 is not renewed, the state will lose more than \$600 million annually, much of which goes directly to teacher pay. The pay cut would equal more than \$500 million for Arizona's teachers, which translates to approximately \$6,000 per certified teacher. In other words, a loss of the revenue generated by Proposition 301 would decimate public education funding in Arizona.

Proposition 301 should be placed on the ballot and renewed by Arizona voters in either 2018 or 2020 to preserve and increase the essential funding that it provides to Arizona's preK-12 education system. Proposition 123 provides for a steadier income to schools, but there is great concern as to what is going to happen when the measure expires, so it should be placed on the ballot for renewal beyond FY 2025. The impact of this funding scheme on the State Permanent Land Endowment Trust Fund is yet to be determined, so this should be monitored closely for the next several years, and the state should be prepared to replace the funding if necessary.

Alternative methods of funding preK-12 education could include a statewide property tax, which would be palatable to the Legislature, as opposed to an increase in our statewide sales tax, which is regressive and cyclical. Yet, an increase in the statewide sales tax would still be beneficial for education funding. By eliminating loopholes in the corporate income tax system, we could also generate additional revenues available to be spent on Arizona's preK-12 education system. There should be an effort on the part of state leaders to identify a dedicated revenue source than could replace the funding currently generated by Propositions 301 and 123, if necessary.

Diversifying Arizona's Sources of Funding for PreK-12 Education

Despite Arizona's constitutional mandate to adequately fund education, our current sources of funding for the state's preK-12 education system are not meeting the needs of our schools, our teachers, or the individuals and communities they serve. In addition to restoring funds that were previously cut from our K-12 schools and preserving funding sources like Propositions 301 and 123 to avoid sending our educational system over a "fiscal cliff," we need to develop new, sustainable sources of funding that supplement rather than supplant existing resources. We must also focus on diversifying the sources of education funding, because each individual funding source has advantages and disadvantages, both for the system and for taxpayers.

Given that framework, we should examine the following as potential new funding sources for Arizona's preK-12 education system: (1) a new uniform statewide property tax, potentially augmented by property taxes levied by local school districts; (2) increased corporate income taxes, funded by eliminating loopholes; (3) sales taxes on personal services; (4) increased sales taxes; and (5) excise taxes on energy, tourism and entertainment activities. In addition, federal funding, grants, other private support, and finite resources like state trust lands can be used to augment basic state funding for preK-12 schools. We also need to revisit the various individual tax credits, private school tuition scholarships, and other school vouchers that have been adopted over the past 20 years and assess their impact on the state's ability to meet its obligation to adequately fund the preK-12 education system.

Difficult questions will need to be addressed as we modernize Arizona's educational funding system. For example, relying too heavily on property taxes to fund our preK-12 schools would negatively affect Arizonans on fixed incomes and potentially make our state less attractive for people considering relocation. Relying too heavily on sales taxes, on the other hand, would be regressive and make the funding system vulnerable to cyclical trends in the economy. Striking the right balance is a very complex proposition, requiring consideration of multiple factors such as public support, legislative viability, fiscal impact, and whether a given funding source is sustainable, dedicated to education, regressive, or cyclical.

Breaking Down Barriers to Improving Arizona's Public School Funding System

Arizona's current education funding system has regressed over the past 40 years into a complicated patchwork of temporary solutions. As a result, there are many barriers to improving Arizona's public school funding system to meet current and future goals as identified in the first section of this report.

One barrier is the lack of a concrete statewide program or plan to implement funding increases; most likely, such a plan will need to be a multi-year plan and contain recommendations regarding funding and spending.

Another barrier is Arizona's Legislature and the fact that many legislators are not necessarily "on board" regarding the constitutional requirement to adequately fund education, and there does not seem to be a consensus regarding the meaning of "adequate." Arizona's voters must overturn Proposition 108, which requires a two-thirds majority vote within the Legislature to approve tax increases, because tax increases will need to occur if we intend to meet the future educational needs of this state. Increasing awareness and keeping track of their voting records are effective ways to decrease apathy among legislators.

Voter apathy is another barrier to improving Arizona's public school funding system. We need to engage and empower the millennial generation to change the hearts and minds of the voting public. We also need appropriate messaging to our senior citizen community so that they understand the importance of funding education even if they do not have children attending public schools.

Another barrier is the common misconception that cutting taxes is the sole determinant in attracting quality businesses to Arizona. The truth of the matter is that investing in public schools translates into an investment in the quality of life for all Arizonans, which is far more attractive to employers and the growing business community. The high rates of childhood poverty in Arizona create many barriers to improved education outcomes. We must implement and support programs that assist families and children outside of school.

Misconceptions about the quality of Arizona's current K-12 education system can also be a barrier to meeting educational goals. The perception that Arizona schools and teachers are failing, along with a lack of transparency encourage Arizonans to be short-sighted, not look for long-term solutions to long-term problems, and wrongly portray schools as unworthy of investment.

To overcome these barriers and improve Arizona's public school funding system, we must reframe public education as a shared public benefit for all Arizonans, and that is why it is critical that all Arizonans support education funding. One way of reaching the public is to launch a public outreach or media

campaign that informs families, senior citizens, millennials, opportunity youth, and the business community about the goals of our preK-12 education system and how Arizona intends to meet these goals. Community outreach and collaboration with existing support organizations will also give a louder, more prominent voice to those who are advocating for increased public school funding.

Finally, families also have an important role to play in supporting Arizona's preK-12 education system. They can educate the public about the reality of what happens when we do not adequately fund our public schools. If we can include all of Arizona's residents in recognizing the crisis in public education and being part of the solution, then we will have come a long way in removing barriers to improve public school funding in Arizona.

SETTING PRIORITIES AND TAKING ACTION

Action Items and Priorities: What Needs to be Done?

Increased state funding is urgently needed to improve our preK-12 education system and position it to achieve the goals discussed in the first section of this report. To maximize the beneficial impact on Arizona's future, and the likelihood of success, we should prioritize the following critical action items:

1. Improving our education system through recruiting and retaining talented teachers, which would be achieved by developing a significant, dedicated revenue stream used to increase teacher pay to levels commensurate with the national average.
2. Restoring full funding for school capital, including school facility construction, maintenance, investments in technology, and other capital needs.
3. Funding full-day kindergarten and early childhood education programs.
4. Eliminating "results-based" funding.
5. Implementing consistent, transparent accountability standards applicable to all institutions within our preK-12 education system that accept public funds.
6. Ensuring that all existing and new sources of funding for Arizona's preK-12 education system are dedicated accordingly and cannot be diverted for other purposes.

We can achieve these important goals by doing the following:

- Supporting ballot initiatives to:
 - renew and expand Proposition 301 to provide for an incremental statewide sales tax of at least 1.0% (in lieu of the current 0.6%); and
 - repeal the limitations on Legislature-approved tax increases that were enacted pursuant to Proposition 108.
- Lobbying the Legislature to:
 - modernize the basic formula for state funding of preK-12 education to level the playing field among different types of schools and take into account the unique needs of our diverse student population;

- implement a new uniform statewide property tax to provide an additional revenue;
 - adjust the equalization formula to require all districts to levy the “qualifying tax rate,” which, if levied uniformly across the state, would generate nearly \$200 million in additional funding on an annual basis;
 - streamline the bureaucracy in our preK-12 education system, focusing on whether the differences in the rules applicable to school districts versus charter schools make sense and contribute to adequate, equitable funding throughout the system;
 - revisit and repeal tax credit and private school tuition scholarship programs that essentially utilize public funds for private endeavors, ultimately resulting in an increased financial burden on the public school system; and
 - create new and improved policies requiring accountability for use of all taxpayer dollars in our preK-12 schools.
- Using state bonding authority to address deferred maintenance and other significant capital deficiencies.
 - Identifying additional sources of funding for Arizona’s preK-12 education system to create the conditions necessary for future legislative action or ballot initiatives, such as:
 - sales taxes on personal, professional, or other services;
 - making all nicotine delivery devices subject to the existing tobacco tax;
 - excise taxes;
 - closing corporate tax loopholes; and
 - exploring public/private partnerships whenever possible for infrastructure and construction needs.
 - Increasing awareness within the general public about the value and importance of adequately funding our preK-12 education system – and also about what is working, and what is not working, in our current system.
 - Using research, statistics, and available data to quantify what “adequate” means so legislators and taxpayers alike better understand the proper meaning and scope of Arizona’s constitutional mandate to adequately fund education.
 - Holding elected officials accountable for explaining their support of our preK-12 education system, as well as how they intend to provide adequate funding.
 - Encouraging young people to be involved – and vocal – in supporting our preK-12 schools, including by voting for those eligible to do so.
 - Launching and sustaining a grassroots effort to support funding for our preK-12 education system by increasing collaboration and coordination among local communities, educational advocacy groups, tribal organizations, chambers of commerce, and other business groups.
 - Working diligently with all involved to reduce burdensome compliance and oversight, duplicate paperwork, and use technology for efficiency.

Implementation: The Importance of Leadership and Individual Action

Ideally, the Governor of the State of Arizona would lead a unified effort to improve and adequately fund preK-12 education in Arizona. The Superintendent of Public Instruction should also be at the forefront of this effort. In engaging other elected officials in the process, we should make it abundantly clear that funding our preK-12 education system is a top priority for Arizona, and that the current funding mechanisms are antiquated and too heavily restricted. We also need to challenge our legislators to rethink how they see educational funding. Educational advocacy organizations should be involved in advocating for additional education funding.

As to changing the tax structure to provide for additional funding or creating new funding mechanisms for both soft and hard costs, the Governor, the Superintendent of Public Instruction, education stakeholders, advocacy groups including chambers of commerce, educational foundations, business groups, and associations of local elected officials should be talking with our legislators and executive leaders about the expansion of funding for preK-12 education. Chambers of commerce, economic development agencies, and other business groups should be leaders in advocating for positive change and additional education funding in the Legislature.

To achieve the implementation and full funding of full-day kindergarten, again we need to engage the Governor, the Superintendent of Public Instruction, the business community, other community organizations, and the public to push this initiative forward and ensure adequate funding. In doing so, we will need to demonstrate the benefit of full-day kindergarten as it relates to enhanced performance in both grade school and high school.

Ultimately, all Arizonans need to take ownership of their preK-12 education system and be outspoken advocates for adequate funding. Without a coordinated grassroots effort, sustained over an extended period, it will be extremely difficult – if not impossible – to implement the significant changes that are needed. The structural and other barriers are simply too great to overcome in the absence of such an effort. To that end, each individual participant of the 110th Arizona Town Hall personally committed to take action to advance the priorities identified in this report. Those commitments are memorialized below in this report, under the heading “Individual Actions,” and we encourage all Arizonans to consider them as a guide for actions they might take in support of our preK-12 education system.



CONCLUSION

The participants of the 110th Arizona Town Hall on “Funding preK-12 Education,” after three days of serious and intense deliberations, believe there is a state of emergency with respect to Arizona’s underfunding of our preK-12 education system, which requires urgent, decisive action. We urge implementation of the previously delineated priorities, including increasing teacher pay to ensure that Arizona’s preK-12 schools can recruit and retain excellent teachers; restoring full funding for school facility construction and maintenance; funding full-day kindergarten and early childhood education programs; eliminating “results-based” funding; improving transparency and accountability among all preK-12 educational institutions that accept public funds; and launching various initiatives to create the conditions necessary to invest more in the future. To that end, we encourage all Arizonans, including but not limited to our elected officials, to take appropriate and timely actions to ensure that our preK-12 education system is adequately and equitably funded to meet the needs of our students, teachers, and families – and our state as a whole.

INDIVIDUAL ACTIONS

Recognizing that the power to change the future begins with each individual, participants committed to take personal actions based on their experience and discussions at the 110th Arizona Town Hall. Below are individual actions that were shared:

I WILL...

- Establish and lead an ad hoc committee to study education funding needs in the Arizona House of Representatives. I will bring Arizona Town Hall results to the ad hoc committee. I will write a letter to media about Arizona Town Hall results.
- Leverage the Launch Flagstaff partnership to make a collective impact using the Arizona Town Hall report and the Flagstaff Community Town Hall report to improve our system of education for all children in Arizona.
- Continue to encourage my fellow school board members and school staff to advocate for public education whenever they can. I will continue to lobby legislators at the capitol to support public education as an individual and attend lobby days for organizations (ASBA, ABEC, etc.).
- Use social media as well as personally speak to my community about the importance of voting, the need for more funding in education, and hiring and retaining “highly qualified” teachers in Arizona schools.
- Actively work on a gubernatorial campaign to elect a true pro-public education governor.
- Spread the word to voters to use their voting right to elect pro-education officials and pass legislation that will benefit Arizona’s public education system.
- Promote discussion of education issues/funding. I will contact legislators. I will vote.
- Support funding for a study of how different taxes impact revenues that help support state needs.
- Bring the results and concerns discussed back to the members/leadership of my organization (SALC).
- Get this report into the hands of everyone I know, as well as forward it on to groups and association I am affiliated with.
- Use the recommendations of the 110th Arizona Town Hall to inform my interactions with legislators in 2018. I will highlight the Town Hall reports received when lobbying on behalf of public schools.
- Dedicate myself to the cause of adequate funding for education, hopefully by raising awareness among my peers. I will vote for more pro-public school officials.
- Work to increase knowledge and awareness about the funding of preK-12 education with our community and Legislature.
- Attend the January 25, 2018 event at the Legislature. I will get a group to attend above stated session. I will write letters to state representatives and state senators about education. I will promote voting rights to independent voters. I will bring ideas to the ad hoc legislative committee.
- Share results with Pima County Interfaith Counsel Metropolitan Education Committee and the ad hoc legislative committee.
- Educate the HOA members/residents. I will inform local press of results.
- As a business owner, I will champion the vital necessity for restoring preK-12 education funding in my community.

- Communicate the top priorities of the 110th Arizona Town Hall to my local PTA and educational community. I will continue the conversations pertinent to our district to initiate change.
- Share results with my cohort/classmates. I will attend January 25, 2018 event at the Legislature. I will contact elected officials regarding ESA.
- Encourage and increase youth participation in the political process and “drag” people to the event at the capitol in January.
- Contact my elected officials regarding Proposition 301 support. I will get in contact with students on the UA campus about political/civic engagement.
- Bring the information back to my school so as to inform young people of the magnitude of the problem, as well as tell students that they have a voice, which is the driving force for change.
- Work with various Valley task forces to communicate Arizona Town Hall priorities for strengthening education in Arizona to legislative candidates and the general public.
- Advocate for education issues in my local community by talking with friends and by writing a letter to the editor of our local paper.
- Ask my representatives if they support (a) raising teacher pay to the national media; (b) restoring cuts to capitol; and (c) full day kindergarten and how (do they support Proposition 301 and/or statewide property taxes). I will encourage others to ask the same questions either via e-mail/by phone/or in person. I will also consider potential internet grassroots options.
- Leverage Helios Education Foundation’s political/community support to promote the need for Proposition 301 expansion to increase teacher pay prior to the 2021 legislation.
- Talk/share Town Hall talking points with my work colleagues. I will talk/share Town Hall talking points with higher education colleagues. I will talk/share Town Hall talking points with ECE organization colleagues.
- Send personal e-mails to my state senator and representatives. I will encourage my family and friends to do the same. I will find community groups to volunteer with.
- Research/contact education foundations. Arizona Charter Schools Association outreach. LD 24 outreach. I will communicate importance/immediacy with networks.
- Share the report and our priorities with the economic development organizations in my community.
- Continue to build a community advocacy group in Yavapai County to support key education initiatives and educate our community of important issues important to building a world class education organization in Arizona.
- Bring the knowledge I have learned back to my school and community and bring the information to the forefront of conversations.
- Send a letter to the editor of The Arizona Republic. I will inform and work with the members of our organization to advocate for the proposed solutions.
- Gather solutions from pre-service teachers regarding school funding and encouraging students to become more educated about school funding issues and encourage young adults to vote on education issues.
- Contact my legislators. I will contact business leaders. I will contact the lawyers involved in Roosevelt v. Bishop.

- Encourage other mayors to engage their communities in supporting improvement to Arizona's education system, recognizing that education is a crucial component to work force development. We recognize the need to recruit and retain quality teachers by increasing salaries, implementing all-day kindergarten, and improving deficient school facilities.
- Engage directly with my legislative district senator (Sean Bowie) and representative (Mitzi Epstein) to begin a dialogue for supporting or an expansion of Proposition 301.
- Promote upcoming elections and reach out to young adults so they are educated on state/ community issues and ballots and so they become more active voters.
- Share the Arizona Town Hall report with local lawmakers and influential folks. Strong schools make strong families and neighborhoods.
- Continue to educate the Yavapai County rural members of the RASE (Rural Arizona School Coalition).
- Support LD 1 candidates running against present LD 1 legislators.
- Get to civics classes at the high school for base educators.
- Collaborate to develop a political endorsement coalition in the Verde Valley to elect pro-public education candidates for LD 6.
- Share the funding preK-12 education report with all Coconino County school superintendents and school directors.
- Promote the results from the town hall to people within my community and enlist to actively assist in one of the alphabet groups to forward the agenda on education.
- Promote the reports on social media. Run for senate. Support pro-education candidates. Invite people to PUSH patron tour. Lobby cities and towns to embrace school districts.
- Compel my peers to register and vote as soon as possible in their capacity. Educate them in terms of what voting decisions will positively affect funding.
- Educate communities about working and not working with funding and achievement.
- Reach out to the alphabet groups I'm associated with the reports from Town Hall.
- Reach out to community business groups and Town Hall to participate.
- Stop by my local public school and ask: what do you need from me?
- Be at the capital on January 25, 2018.
- Educate communities on what's working in the current system and how this impacts schools.
- Participate in a process to evaluate the school finance system.
- Do a feature story in the White Mountain Independent newspaper that covers Apache and Navajo Counties covering the action subjects of Arizona Town Hall and run a story in August or September 2018.
- Share the report used in this Town Hall and generated by the Town Hall with local voter support groups. I will meet with my state reps to discuss education funding.
- Attend the January 25, 2018 event at the Legislature and recruit others to attend.
- Support grassroots efforts to educate voters on putting students first when making funding decisions.
- Meet with county school superintendents across the state to be better educated on the effects on our community.

- Share the Arizona Town Hall report with my LD 23 candidates for state legislature as well as my Congressional representative (Schweikert) and senators.
- Support pro-public education candidates in meaningful, substantive ways: fundraisers, get others to vote, money, blog, write to Expect More Arizona.
- Stand strong in my community as a well-educated leader using my education to go forth and help in whatever way possible to promote a community of voters who will have the influence necessary to vote to the best of their own beliefs.
- I will not be disheartened by the current environment but will remain vigilant to fight for what's best for Arizona's children through participating in dialogue and engaging other to take any step toward reconciliation.
- Discuss the results of the Town Hall with the League of Women Voters of Greater Tucson, state legislators, and host a dinner.
- Mobilize teachers and students to vote in the primary and seek out legislators to meet with.
- Educate my community, state and country on the importance of educating our future.
- Engage my legislators to increase unrestricted funds to the education budget.
- Contact my legislators with information about the need for increase education funding.
- Continue to support our education consortium The Verde.
- Share the result of the Town Hall in my community. Bring the group to the state capitol on January 25, 2018. Share the process with other high school students. I will engage the city, chamber and county.
- Expand the Education Committee of the Yuma County Chamber of Commerce to include media outreach, education finance and reforms. I will convene policy makers at the state level for discussion and lobby lawmakers.
- Share the results of the Town Hall with family, church members, tribal council, tribal community, local tribal education First Things First Regional Councils and Boards and school board.
- Use my voice and position to advocate for increased funding to support the education needs of all of Arizona's students.
- I will on behalf of the Arizona Business and Education Coalition (ABEC) convene, connect, and advocate for additional funding discussions of the 110th Town Hall that could advance the financial needs of all of Arizona's public schools.
- Engage a younger audience and the overall community of the crisis that Arizona is in.
- Use my vote and advocate for students by challenging candidates that run for office to invest in the future of our nation: students. If all else fails, we'll have a bake sale.
- Work to encourage an increase the number of youth engaged in current issues in our city and state.
- Work to educate policy makers and the public about how public school finance works and be a technical resource.
- Organize an "Independent Voter Bootcamp" to encourage greater voter turnout for the 2018 primary.
- Share the Town Hall results with the Metropolitan Education Commissioners, elected officials for the City of Tucson and Pima County.

FUNDING PREK-12 EDUCATION

BACKGROUND REPORT



The legislature shall enact such laws as shall provide for the establishment and maintenance of a general and uniform public school system ...

*Article XI, Section 1
The Arizona Constitution*



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THE OUTCOMES WE WANT

Introduction By Dick Foreman

Arizona has for years identified its wants, expectations and even demands for public education in numerous reports and findings; some of the most influential are listed in the resource citations at the end of this chapter. One thing seems to stand out in the sources listed - resources matter.

Arizona's commitment to sufficient resources is subject to much debate – especially when compared to other states. But when it comes to data-driven pathways for achieving specific educational outcomes, there are no studies or even pathways that guarantee a specific level of student achievement. The data informs us, but it is sometimes conflicting - perhaps because student achievement is ultimately a lifetime concept, beginning with preschool efforts all the way through post-secondary education. Key omissions can effectively predict failure while numerous omissions guarantee failure at alarming percentages.

There are concepts, however, that are almost universally accepted. For instance, most people agree good teachers make a significant positive difference in student outcomes. Conversely, many individuals concur that bad or inexperienced teachers can have a significant negative impact. Given the critical role teachers play, it is relevant to note that Arizona consistently ranks low in teacher compensation.

One useful tool for engaging in the critical discussion of educational outcomes we want is the dynamic work accomplished by the Center for the Future of Arizona and Expect More Arizona in their publication of the Arizona Education Progress Meter. Eight specific metrics that are largely undisputed aspirations and based on clear data. These metrics have been adopted by numerous educational, business, community and political leaders, including Gov. Doug Ducey. The key metrics in the Arizona Education Progress Meter are:

1) POST-SECONDARY ATTAINMENT: Forty-two percent of students in Arizona go on to a two- or four-year post-secondary educational institution. Achieve60AZ, also endorsed by Gov. Ducey, aspires to 60 percent by 2030.

2) POST-HIGH SCHOOL ENROLLMENT: Arizona is at 54 percent of students compared to 69.2 percent nationally.

3) OPPORTUNITY YOUTH: More than 15 percent of 16- 24-year-olds in Arizona are “opportunity youth” who are neither in school nor employed, one of the highest percentages in the U.S. This group adds 18,100 dropouts per year to a current total of 183,200 opportunity youth in Maricopa County alone. The economic lifetime cost to taxpayers is \$27.3 billion.¹

4) HIGH SCHOOL GRADUATION in Arizona is 78 percent compared to 83 percent nationally.

5) EIGHTH-GRADE MATH: Twenty-six percent of eighth-grade students demonstrated proficient or highly proficient math test scores, one of the key metrics toward future career success and earnings.

6) THIRD-GRADE READING: Forty-one percent of third-grade students passed English language arts as proficient or highly proficient. This is one of the key metrics that contributes to a student earning a high school diploma.

7) PRESCHOOL ENROLLMENT: Thirty-eight percent of 3- to 4-year-olds were enrolled in an Arizona preschool program.

8) TEACHER PAY: Arizona teachers make on average 75 percent of the national average in teacher pay, a shortfall in excess of \$14,000 per year.

With the Arizona Education Progress Meter's succinct reporting of the state of education today, the following items may be considered a "Top 10 Most Wanted List" for Arizona's pre-K-12 education system:

- 1) A pre-K-12 education system that enables Arizona students to have the ability to continue to either a specific trade or career, or a two- or four-year post-secondary institution as they may choose, to enable lifelong success and economic independence;
- 2) A significant reduction in the existing number of opportunity youth and dropout rates, as well as engagement or re-engagement of these students in dynamic and responsive education or career pathways;
- 3) Elimination of the basis for achievement gaps based on ethnicity or poverty in every educational achievement category;
- 4) Eighth-grade proficiency in math;
- 5) Third-grade proficiency in English language arts;
- 6) Opportunities for every parent to enroll their children in preschool;
- 7) Fairly compensated teachers;
- 8) Full funding of pre-K-12 funding formulas;
- 9) School classroom needs and capital facilities properly and equitably funded, sufficient to provide every student in Arizona with a qualified teacher in every classroom, housed within educational facilities and grounds that are healthy and safe;
- 10) Preserving parent choice while ensuring that every school is an excellent choice, no matter where the parent chooses their children attend.

Wanting outcomes that are challenging because of resource limitations is one of the most critical issues that needs to be addressed. The best pathway to improve education in Arizona is thoughtful, engaged public policy process where we work together as a community to achieve the outcomes we want with the resources we are willing to provide.

ADDITIONAL RESOURCES:

State of Latino Arizona

(Garcia, Aportela, Vagl and Galas, 2016)

Why Money Matters in Education

(Mathis and Quinn, 2016)

Which States Could Soon Make Significant Changes to Their K-12 Funding Formulas?

(Burnette, 2017)

Understanding State School Funding

(Griffith, 2012)

Arizona Association of School Business Officials website (www.aasbo.org)

Education Commission of the States website

(www.ecs.org)

A Comprehensive Review of State Adequacy Studies Since 2003

(Aportela, Picus and Odden, 2014)

Redesigning School Finance Systems

(Odden, 2007)

Consortium for Policy Research in Education website

(www.cpre.org)

Fact Check: Does Arizona Rank Last in Teacher Pay?

(Alder, 2017)

Texas A – F grades make low-income schools look worse, analysis shows

(Chang, Taboada and Hill, 2017)

We don't need to teach our kids to code, we need to teach them how to dream

(Goodwin, 2017)

Education Spending Per Student by State

(Governing Magazine, n.d.)

Lead with Five: Five Investments to Improve Arizona Public Education

(Rodel Foundation, 2005)

The Arizona Education Progress Meter

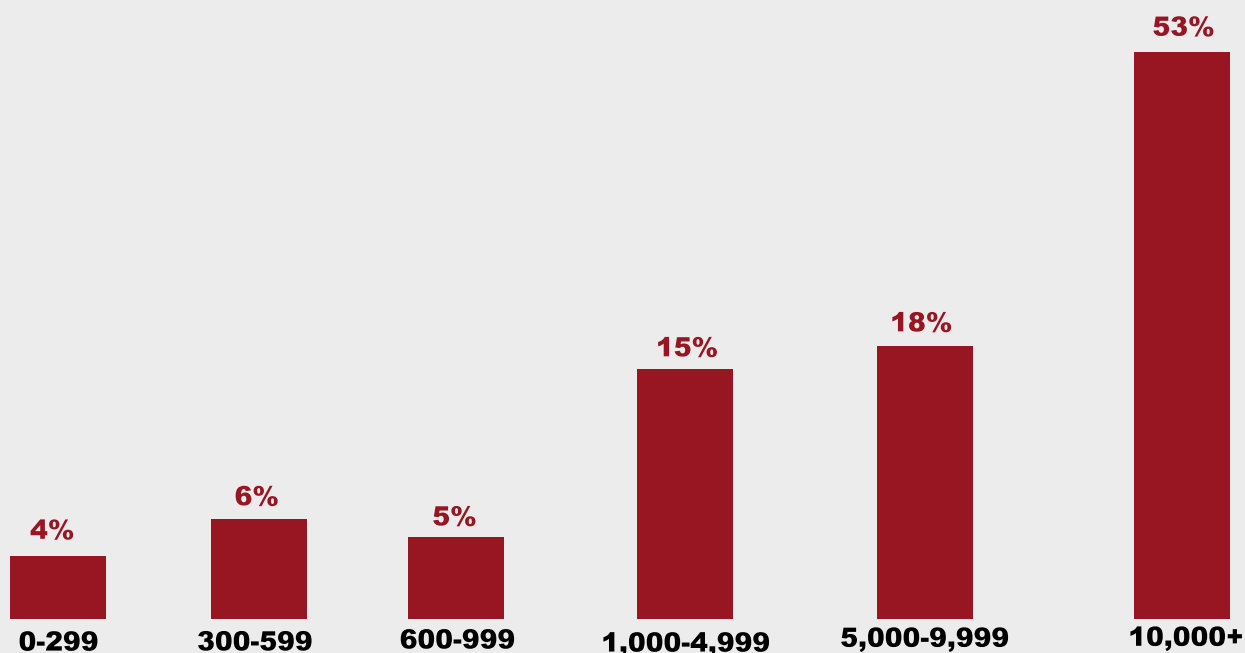
(Expect More Arizona, 2017)

K-12 STATISTICAL OVERVIEW

In the 2015-2016 school year, Arizona educated an estimated 1,155,928² students in 237 school districts, 423 charter schools organizations, 480 private schools and eight accommodation districts. Students attended 1,409 district schools, 534 charter schools and 19 accommodation schools for a total of 1,962 individual public schools.³ Approximately 64,400 students attended private schools.⁴

Students were spread across the state with some in a school district as small as one student (Crown King Elementary) and others in a school district with more than 61,000 students (Mesa Unified).⁵ Eighty-five percent of public students attended a traditional district school and 15 percent attended 534 charter schools. Fifty-three percent of students attended school in a district with more than 10,000 students, however, almost 42,000 students attended a district or charter with fewer than 300 students.⁶ Arizona's system of education must account and adjust for each student's disparate circumstances.

STUDENT DISTRIBUTION BY DISTRICT/CHARTER SIZE



Source: Arizona Department of Education, FY 2016 Superintendent's Annual Report



A NOTE ABOUT DATA: Several sources publish education statistics for the state of Arizona. Unfortunately, these sources are inconsistent and often contradictory. Since there is no “single source of truth,” the report generally selects one source and documents that source. Where there is significant differences in reported values, the report will attempt to note multiple sources. For example, for school year 2016 public student counts the Joint Legislative Budget Committee (JLBC) published 1,091,528 while the Arizona Department of Education (ADE) published 1,082,643. This report uses JLBC data for cross year comparisons and ADE data for demographic analysis.

STUDENT DISTRIBUTION BY COUNTY

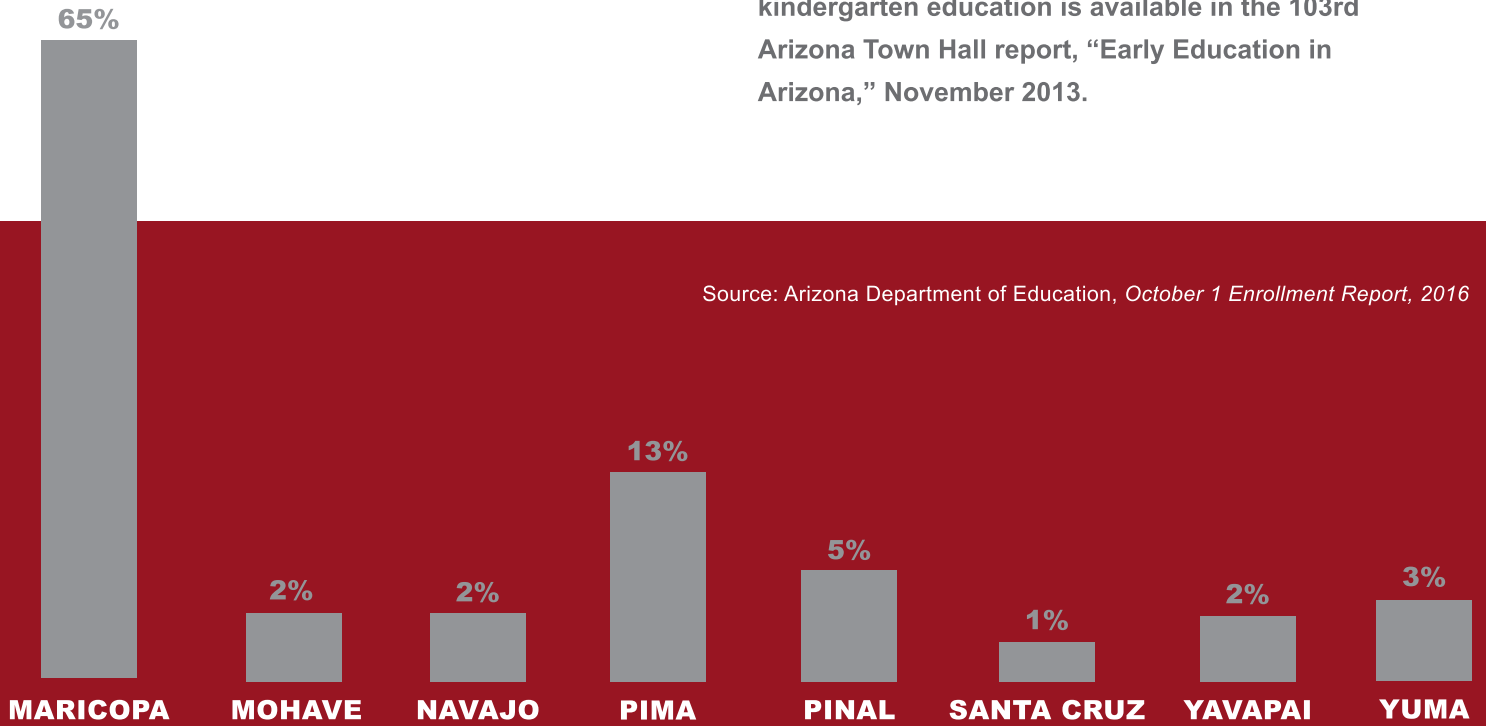


Mirroring the state's general population, most of Arizona's students live in Maricopa, Pima and Pinal counties. Approximately 16.5 percent (or about 180,000) of all students live in the other 12 counties.

Arizona's student base is rich in diversity with a majority of students from an ethnic minority group. In 2016, Hispanic students made up the single largest ethnic group, representing 45 percent of all students. White students were 39 percent of all students. Fifty-one percent of students were male.⁷ There were 532,725 students (47 percent) who participated in free or reduced-price lunch, 60,143 (5.3 percent) English language learners and 127,356 (11.3 percent) were designated as students with disabilities.

Preschool: Included in these student counts are approximately 19,000 disabled preschool students. Preschool for disabled students is part of the state's mandated public education. This report includes a brief chapter on preschool, however for additional information on pre-kindergarten education is available in the 103rd Arizona Town Hall report, "Early Education in Arizona," November 2013.

Source: Arizona Department of Education, *October 1 Enrollment Report, 2016*



ARIZONA K-12 STUDENTS' ETHNIC DIVERSITY

FY 2011



FY 2016



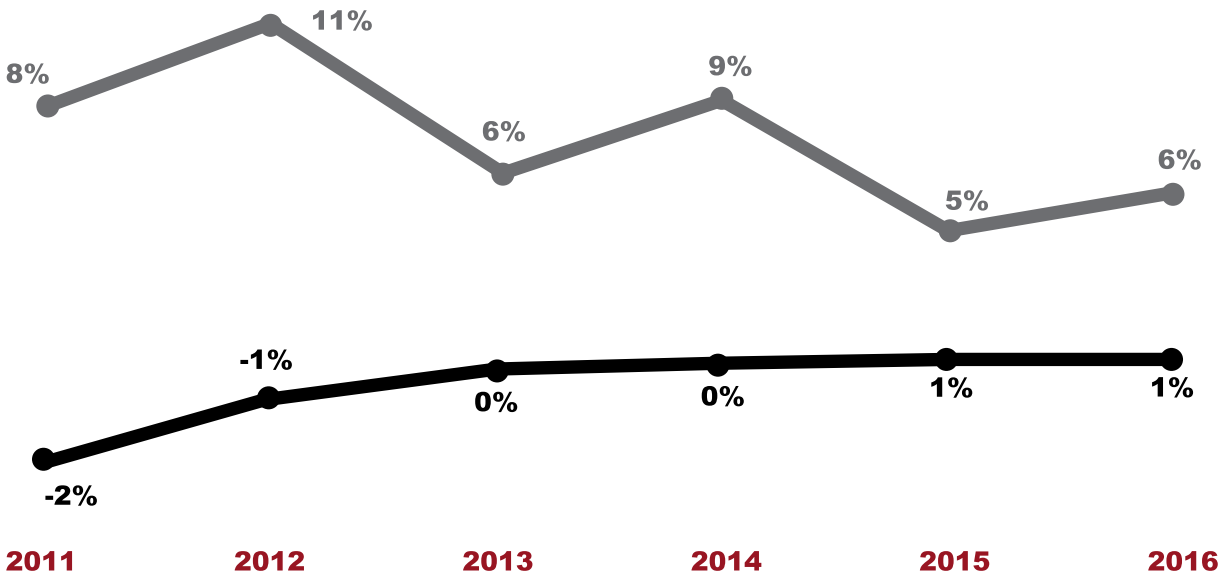
Source: Arizona Department of Education, *October 1 Enrollment Report, 2011 and 2016*

GROWTH

Since the 2009-2010 school year, Arizona's total K-12 student population has experienced stable positive growth, increasing only 4 percent during the six-year period. Despite the growth in total population, traditional district enrollment counts have dropped about 1 percent. An estimated 141 of the 237 school districts experienced reduced enrollments.⁸ Conversely, over that same time period, charter schools continued with slowing, but still significant enrollment gains. Since 2010, enrollment in charter schools increased by 52 percent.⁹

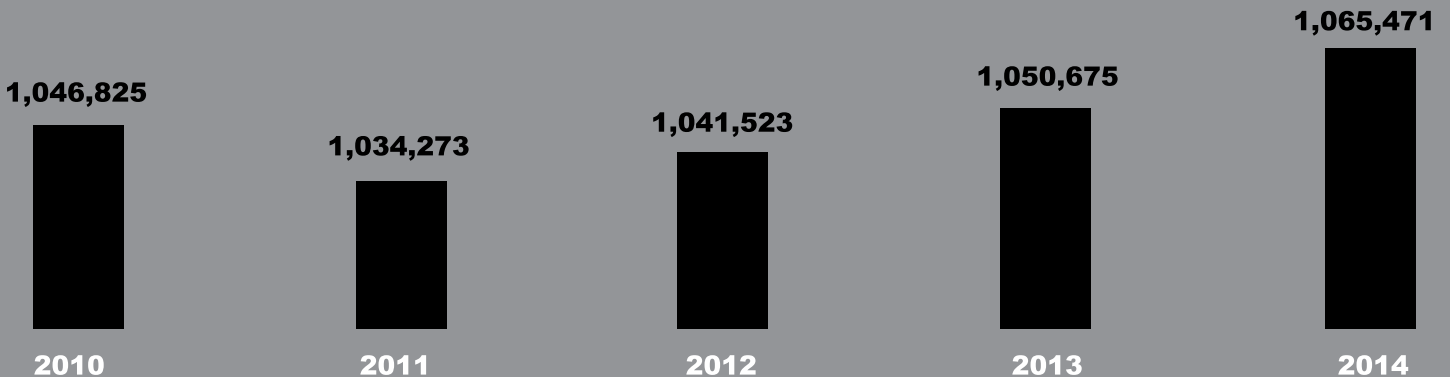
K-12 STUDENT GROWTH

■ DISTRICTS ■ CHARTER SCHOOLS



Source: Joint Legislative Budget Committee, *Appropriations Report 2017 Pg. 166*

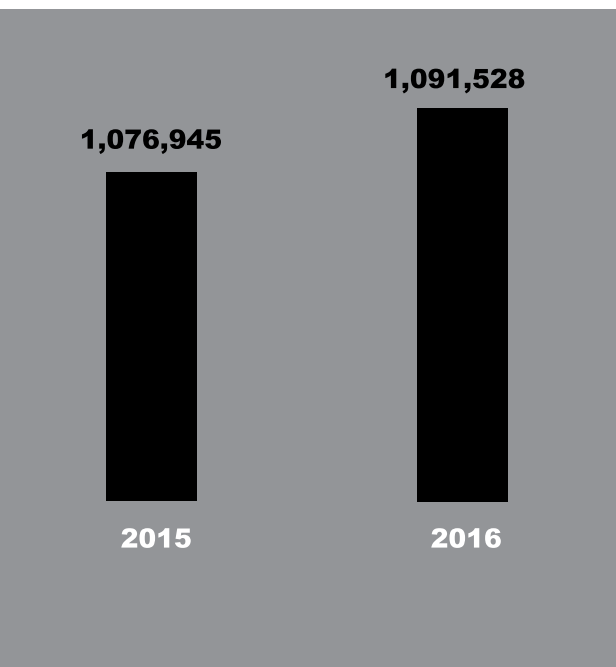
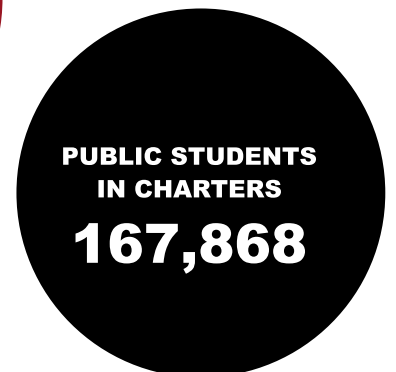
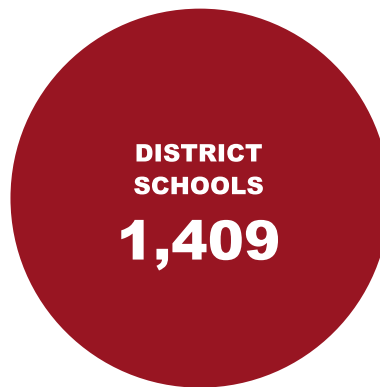
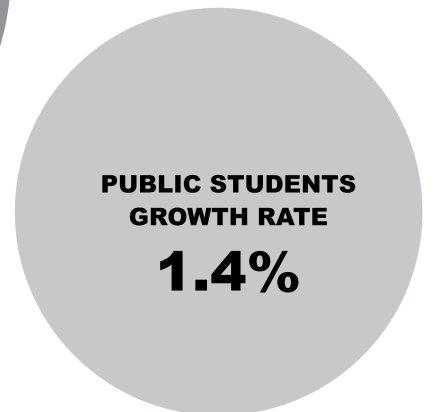
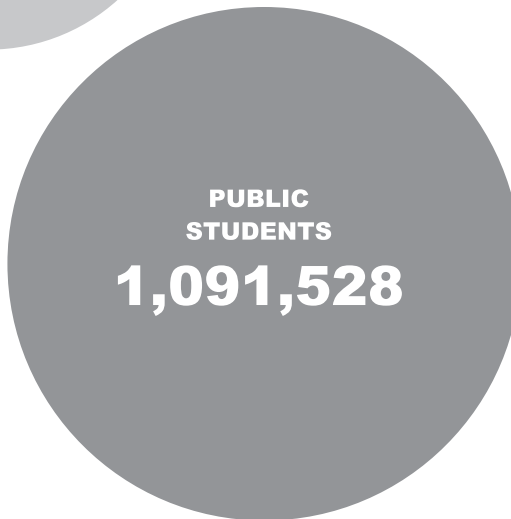
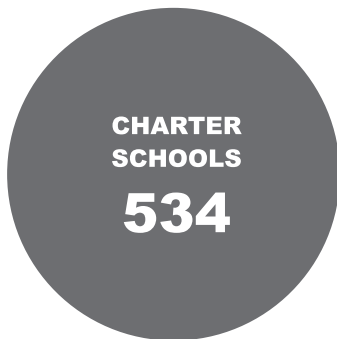
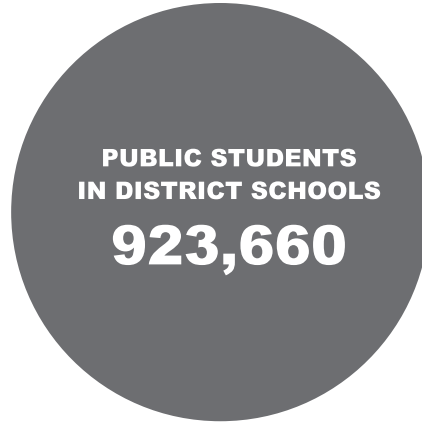
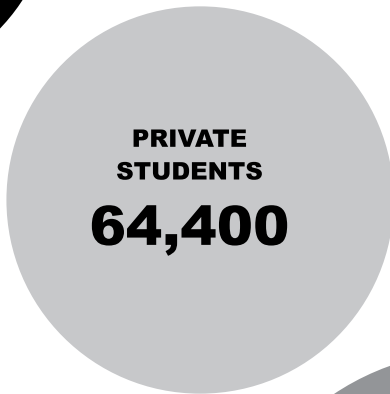
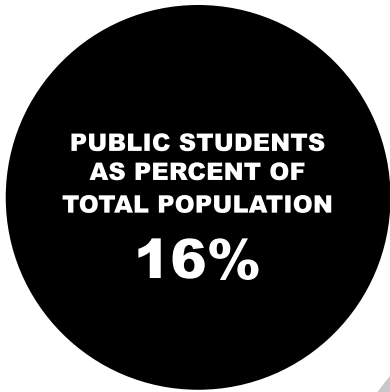
STUDENT COUNTS



Source: Joint Legislative Budget Committee, *Appropriations Report 2017 Pg. 166*

2016 FAST FACTS

Since 2010, K-12 public students as a percentage of the total population have declined from 16.4 percent in fiscal year (FY) 2010 to 16 percent. Despite the reduction, Arizona remains above the 15.2 percent national average of K-12 students compared to the total population.¹⁰





K-12 ORGANIZATIONAL OVERVIEW

Arizona’s public K-12 system has several coordinating governing officials and bodies. Below is a brief overview of these entities, their duties and how they interact.



STATE LEVEL

GOVERNOR

As the head of Arizona state government, the governor proposes and works with the Legislature to establish K-12 state funding levels and K-12 policy initiatives.

LEGISLATURE

The Legislature establishes the laws and budgets governing education in Arizona. These laws include the creation of the K-12 administrative structure. Therefore, all other K-12 governing entities’ duties are established by the Legislature. Additionally, the Legislature employs the state auditor general to perform school district financial and program audits.

THE STATE BOARD OF EDUCATION

Established by the Arizona Constitution, the Arizona State Board of Education is charged with regulating the conduct of the public K-12 school system. The board is composed of 11 members, each of whom — except the superintendent of public instruction — is appointed by the governor with the consent of the Senate. Members are appointed to four-year terms.

In addition to its general regulatory responsibilities, Arizona law charges the board with numerous other duties. The primary powers and duties of the board are outlined in A.R.S. Title 15 with specific duties listed in §15-203. A partial list includes:

1. Exercise general supervision over and regulate the conduct of the public school system.
2. Prescribe a minimum course of study in the common (elementary) schools for promotion from third grade, eighth grade and graduation from high school.
3. Supervise and control the certification of persons engaged in instructional work directly as any classroom, laboratory or other teacher, or indirectly as a supervisory teacher.
4. Adopt rules governing the methods for the administration of all proficiency examinations.
5. Impose disciplinary action on a finding of immoral or unprofessional conduct.
6. Establish an assessment, data-gathering and reporting system for pupil performance.
7. Prescribe a minimum course of study, as defined in section 15-101 and incorporating the academic standards adopted by the state board of education, to be taught in the common schools.



ACADEMIC STANDARDS

Arizona's academic standards are the official educational goals adopted by the Arizona State Board of Education. The standards define what students need to know and be able to do by the end of each grade to be successful in the next. For example, by the end of kindergarten a student should be able to write numerals 0-20.

The board adopts standards for arts, technology, English Language Arts (ELA), health, mathematics, physical education, science, social studies and world and native languages. The board reviews and updates standards regularly and has published scheduled timelines for standard reviews through 2022.

For example, the math standard was originally adopted in 1987, revised in 1996, 2003, 2008 and 2010 and is currently undergoing a revision for implementation by the 2018-2019 school year.

COMMON CORE

During the last decade, Arizona worked with other state leaders to develop a common set of math and ELA standards that could be implemented and measured across multiple states. This set of standards was commonly known as Common Core. The board, with a few minor changes, adopted these standards in 2010. In Arizona they were known as the Arizona's College and Career Ready Standards.

In 2014, Gov. Ducey called on the board to review the standards. In response, the board established review committees consisting of more than 200 Arizona educators from across the state. After a nearly two-year review, the board adopted the new standards in December of 2016. The newly adopted standards will be implemented in school year 2019.

According to the Arizona Department of Education (ADE), about half of the language in the original Common Core initiative was either removed or altered, but most of the actual requirements remain unchanged. Some of the major changes include requiring cursive handwriting by fifth grade and learning about time and money in early grades.

SUPERINTENDENT OF PUBLIC INSTRUCTION

While the superintendent of public instruction is an independently elected constitutional officer, the majority of the position's duties are outlined by the Legislature in statute. The superintendent serves as the chief executive officer of ADE and is charged with administering state K-12 education laws and policies. Key duties outlined in A.R.S. §15-251 include:

1. Superintend the schools of this state.
2. Request the auditor general to investigate when necessary the accounts of school monies kept by any state, county or district officer.
3. Subject to supervision by the Arizona State Board of Education, apportion to the several counties the monies to which each county is entitled for the year.
4. Execute, under the direction of the Arizona State Board of Education, the policies that have been decided upon by the state board.
5. Direct the performance of executive, administrative or ministerial functions by ADE or divisions or employees thereof.

THE ARIZONA DEPARTMENT OF EDUCATION

ADE administers state and federal K-12 education programs in Arizona. ADE administers K-12 programs including:

- **Teacher certification;**
- **School finance;**
- **School accountability;**
- **Adult education;**
- **Statewide assessments;**
- **Child nutrition programs;**
- **Dropout prevention;**
- **Empowerment scholarships;**
- **Federal programs including Titles I,II,III,IV, V, IV, VII, VIII;**
- **General Educational Development (GED);**
- **Homeless education; and**
- **Special education.**

For a complete list of programs please visit their website at www.azed.gov.

ARIZONA STATE BOARD FOR CHARTER SCHOOLS

The state Legislature created the 11-member Arizona State Board for Charter Schools in 1994 to govern Arizona's charter school system. The charter board's main duties are to grant charter status to qualifying applicants and to review charter school performance. The charter board is comprised of the superintendent of public instruction or designee, six members of the general public (one of whom shall reside on an Native American reservation), two members of the business community, one charter school operator and one charter school teacher. With the exception of the superintendent of public instruction/superintendent's designee, whose term coincides with the superintendent's term in office, all members are appointed by the governor to serve four-year terms. Additionally, the president of the Senate and the speaker of the House of Representatives appoint three non-voting advisory members.

Charter Board duties are outlined by A.R.S. §15-182.

ARIZONA SCHOOL FACILITIES BOARD

Discussed more fully below (see School Capital), the School Facilities Board (SFB) establishes minimum facilities guidelines for district school facilities. The SFB audits school districts against established guidelines and administers grant programs for new school construction and building renewal.

LOCAL LEVEL

SCHOOL DISTRICT GOVERNING BOARDS

School district governing boards are elected bodies that govern geographically established school districts. School boards consist of either three or five locally elected members who serve four-year staggered terms.

School boards prescribe policies and procedures for the governance of the schools not inconsistent with law or rules prescribed by the Arizona State Board of Education. For example, while the Arizona State Board of Education establishes state educational standards, local school boards establish the curricula and criteria to implement those standards. School boards also set local high school graduation requirements within the standards adopted by the Arizona State Board of Education.

Other duties include:

- **Acquire and maintain school property.**
- **Establish local attendance boundaries.**
- **Construct school buildings on approval of the district electors.**
- **Establish school budgets.**
- **Set local tax rates.**
- **Call for special elections for budget overrides or the issuance of school district bonds.**

COUNTY SCHOOL SUPERINTENDENTS

County school superintendents are constitutional officers, elected by each county. Duties are outlined by A.R.S. §15-302 and fall into four categories:

- **Fiscal: School district finances are organized under the county. Each school district's revenues and expenditures pass through the county superintendent's office.**
- **Special administration: County superintendents govern special school elections and may appoint school district governing board members to fill temporary vacancies. The superintendent may also provide administrative services to small school districts.**
- **Informational: The county superintendent distributes school-related information to school districts.**
- **Educational: County superintendents may establish accommodation school districts to serve special-need populations including homeless, incarcerated and other special-need students.**



MEASURING PERFORMANCE

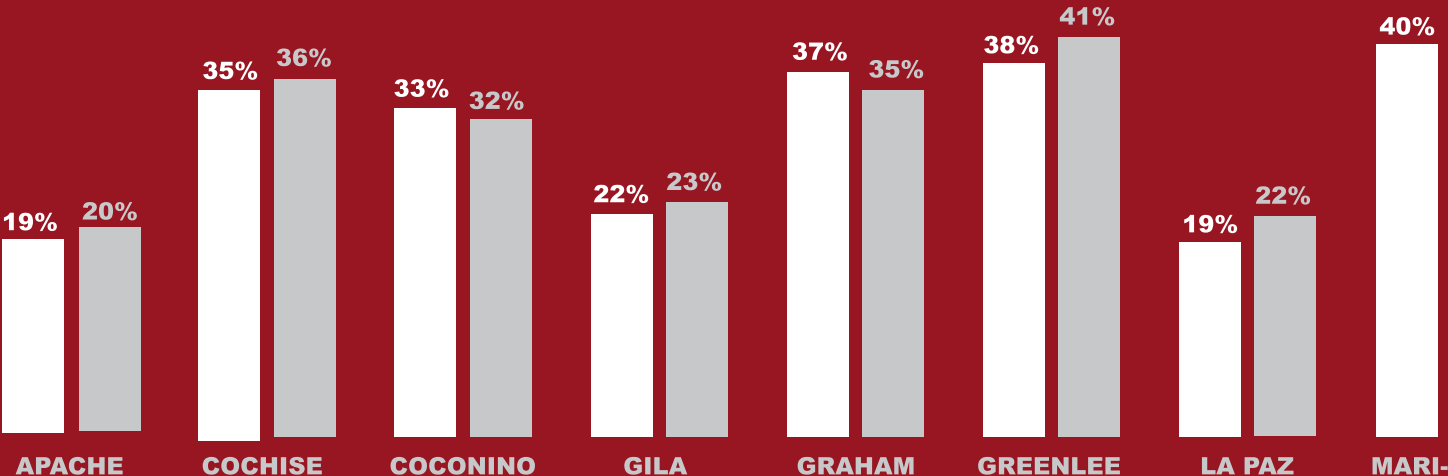
Determining which tools are most appropriate to measure the performance of the public school system is difficult and hotly debated. This section of the report identifies and presents the results from a number of different measurement tools. Each tool tells a slightly different story of how Arizona’s K-12 students perform, both in comparison to past performance and to national performance levels. The performance tools presented include:

- Arizona’s AzMERIT Test;
- The National Assessment of Educational Progress (NAEP);
- High school completion rates;
- College-going rates;
- The Arizona Education Progress Meter; and
- U.S. News & World Report rankings.

Achievement on AzMERIT varies significantly by county. Maricopa County had the best combined scores with 40 percent of students scoring proficient or highly proficient in both math and ELA. Apache County’s scores were approximately 50 percent of Maricopa County’s and were the worst in the state at 20 percent for math and 19 percent for ELA.

AzMERIT SCORES BY COUNTY

ENGLISH MATH



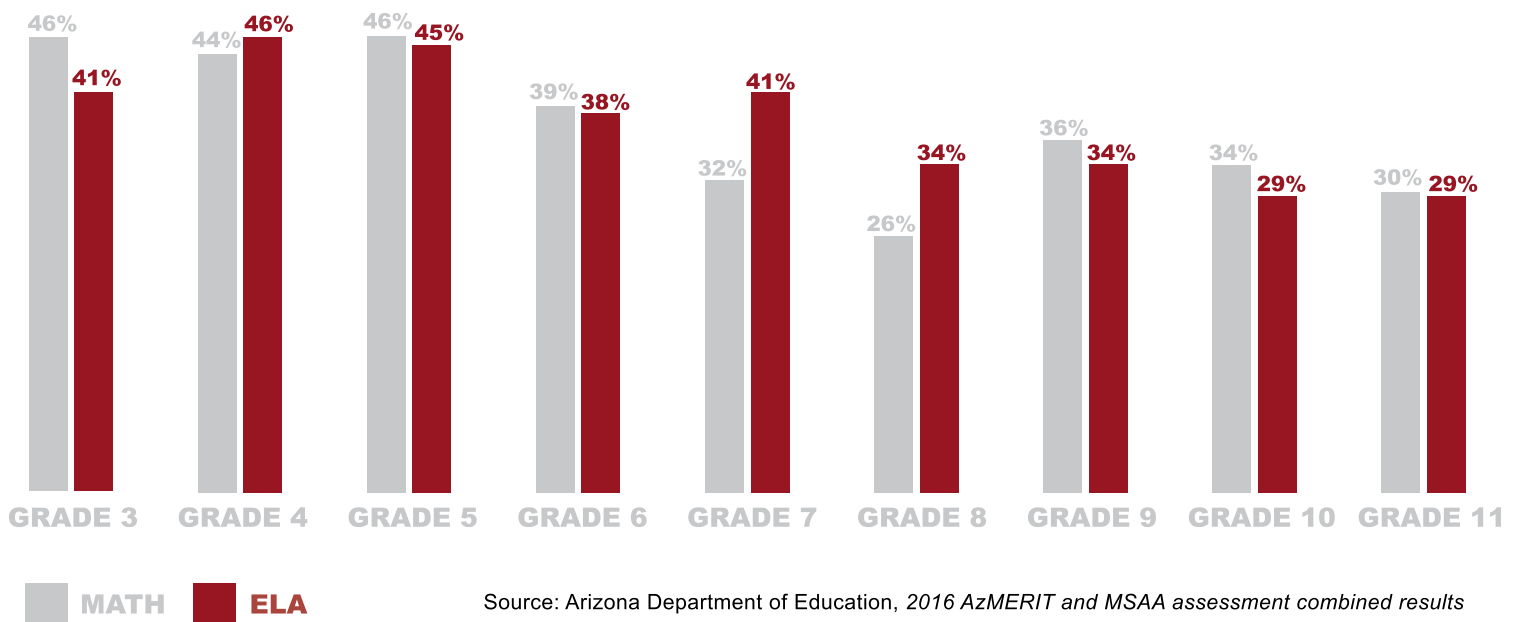
AzMERIT

AzMERIT is Arizona's statewide achievement assessment for English language arts (ELA) and mathematics. The Arizona State Board of Education adopted the test in 2014, therefore historical data is limited. The test measures students' proficiency and then assigns a corresponding ranking - highly proficient, proficient, partially proficient or minimally proficient. Cut-off scores are based on mastery of grade-level topics, not on percentage scores, and were recommended by a panel of highly experienced teachers and ultimately adopted by the Arizona State Board of Education. Scores are reported for grades three to 11.

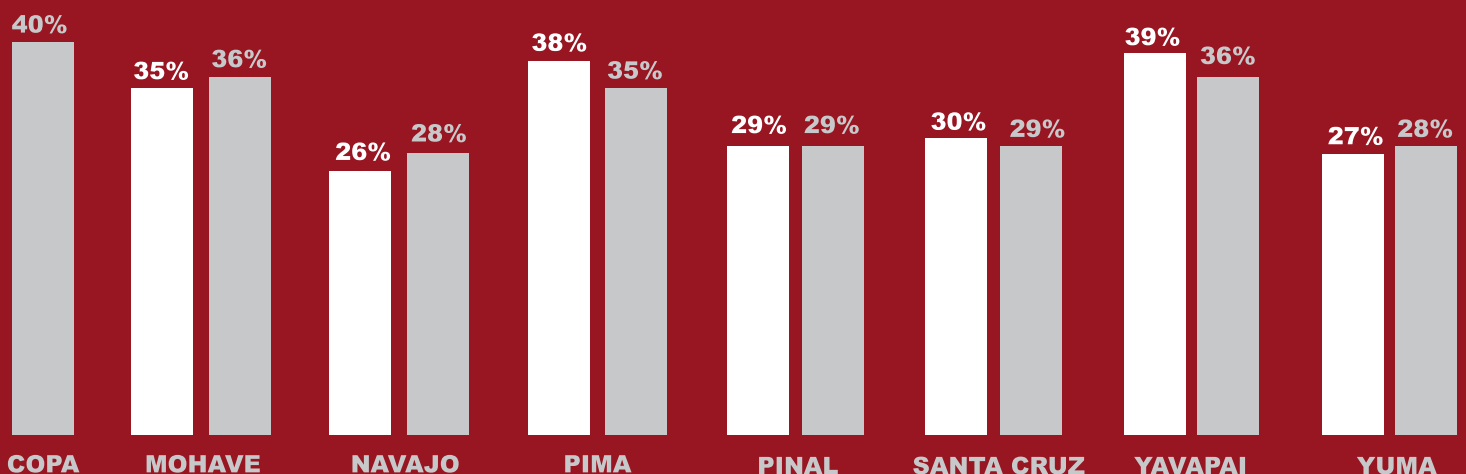
For the 2015-2016 school year, across all grades, 38 percent of students were ranked in the proficient or highly proficient range in mathematics, and 38 percent of students earned proficient or highly proficient scores in ELA. This effectively means that in 2016, 62 percent of Arizona students tested below grade level in both math and English.

This was a slight improvement over the 2014-2015 scores of 35 percent for math and 34 percent for ELA.¹¹

AzMERIT 2016 MATH PROFICIENT AND HIGHLY PROFICIENT



Source: Arizona Department of Education, 2016 AzMERIT and MSAA assessment combined results

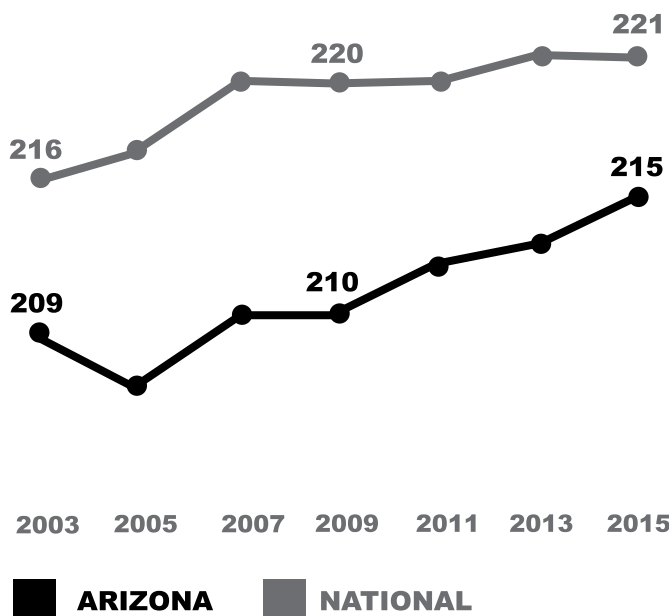


NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS

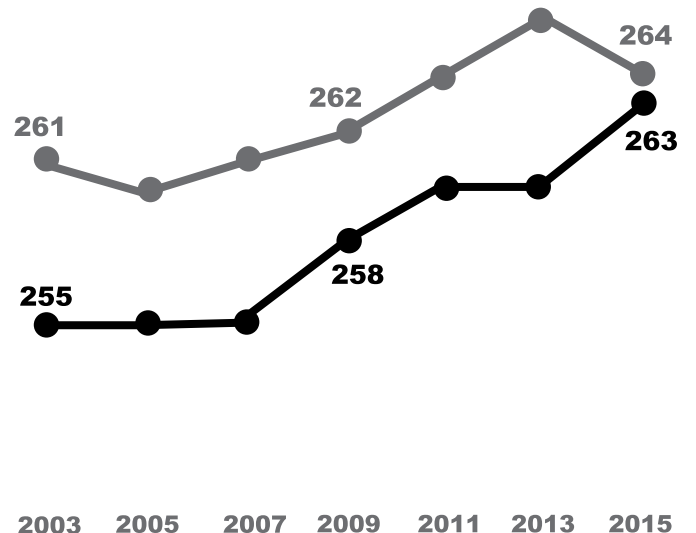
The National Assessment of Educational Progress (NAEP) is the only ongoing assessment of U.S. students' knowledge and ability in different subjects. Administered by the National Center for Education Statistics, the NAEP assessment tests a representative sample of fourth- and eighth-graders in each state to provide a uniform national metric of student performance. The assessment stays essentially the same from year to year, allowing NAEP to provide a clear picture of student performance over time. National studies and foundations that compare Arizona to other states typically use NAEP results. The data from all states is combined to calculate what is known as the Nation's Report Card, which provides state-by-state comparisons. While Arizona's annual scores continue to rank in the bottom half of states, it leads the Nation's Report Card for the most significant achievement gains in science, math and English language arts. Between 2003 and 2015, Arizona achieved the following improvement rankings:

- No. 2 in the nation for eighth-grade math gains;
- No. 3 in the nation for eighth-grade reading gains;
- No. 4 in the nation for fourth-grade reading gains;
- No. 1 in the nation for fourth-grade science gains.

FOURTH-GRADE READING

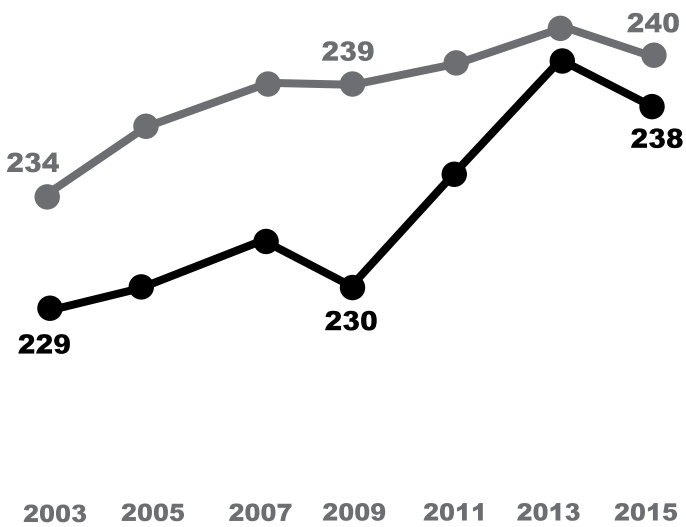


EIGHTH-GRADE READING

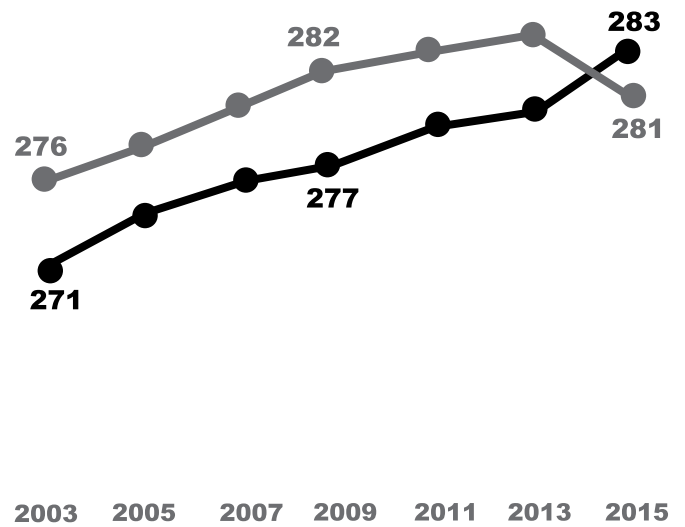




FOURTH-GRADE MATH



EIGHTH-GRADE MATH



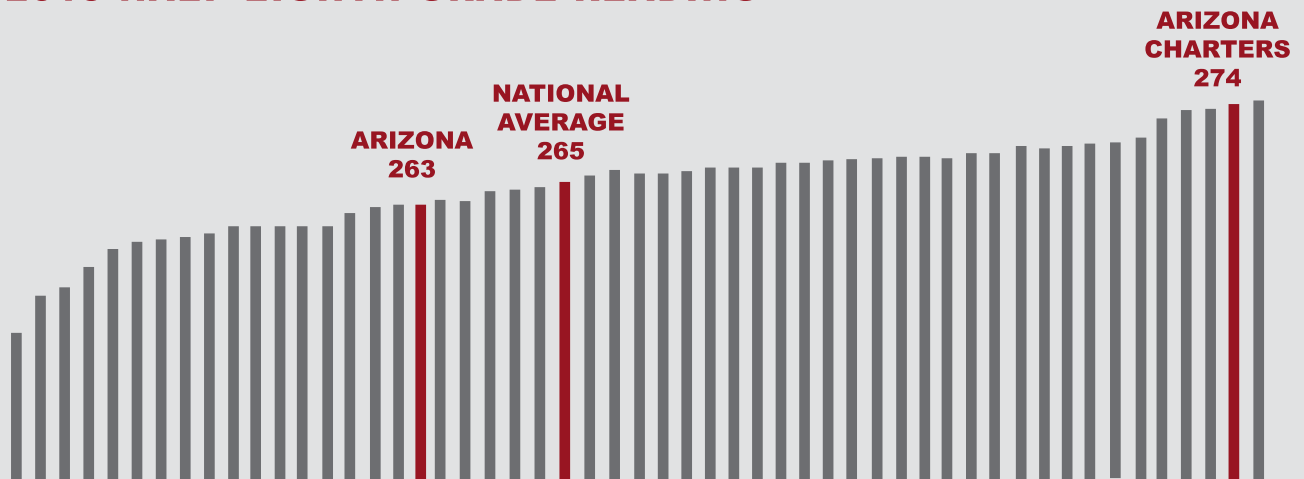
Source: National Center for Education Statistics, *The Nation's Report Card – Arizona Overview*

2015 NAEP SCORES

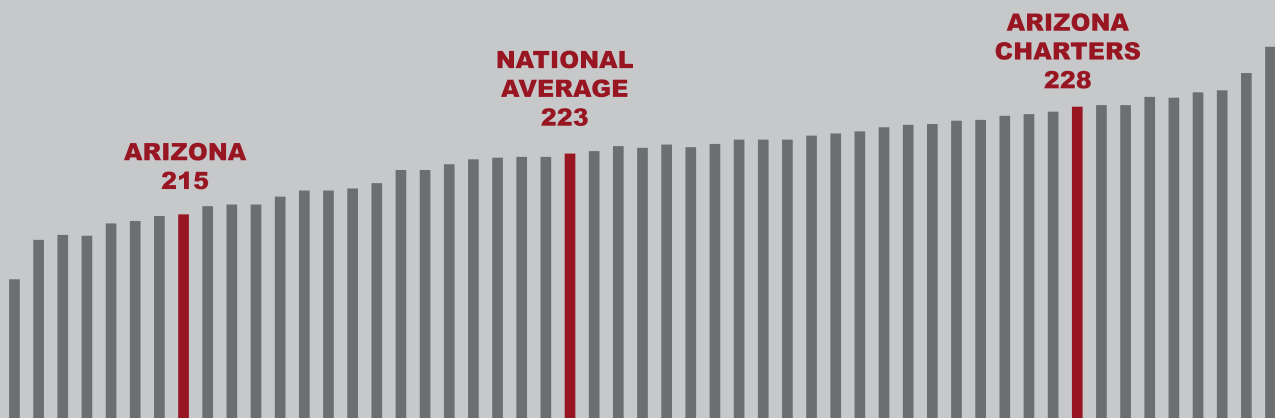
Just as impressive as statewide improvement on NAEP is the annual performance of Arizona's charter schools on NAEP. If Arizona charter schools were their own state, its absolute scores in every tested category would compete with New England states like Massachusetts and New Hampshire, which regularly rank exceptionally high compared to other states:

- **No. 2 in the nation for eighth-grade reading;**
- **No. 5 in the nation for fourth-grade math;**
- **No. 2 in the nation for eighth-grade math; and**
- **No. 7 in the nation for fourth-grade reading.**

2015 NAEP EIGHTH-GRADE READING

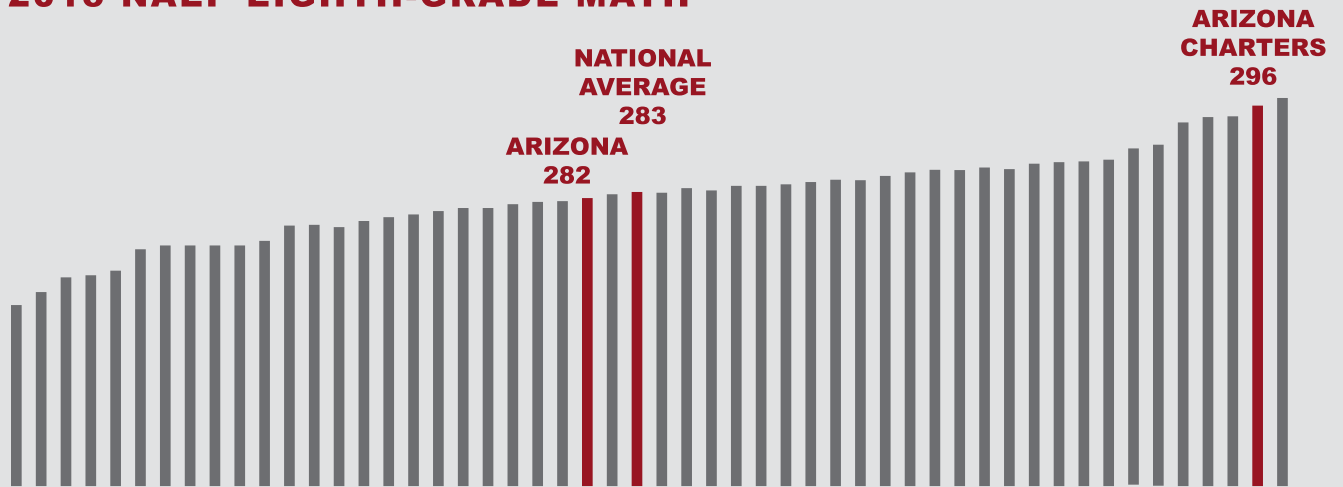


2015 NAEP FOURTH-GRADE READING

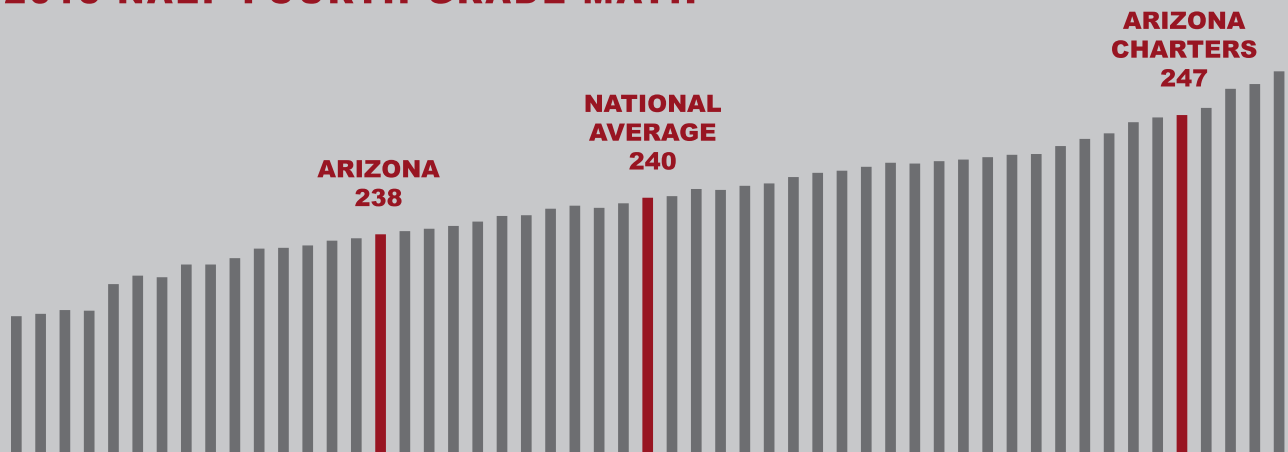


Unfortunately, Arizona's total performance on NAEP is less impressive. Arizona scored just above the national average, ranking 26th in eighth-grade math and 33rd in reading. Arizona fourth-grade performance was worse, ranking No. 35 in math and No. 35 in reading.

2015 NAEP EIGHTH-GRADE MATH



2015 NAEP FOURTH-GRADE MATH



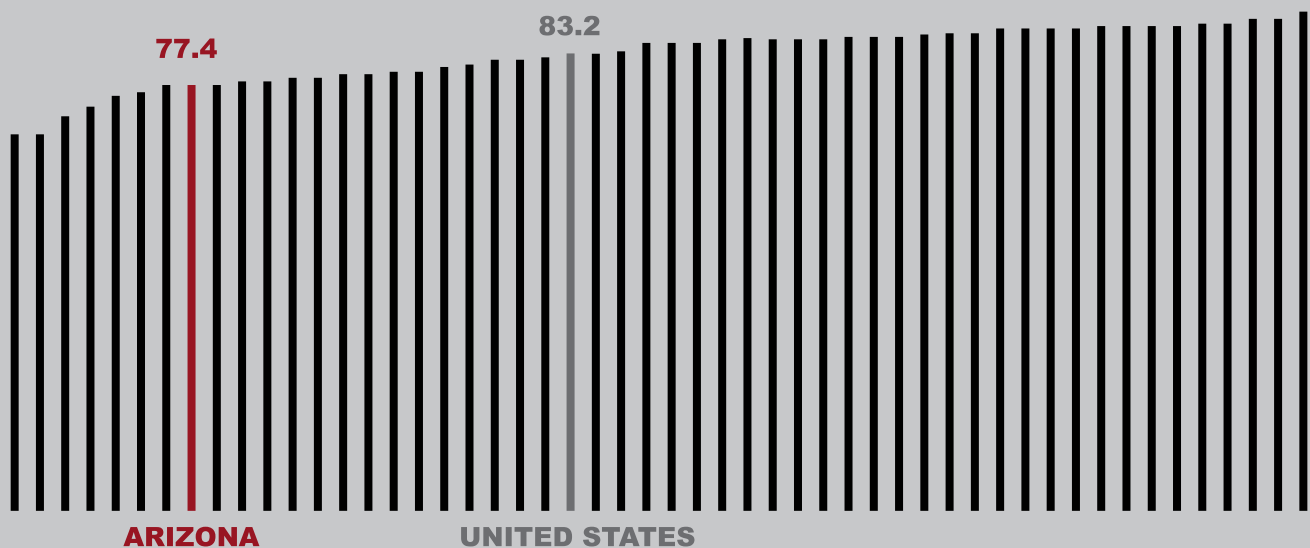
For more information on Arizona charter school student demographics, see page 53.

HIGH SCHOOL COMPLETION

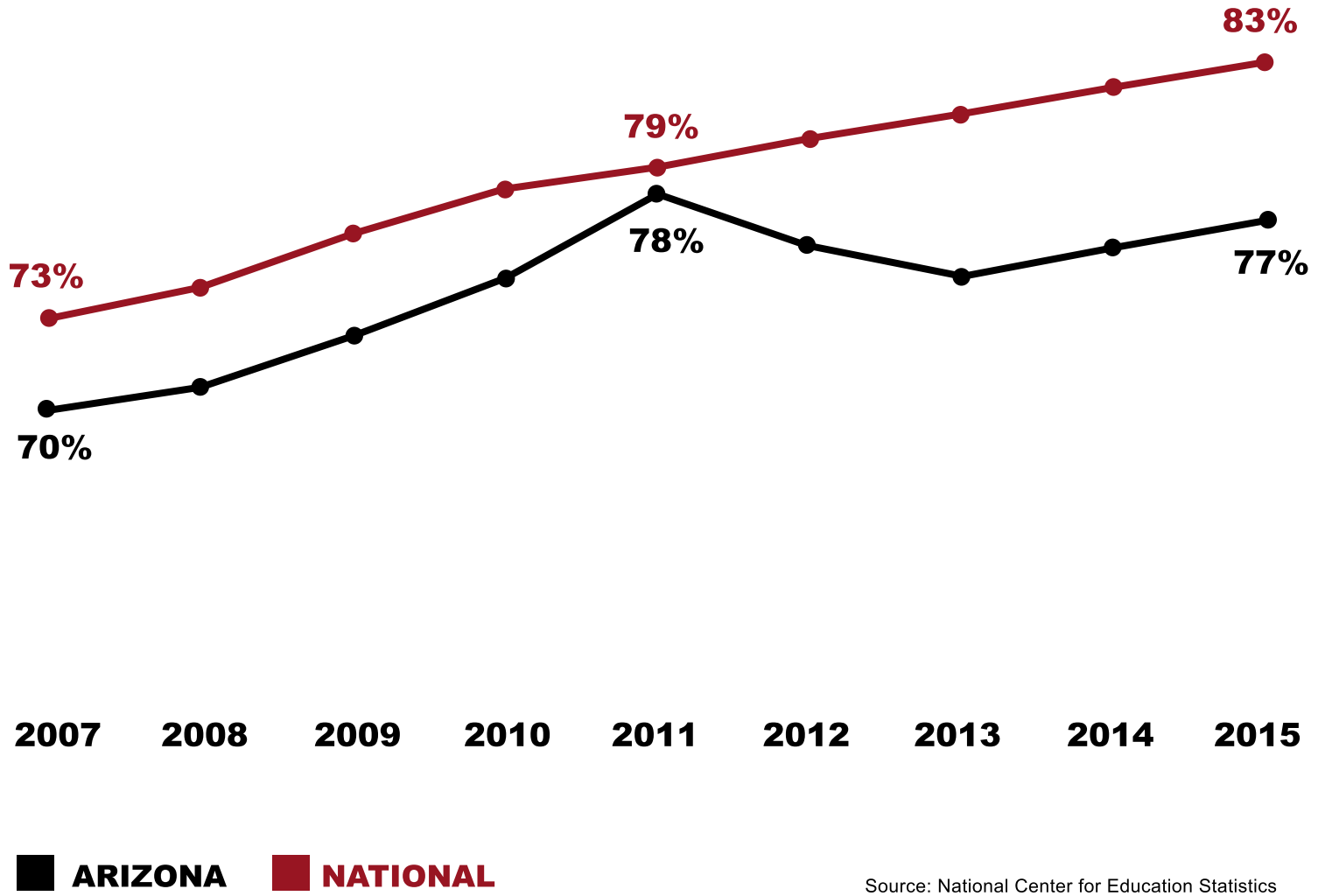
Another key measure of academic performance is high school completion. In school year 2014-2015, Arizona's four-year graduation rate was 77.4 percent. That means 77.4 percent of 2011 freshmen graduated in 2015. That rate ranked No. 44 among all states. The national average was 83.2 percent.¹²

HIGH SCHOOL COMPLETION RATE BY STATE - 2015

Source: National Center for Education Statistics, *EDFacts Data Groups 695 and 696*



GRADUATION RATES - ARIZONA VS. NATIONAL AVG.



Source: National Center for Education Statistics



Between the 2001 and 2010 school years, Arizona narrowed the gap between the national graduation rate and its own. However, since 2010, the national rate has continued to improve while Arizona's performance has stagnated.

COLLEGE GOING

In 2013, the Georgetown University Public Policy Institute published a report projecting 65 percent of all jobs will require some type of post-secondary education by 2020.¹³ If correct, historical measures of workforce preparedness will no longer be applicable. Tracking the percentage of students who move on to post-secondary education after high school may become a stronger measure of educational performance than graduation rates.

Arizona’s college-going rate tends to rank 40-45th in the nation. Arizona’s college-going rate was 53 percent in 2015, while the highest performing states have college-going rates in the 70-75 percent range.

HIGH SCHOOL GRADUATING CLASS	U.S. COLLEGE GOING RATE ¹⁴	ARIZONA COLLEGE GOING RATE ¹⁵
2010-11	68.3%	48.0%
2011-12	66.2%	53.5%
2012-13	65.9%	50.3%
2013-14	68.4%	50.5%
2014-15	69.2%	53.1%

CENTER FOR THE FUTURE OF ARIZONA

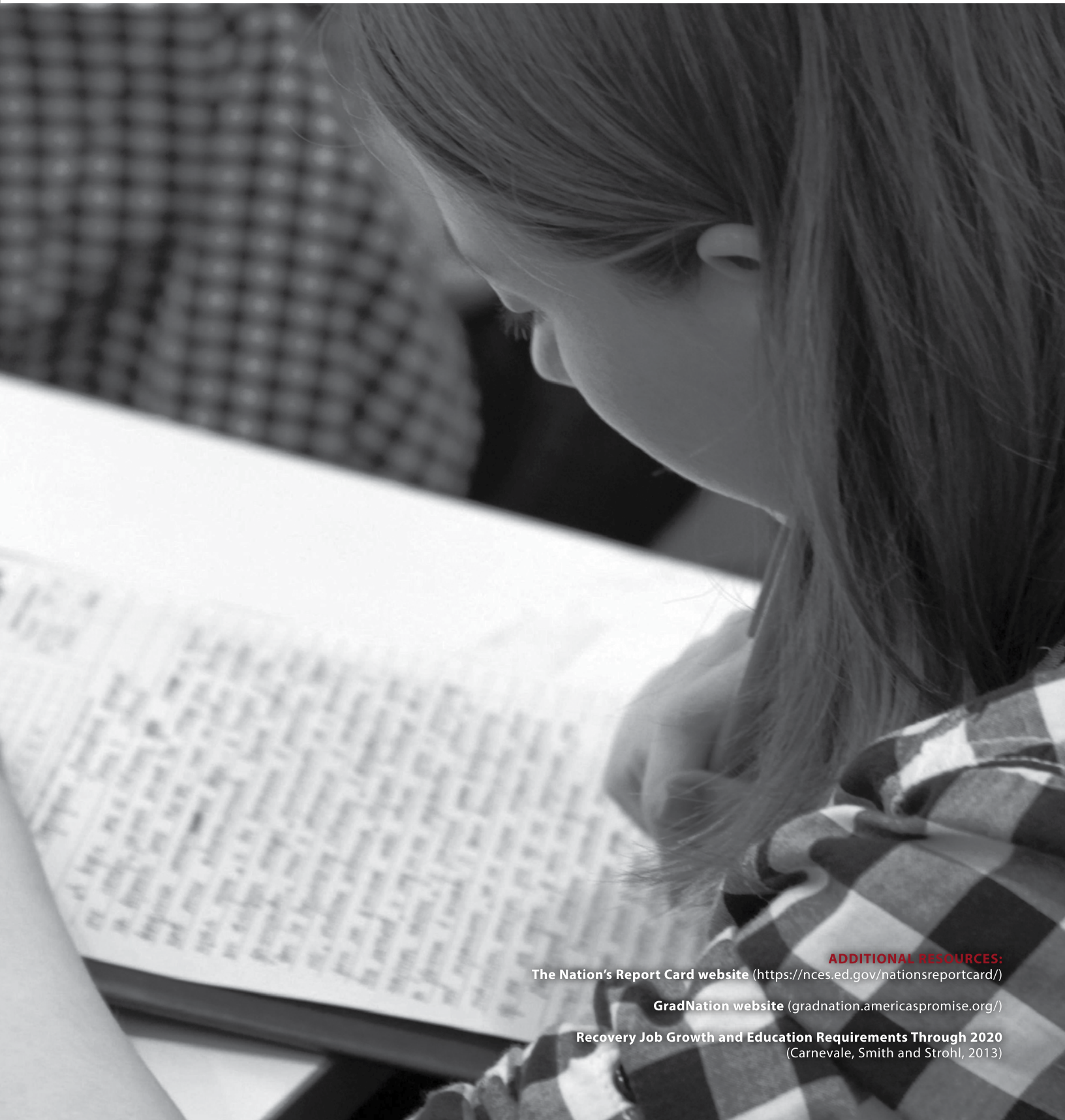
As outlined in the introduction to this publication, the Center for the Future of Arizona and Expect More Arizona recently launched the Arizona Education Progress Meter. This meter identifies eight primary metrics designed to help Arizona set goals for educational outcomes, track education progress, celebrate success stories and inspire action to improve outcomes. The selected metrics as described in the introduction and detailed here are:

- **Post-secondary attainment:** Percentage of Arizona residents who complete a 2- or 4-year degree or received a non-degree credential;
- **College going:** Percentage of recent Arizona high school graduates who enroll in a post-secondary institution;
- **Opportunity youth:** Percentage of youth ages 16-24 who are not enrolled in school or employed full time;
- **High school graduation:** Percentage of high school students who graduate on time;
- **Eighth-grade math:** Percentage of eighth-graders who score proficient or highly proficient on the math portion of the AzMERIT assessment;
- **Third-grade reading:** Percentage of third-graders who score proficient or highly proficient on the AzMERIT English language arts test;
- **Preschool enrollment:** Percentage of 3 and 4-year-olds who are enrolled in preschool in a public, private or homeschool setting; and
- **Teacher pay:** Median elementary teacher salary in Arizona compared to the national median.

Each of these metrics is tracked at the state and county level on Expect More Arizona’s website: www.expectmorearizona.org/progress/?region=arizon.

U.S. NEWS & WORLD REPORT

In April of 2017, U.S. News & World Report released their rankings of top high schools. For 2017, four of the top five high schools and five of the top 10 were BASIS Charter Schools in Arizona. Published annually, the rankings consider data from more than 22,000 schools and are based on student performance in reading and math, the performance of disadvantaged students, graduation rates and college readiness. Overall, Arizona ranked 25th among states.¹⁶




ADDITIONAL RESOURCES:

The Nation's Report Card website (<https://nces.ed.gov/nationsreportcard/>)

GradNation website (gradnation.americaspromise.org/)

Recovery Job Growth and Education Requirements Through 2020
(Carnevale, Smith and Strohl, 2013)



A SYSTEM BASED ON SCHOOL CHOICE

Since the mid-1990s, one of the most important underlying philosophies of Arizona's K-12 system is school choice. School choice gives parents the opportunity to choose the school where their children will attend. Historically in Arizona, and in most places across the country today, students are assigned a public school near their home based on zoned attendance boundaries. In these circumstances, parents only have the power to choose a school if they have the means to move into the attendance boundaries of the school of their choosing, or if they opt out of the public school system altogether and pay for private school.

Arizona has been a national leader in school choice, starting with open enrollment in the 1980s. Open enrollment allows students to be enrolled in any public school of their choosing, regardless of attendance boundaries, as long as there is room in the school. During the past three decades, magnet schools, charter schools, private school scholarships, homeschooling, online learning and empowerment scholarship accounts (ESAs) have added to the robust educational options available to parents and students today.

Educational choice does vary throughout the state. Two-thirds of all charter schools are in Maricopa County, while in 10 counties there are 10 charter schools or fewer (three counties have zero).¹⁷ In some areas of the state, the local public school may be the only viable option.

This section of the report will provide a summary of the types of public educational options available to Arizona students.

SCHOOL DISTRICTS

School districts are political subdivisions of the state with local control authority over schools within their boundaries. Arizona state law allows students to apply for admission to any public school, based on available classroom space (A.R.S. § 15-816.01). The law requires that school districts develop policies regarding open enrollment that may include transportation and that the policies must be posted on the district's website and available to the public upon request. Transportation is required for special education students attending outside their home school district's attendance boundary. The law specifically allows a school district to give enrollment preference to and reserve capacity for pupils who are children of persons who are employed by the school district and students who attend the school district. Districts may also require applications and set deadlines for those applications.

MAGNET SCHOOLS

School district governing boards may also provide magnet schools, which operate within the school district's boundaries but without a zoned attendance boundary for the school. Magnet schools are considered schools of choice and often have specialized curricular focuses and alternative modes of instruction. Magnet schools were established in the 1960s as a means of desegregation. There are 19 magnet schools in Arizona, serving more than 15,000 students. Nearly all of the magnet schools in Arizona are located in Tucson with curricular focuses including STEM, bilingual education and traditional schools.

CHARTER SCHOOLS

State law defines charter schools as tuition-free public schools that are established to provide additional choices to families for learning environments that will improve student achievement (A.R.S. § 15-181). Authorized in 1995, the number of charter schools in Arizona has grown to 534 and charter school student enrollment is now almost 170,000 students, accounting for more than 15 percent of the student population in Arizona.

ALTERNATIVE SCHOOLS

School districts and county school superintendents may establish alternative schools for students in special circumstances. These schools can cater to students who have left traditional schools for a variety of reasons including academic failure, homelessness, incarceration, or in some cases, students who live in areas not organized into school districts.

ONLINE SCHOOLS

In FY 2016, there were approximately 85,000 K-12 students enrolled at least part-time in Arizona Online Instruction (AOI) programs through districts and charter schools. The Arizona State Board of Education and the Arizona State Board for Charter Schools are authorized to approve or sponsor schools to be AOI course providers or schools (A.R.S. § 15-808). The types of opportunities and platforms vary from computer-assisted learning platforms to virtual classrooms and more. There are currently more than 50 approved online schools and programs available throughout Arizona. These schools are operated by school districts and charter schools with a wide variety of programs and approaches to online learning.



JOINT TECHNICAL EDUCATION DISTRICTS

A Joint Technical Education District (JTED) is a school district that offers high school career and technical education programs in partnership with surrounding school districts. A key aspect of JTED programming is preparing students for the workforce. The establishing statute requires that JTED programming:

"Leads to certification or licensure in the designated vocation or industry that has been verified and accepted by that vocation or industry and that qualifies the recipient of the certification or licensure for employment for which the student would not otherwise qualify. If there is no certification or licensure that is accepted by the vocation or industry, completion of the program must qualify the student for employment for which the student would not otherwise qualify without completion of the joint technical education district program."

– A.R.S. §15-391 (5)(I)

The Arizona Department of Education (ADE) publishes a list of JTED-offered certificate programs (linked at the end of this chapter).

First offered in 1990, there are now 14 JTEDs spread across the state. For funding purposes, per-pupil dollars are apportioned between the member or home district and the JTED. JTEDs operate under one of three models and funding levels are dictated by the model.

CENTRALIZED CAMPUS: A JTED may choose to own and operate a central facility. Under this model, the JTED operates its own facility, hires its own faculty and students attend the JTED campus apart from their regular high school. A student that is participating in a JTED program with a central campus may generate up to 175 percent of traditional student funding.

LEASED CAMPUS: JTEDs have the ability to lease and operate a central facility. Under this model, a JTED may still generate up to 175 percent of traditional per-student funding levels, however, to qualify, the JTED program must be targeted at a specific industry need and be developed in cooperation with that industry.

SATELLITE CAMPUS: A JTED may also operate as multiple satellite facilities that are owned and operated by member school districts. Under this model, faculty and operating costs are covered by the member school districts. A student participating in this model only generates 125 percent of standard funding levels.

Students attending charter schools within the boundaries of a JTED member district are also eligible to attend the JTED.

JTEDs may collaborate with community college districts to allow for dual or concurrent enrollment courses for community college credit. In this case, the school district, the JTED and the community college all receive funding. For students enrolled in both a school district and JTED program provided at a community college, the generated enrollment is the same as the enrollment of a student participating at a centralized campus. Program logistics and specifications are outlined as part of intergovernmental agreements.

JTEDs receive funding through local, state and federal monies. The formula for funding JTEDs is similar to the formula used by traditional school districts. Funding is based on student enrollment and the costs are shared between state and local resources. Similar to school districts, JTEDs levy a property tax rate in order to fund the local contribution towards their formula entitlement. JTEDs may levy a maximum of 5 cents per \$100 of secondary net-assessed property valuation to generate the local contribution. Any amount needed to fund the required formula above the amount generated through the local tax is funded using state resources (basic state aid).

In FY 2012, the state restricted eligibility to students in grades 10 through 12, eliminating students in ninth grade from eligibility. While this change saved the state approximately \$30 million per year, public statements by legislators suggested the restriction was put in place to protect ninth-grade students from a premature focus on vocational education.

HOME SCHOOLING

While the state does not provide direct public funding, state law does authorize home-schooling as an alternative to public school. A.R.S. §15-802(G)(2) defines a home school as a “nonpublic school conducted primarily by the parent, guardian or other person who has custody of the child, or nonpublic instruction provided in the child’s home.” If a parent decides to home-school, the first step is to file an affidavit of intent to home-school along with a birth certificate with the county school superintendent. Arizona law also allows for a child being instructed at home who resides within the attendance area of a public school to participate in interscholastic activities (A.R.S. §15-802.01). A.R.S. §15-745 specifically exempts home-schooled children from any state-required testing.





EMPOWERMENT SCHOLARSHIP ACCOUNTS

The Empowerment Scholarship Account (ESA) program was established in 2011 to provide educational options outside of traditional public schools for students with special needs. ESAs are similar to a checking account, with 90 percent of the state funding that would have been received by the school the child previously attended being instead deposited into the account. Monies deposited by the state treasurer can be used for tuition and fees at a private school, online learning, educational therapies, tutoring, curriculum, testing fees, contributions to a Coverdell Education Savings Account, and tuition and fees at a post-secondary institution. Parents are required to submit quarterly expense reports to ADE detailing expenditures. Since its original authorization, the Legislature has expanded eligibility to the program. For school year 2017, a student could qualify for an ESA through the following categories:

- **The child is deemed eligible to receive special education services.**
- **The child attends a failing school that has been assigned a letter grade of D or F.**
- **The child has been placed into foster care and has been adopted.**
- **The child's parent or guardian is an active duty member of the U.S. Armed Forces.**

For school year 2017, an estimated 3,500 students participated in the program and received approximately \$46 million in grants.¹⁸

Beginning in fall 2017, the Legislature is phasing-in expanded eligibility to include all students by school year 2021. At the same time, the number of new ESAs approved annually by ADE is capped at 0.5 percent of total public school enrollment (approximately 5,500) through FY 2022. Beginning in FY 2023, ESA enrollment is capped at the 2022 level. Legislative staff estimates the 2023 cap will limit total ESA enrollment to about 30,000 students. Because students using an ESA only receive 90 percent of the funding a district would receive for that same student, JLBC estimates the expansion will save the state \$3.4 million per year when fully implemented.

Several entities have expressed interest in removing the caps.¹⁹

PRIVATE SCHOOL TUITION SCHOLARSHIPS

Through income tax credits, Arizona broadened public choices to include private schools. The private school tuition income tax credits allow Arizona corporations and individuals to redirect a portion or all of their state tax liability to a qualified School Tuition Organization (STO) and receive a 100 percent dollar-for-dollar tax credit for their contribution. STOs are private organizations that solicit and collect individual and corporate contributions. Once collected, the STO uses the funds to provide scholarships to families in Arizona to use for K-12 private school tuition. At least 90 percent of every donated dollar is awarded by the STO to students for private school tuition scholarships.

In FY 2015, a total of \$140.5 million was donated to STOs: \$92.5 million from individuals and \$48 million from corporations. In the same year, 63,951 scholarships were awarded at an average amount of \$1,800 each. It has been noted that students often receive multiple scholarships from different STOs and the number of scholarships should not be equated with the number of students receiving scholarships.²⁰ Scholarships come from either corporate income tax donations or individual income tax donations. The two programs are discussed in the following statement.



CORPORATE INCOME TAX CREDITS

Corporations that donate funds to a certified STO can claim a dollar-for-dollar tax credit. There is no limit on how much a single corporation can donate, however, the state established a cap for the aggregate amount of the tax credits. For the 2016-2017 school year, the cap was \$61.9 million given on a first-come, first-served basis. The corporate tax credit cap increases annually by 20 percent indefinitely. The available cap for the next 10 years is shown below. Arizona corporations have maximized donations every year since 2013.

Students receiving scholarships under this program must have family incomes below 185 percent of the income eligible for free or reduced-price lunch, which in turn is set at 185 percent of the federal poverty level. In FY 2017, the maximum annual income for a family of four is \$83,167 (\$44,955 X 185 percent). Students must also have attended public school in the prior school year, be entering kindergarten or have received tuition assistance from an STO during the prior school year. The maximum scholarship amounts for FY 2017 are \$5,200 for grades K-8 and \$6,500 for grades 9 -12. Those amounts increase \$100 annually pursuant to A.R.S. § 43-1504C. Lastly, a corporation may not use a tax credit for any contribution if a corporation designates the scholarship for a particular student.²¹

INDIVIDUAL INCOME TAX CREDITS

In addition to corporate income tax credits, an individual may claim a credit for making a donation to an STO for scholarships to private schools. Individual donations make up the majority of STO contributions and provided more than \$92 million in FY 2015. The maximum credit amount that may be taken for tax year 2016 is \$1,087 for single, unmarried head-of-household and married, filing separate filers and \$2,173 for married joint filers. There is no aggregate cap on the scholarship amounts awarded through individual income tax credits.²²

FISCAL YEAR	CORPORATE TAX CREDIT LIMIT
2018	\$74.3 MILLION
2019	\$89.2 MILLION
2020	\$107.0 MILLION
2021	\$128.4 MILLION
2022	\$154.1 MILLION
2023	\$184.9 MILLION
2024	\$221.9 MILLION
2025	\$266.2 MILLION
2026	\$319.5 MILLION
2027	\$383.4 MILLION

ADDITIONAL RESOURCES:
Arizona School Choice website
 (www.arizonaschoolchoice.com)

SB 1431 Fiscal Note (Beienburg, n.d.)

Issue Brief - Joint Technical Education Districts (Arizona State Senate Research Staff, 2016)

DRAFT Current CTE Programs with Identified Industry Certifications (Arizona State Department of Education, 2017)

SCHOOL FINANCE

Arizona is often criticized for an overly complicated school-finance formula. However, the complications in the formula reflect the complications inherent in the school system. Formula provisions attempt to address varying school sizes, student characteristics, teacher experience, local wealth, local geography and other factors. Each complicating element of the formula is designed to address a specific factor in a very non-uniform student body in a general and uniform way.

The state uses a separate finance system for traditional schools and charter schools.

FINANCING TRADITIONAL SCHOOLS

For traditional schools, Arizona divides funding into three categories - operating, soft capital (furniture, fixtures, equipment) and hard capital (buildings, building renewal, real property). This section of the report will review operating funds and soft capital. Hard capital dollars will be addressed in the chapter titled "School Capital."

To review the operating and soft capital funding for traditional schools, this section of the report will review:

- **The funding formula;**
- **How much funding public education receives;**
- **Source of public education funds;**
- **Differences in per-pupil spending levels between districts;**
- **Recent changes to funding levels, chiefly recession-era cuts;**
- **The impacts of Prop. 123 and Prop. 301; and**
- **How Arizona compares to other states.**



THE OPERATING FUNDING FORMULA

The first step in understanding school funding is to ask, “Who is being funded?” Is it the student? Is it the school? For traditional schools in Arizona, the state funding formula actually funds the school district.

This funding formula begins with a per-pupil amount of funding provided for all students attending the district. This per-pupil amount is set in state law and is known as the “base level.” For FY 2017, the base-level amount is \$3,635.64 (A.R.S. §15-901(B)(2)(g)).

The second step is to then count the number of students in the district. The actual number of students is increased or weighted for various factors including student characteristics. These weights are known in statute as group A and group B weights and are found in A.R.S. §15-943. A partial list of those characteristics are:

- **High school students vs. elementary students;**
- **English language learners;**
- **Kindergarten through third grade students; and**
- **Various student disabilities.**

Once the weighted student count is established, the formula looks at teachers and provides additional funds for the number of years of a teacher’s professional experience.

This formula is known as the base support level and is calculated at the school district level:

**BASE LEVEL X WEIGHTED STUDENT COUNT X TEACHER EXPERIENCE
= BASE SUPPORT LEVEL**

Note: “Base level” should not be confused with “base support level.” Base level is the per-pupil amount. The base support level is the district-level amount reached through the above formula.

Arizona’s funding formula follows most of the tenants of a “backpack” funding model. The Arizona formula provides a per-pupil amount weighted for a student’s unique characteristics that follows that student to whatever district they attend. However, Arizona’s model does not require the funds to flow to the school the student attends, but rather is used to generate revenue at the district level, and the district ultimately allocates funding between schools in the manner approved by its governing board.

INFLATION

The final piece of the operating funding formula is inflation. Statute requires the base level to be increased annually for inflation along with other components of the formula. This requirement was adopted at a public election as part of Prop. 301. The failure to make these inflation adjustments during the Great Recession spurred a lawsuit, which was ultimately resolved by a settlement resulting in Prop. 123. That settlement is described on pg. 41.

SOFT CAPITAL

In addition to operating funds, the state provides school districts soft-capital dollars through a per-pupil formula called additional assistance. These dollars provide funding for transportation, technology and textbooks. Districts receive a per-pupil amount ranging between \$450.76 and \$601.24 that varies based on grade level and district size. For the last several years, the Legislature has only partially funded the additional assistance formula. For example, in FY 2017, only 16 percent of the statutory formula was funded, which reduced allocated dollars from \$455 million to \$75 million. While additional assistance is provided for soft capital needs, school districts may spend the dollars on any operating expense.

EQUALIZATION FORMULA

In total, the state funding formula is known as the equalization formula. Base support level plus additional assistance equals equalization.

BASE SUPPORT LEVEL + ADDITIONAL ASSISTANCE = EQUALIZATION

OTHER OPERATING FUNDS

In addition to the equalization formula, school districts can tap other revenue sources including locally approved property taxes, federal funds and tax credits. Locally approved property taxes include:

1. DESEGREGATION: School districts under an Office of Civil Rights consent decree may levy taxes to offset the costs of desegregation. Eighteen school districts currently levy \$211 million under this provision.

2. ADJACENT WAYS: School districts may budget for the costs of improving any public way adjacent to school district land. This tax is typically levied for ingress and egress issues or wet infrastructure.

3. SMALL SCHOOL ADJUSTMENT: School districts with fewer than 125 students may levy taxes above the state limits.

4. LIABILITIES IN EXCESS: In the event of excessive and unexpected legal expenses, a district may petition the county board of supervisors to include an additional levy in the primary tax rate to fund the expense.

5. OVERRIDES: School districts may hold local elections to fund overrides of or spending above the state budget limits. Operating overrides are capped at 15 percent of the operating budget and 10 percent of the capital budget. An election can authorize an override for up to seven years.²³



FINANCING CHARTER SCHOOLS

There are two major differences between traditional school district funding and charter funding. First, like school districts, charter schools receive a base-support level and additional assistance. However, their additional assistance is designed to cover both soft and hard capital. Because the additional assistance is required to fund both capital components, the per-student amount is approximately \$1,700 per student.

Second, charters do not have access to local property taxes. Therefore, a charter's access to funds in excess of state funds is limited. The below table compares traditional school district funding to charter school funding.

FUND SOURCES IN ADDITION TO EQUALIZATION

FUNDING SOURCES	CORPORATE TAX CREDIT LIMIT	CHARTER SCHOOL
BASE SUPPORT LEVEL	✓	✓
ADDITIONAL ASSISTANCE	SOFT CAPITAL ONLY	SOFT & HARD CAPITAL ONLY
FEDERAL FUNDS	✓	✓
TAX CREDITS	✓	✓
VOTER INITIATIVES	✓	✓
STATE GRANTS	✓	✓
LOCALLY APPROVED PROPERTY TAXES FOR OPERATIONS	✓	
LONG TERM BONDS FUNDED WITH LOCAL PROPERTY TAXES	✓	
SCHOOL FACILITIES BOARD FUNDING	✓	

The Joint Legislative Budget Committee (JLBC) produced the table above outlining some of the funding differences between school districts and charter schools. These figures are based on FY 2015 data reported in the Superintendent’s Annual Report. Traditional districts have access to capital dollars through the Arizona School Facilities Board (SFB) and local bond and override elections.

While the state formula for charter schools produces on average \$1,116 per student more than district schools, when considering all funds, the average charter school student generates approximately \$1,200 less than the average district student. However, these funding levels vary widely between individual districts and charters, depending on the characteristics of the district or charter and the student body.

Since charter schools have no access to local property funds, the state’s general fund provides 100 percent of equalization aid. When a student switches from a school district to a charter school, 100 percent of the increased equalization aid is paid for by the general fund. Each student switching from a traditional school district to a charter school costs the general fund the \$1,116 mentioned above. In FY 2017, for example, the Legislature budgeted \$9 million to fund this extra cost.²⁴



TABLE 1: EQUALIZATION FUNDING ONLY (FY 2015 DATA)

	SCHOOL DISTRICTS		CHARTER SCHOOLS	
	TOTAL	PER PUPIL	TOTAL	PER PUPIL
AVERAGE DAILY MEMBERSHIP PUPILS	929,682		161,135	
BASE SUPPORT LEVEL	4,369,654,100	4,700	748,534,200	4,645
TRANSPORTATION SUPPORT LEVEL	243,541,200	262		
DISTRICT ADDITIONAL ASSISTANCE	151,468,000	163		
CHARTER ADDITIONAL ASSISTANCE*	68,061,500	73	268,877,500	1,669
TOTAL	4,832,724,800	5,198	1,017,411,700	6,314

*Approximately 49,300 students attended district sponsored charter schools in FY 2015. District sponsored charter schools are now being phased out.

TABLE 2: ALL REPORTED FUNDING

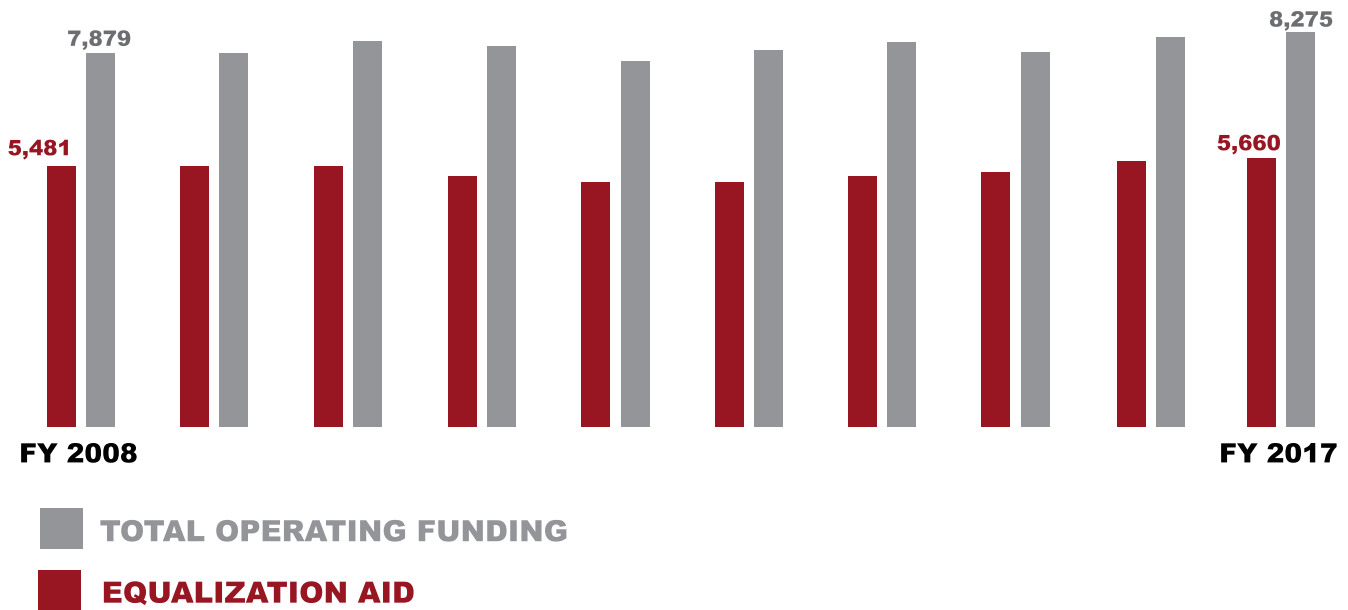
	SCHOOL DISTRICTS		CHARTER SCHOOLS	
	TOTAL	PER PUPIL	TOTAL	PER PUPIL
AVERAGE DAILY MEMBERSHIP PUPILS	929,682		161,135	
OPERATING FUNDS	5,722,933,788	6,156		
UNRESTRICTED CAPITAL OUTLAY	249,814,359	269		
STUDENT SUCCESS FUND	16,137,481	17		
SCHOOL FACILITIES	16,137,150	17		
AJACENT WAYS	30,498,299	33		
DEBT SERVICE	909,186,027	978		
OTHER	1,655,092,474	1,780		
CHARTER SCHOOL - GENERAL PROJECTS			1,147,800,328	7,123
CHARTER SCHOOL - FEDERAL PROJECTS			81,384,861	505
CHARTER SCHOOL - STATE PROJECTS			1,393,257	9
CHARTER SCHOOL - CLASSROOM SITE			67,179,463	417
TOTAL	8,599,799,578	9,250	1,297,757,909	8,054

Source: Joint Legislative Budget Committee, *District vs Charter Funding (7/15/16)* <http://www.azleg.gov/jlbc/districtvscharterfunding.pdf>

HOW MUCH DOES THE K-12 SYSTEM RECEIVE?

In FY 2017, the equalization formula provided approximately \$6.33 billion or about \$5,660 per student. This amount is 1.2 percent above FY 2016 per-student funding levels, but only about 2.3 percent above 2009 funding levels.²⁵ Between FY 2008 and FY 2016, per-pupil funding fluctuated due to adjustments made during the recession (discussed below). When all sources of funding are considered, including federal and local funds, the average per-pupil operating amount increases to \$8,257.²⁶ This total amount has increased 5.6 percent since FY 2009.

K-12 PER PUPIL FUNDING

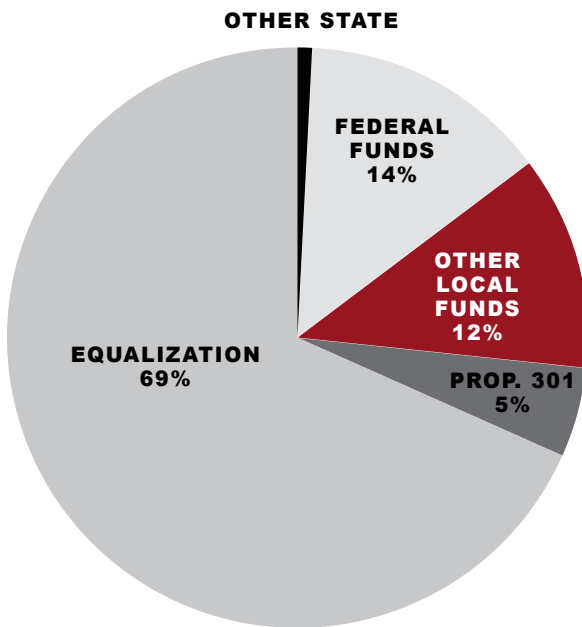


Source: Joint Legislative Budget Committee *K-12 Funding Since 2008 (Non-Capital Funding Only)* 7/25/16, <http://www.azleg.gov/jlbc/non-capitalfundingonly.pdf>

Including all funding programs and all sources of funds, the Joint Legislative Budget Committee (JLBC) estimates total FY 2017 K-12 operating budgets at \$9.24 billion. Equalization makes up nearly 70 percent of K-12 funding, with federal funds contributing 14 percent and other local funds accounting for 12 percent.²⁷

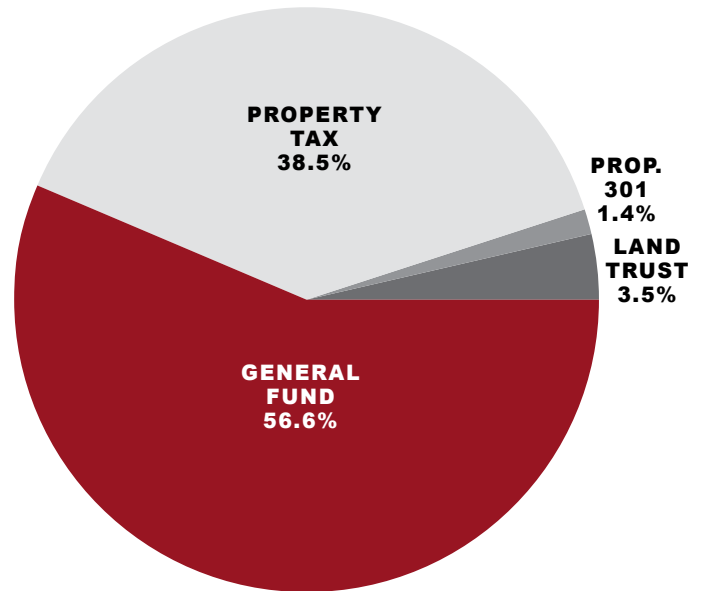


K-12 FUNDING BY TYPE



Source: Joint Legislative Budget Committee K-12 Funding Since 2008 (Non-Capital Funding Only) 7/25/16, <http://www.azleg.gov/jlbc/non-capitalfundingonly.pdf>

FY 2017 EQUALIZATION STATE FUNDING



Source: Joint Legislative Budget Committee, K-12 Funding Since 2008 (Non-Capital Funding Only) 7/25/16, <http://www.azleg.gov/jlbc/non-capitalfundingonly.pdf>

WHERE DOES THE FUNDING COME FROM?

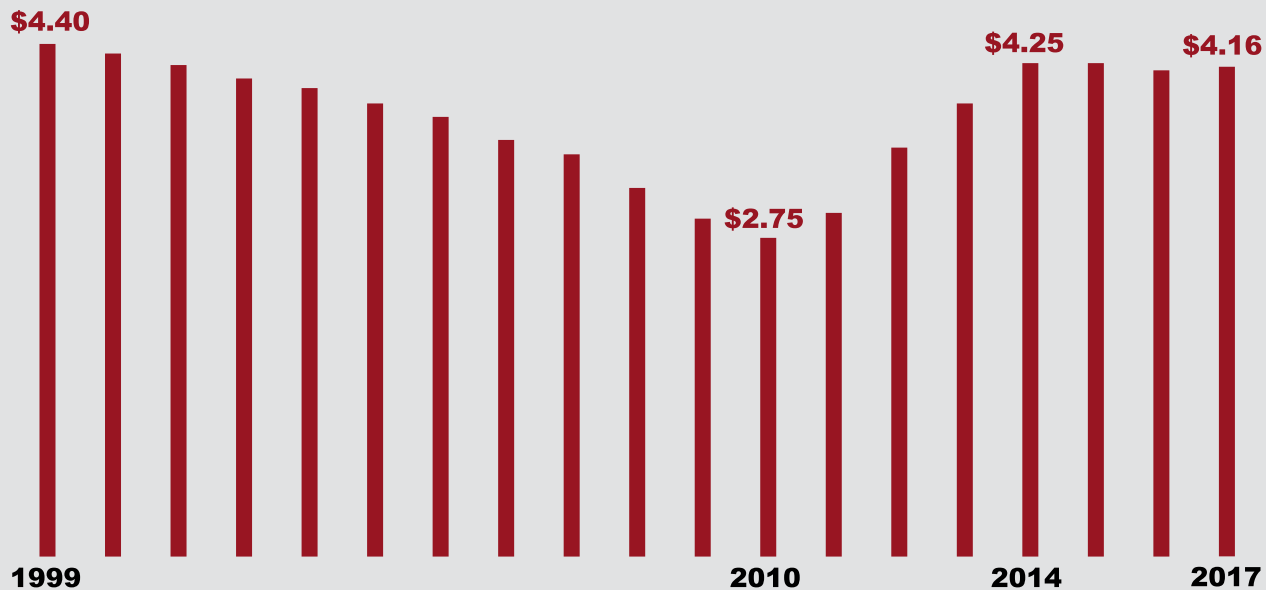
For traditional school districts, the equalization formula is funded by two key sources - locally collected property taxes and the state general fund. This system was put in place to “equalize” funding across the state. Each school district contributes local property taxes based on the wealth of the local district. In addition to these two sources, the State Land Trust Fund and a small portion of Prop. 301 dollars support equalization.

Funding equalization begins with a local property tax. Once a district’s budget is calculated, each public school district is allowed to levy a local property tax known as the qualifying tax rate (QTR). If the amount raised by the QTR is sufficient to cover the school district's budget, the formula stops there. However, in the vast majority of cases, the local property tax can only cover a portion of the budget. The balance is funded by state dollars. In FY 2017, the QTR was \$4.1586 per \$100 of assessed property valuation. While the QTR is a cap and the actual levied rate is determined by the local school board rate, when calculating the state share, the state assumes the full rate is levied.

In addition to school district property taxes, a state equalization tax rate (SETR) is also assessed on property owners. In FY 2017, the SETR was \$0.5010 per \$100 of net-assessed value.²⁸ For FY 2017, the QTR and the SETR will raise an estimated \$2.4 billion toward the equalization formula, about 38 percent of the total.

Charter schools do not have access to local property taxes, therefore the state general fund provides 100 percent of the charter funding formula.

TNT IMPACT ON THE QUALIFYING TAX RATE



Source: Joint Legislative Budget Committee, *Appropriation Reports 1999-2017*

TRUTH IN TAXATION (TNT)

Both the QTR and the SETR change every year through a process called Truth in Taxation (TNT). TNT requires school districts to lower or raise the property tax rate depending on changes in property values. The idea is a homeowner will pay the same amount each year despite changes in the value of his or her home. TNT removes inflation (or deflation) from local property tax calculations. As TNT reduces the QTR, the property tax share of total equalization funding is projected to decline. For example, in FY 2014, property taxes funded about 41 percent of equalization.²⁹

As shown above, during inflationary periods, TNT reduces the tax rate. While this system keeps taxes steady for property owners, it places 100 percent of the burden of K-12 inflationary costs onto the state general fund. Due to property assessment cycles, it typically takes about 24 months for market changes to impact assessed property values.

FUNDING DIFFERENCES BETWEEN SCHOOL DISTRICTS

As noted above, equalization funds are designed to reflect certain student and district characteristics. Additionally, other available operating funds financed through local property taxes are impacted by specific school district characteristics - size of district, desegregation orders and local elections. The majority of federal dollars also reflect student characteristics, flowing through either Title I, which provides funding for low-income students, or the Individuals with Disabilities Education Act (IDEA). Because funding reflects the unique circumstances of a school district, the per-pupil support level can vary dramatically between school districts.

The majority of the disparities can be explained by two factors: federal funds and small schools (districts with 125 students or less). One way to measure the impact of these two dynamics on school district funding is to compare the standard deviation of per-student-funding levels with federal and small-school funds and without. When considering total revenues for all districts, the per-student funding level standard deviation is quite large at \$9,250. Excluding small schools and federal funds from the totals drops the standard deviation to just \$4,702, a decrease of nearly 50 percent.

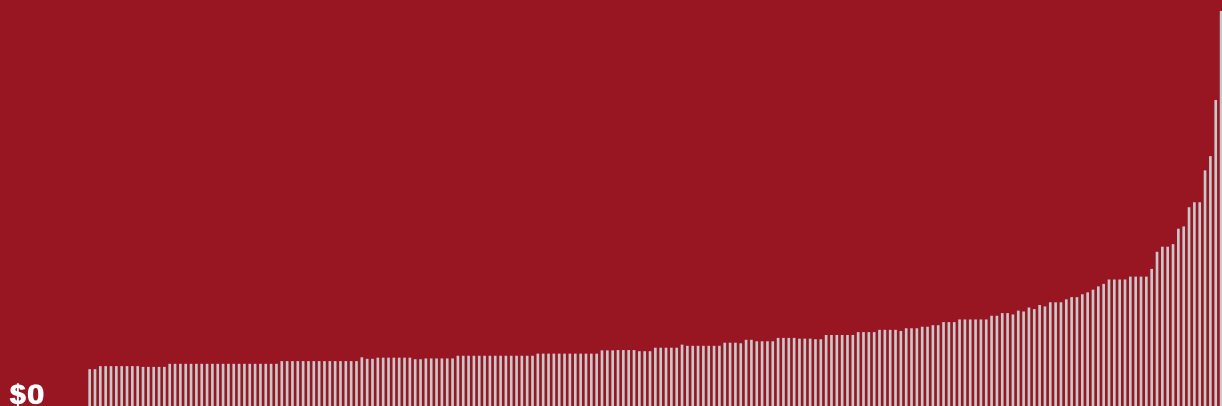
The below and to the right histograms compare the distribution of school districts by revenue per student. The first histogram shows total revenue and includes all districts.

The total histogram is right skewed with a few outliers and has peaks at ~\$5000, ~\$10,000, ~\$15,000, ~\$17,000 and ~\$25,000, indicating multimodal data. This typically means variables are not accounted for in explaining the density (like subsets of school size, demographics, etc.). The median is \$10,670. The mean is pulled up to \$13,844 due to the outliers.

The second histogram removes federal funding and small school districts. While the histogram remains right skewed, meaning there are still outliers, there are significantly fewer, potentially suggesting that smaller schools have a predisposition to higher revenue per student. Multimodal features persist – although a few were eliminated – suggesting again that other factors are at play in explaining the revenue distribution (i.e., demographics, school sizes above cut off, etc.). The median is \$9,762. The mean is much closer to the median at \$10,956, pulled up slightly by the two outliers. This distribution has a lower standard error and standard deviation.

REVENUES PER STUDENT BY SCHOOL DISTRICT

\$90,000



\$0

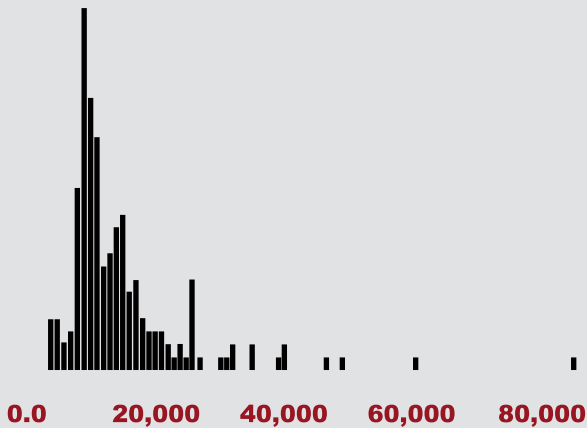
SCHOOL DISTRICTS: EACH LINE REPRESENTS ONE SCHOOL DISTRICT

Source: Arizona Department of Education, *FY 2016 Superintendent's Annual Report*

*Excludes Cedar Unified and Crown King Elementary because changes in student counts caused extreme, non-representative changes in dollars per student.

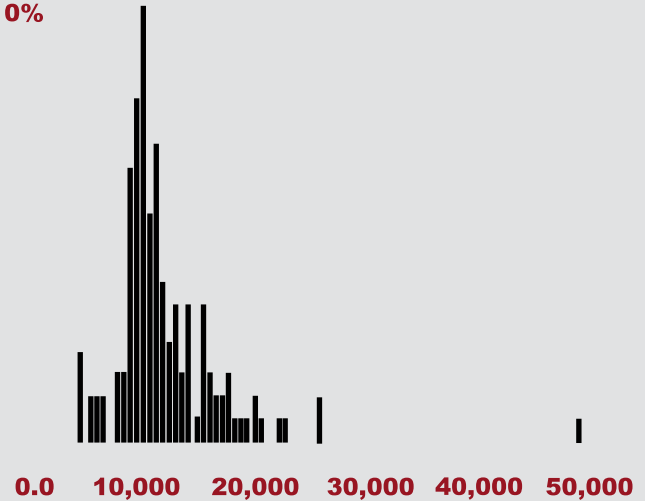
TOTAL REVENUE AND ALL DISTRICTS

15%



EXCLUDES FEDERAL REVENUE AND SMALL SCHOOL DISTRICTS

10%



MOBILE ELEMENTARY SCHOOL

Mobile Elementary School District received \$84,656 per student in FY 2016. Mobile is a K-8 district in southern Maricopa County with a total enrollment of 12 students. Mobile did receive a hard capital grant of \$283,000 from the School Facilities Board (SFB) for a building renewal project that temporarily increased their revenues per student. However, even without the grant, Mobile received \$61,637 per student. The vast majority of their revenues came through local property taxes (68.5 percent). Mobile used the small school exception to set their budget above the limits allowed by the state. Outside of the SFB grant, the state general fund only provided Mobile \$4,390 in per-student funding.

THATCHER UNIFIED SCHOOL DISTRICT

Thatcher Unified School District, located in Graham County, received \$7,140 per student, the lowest funding level of any district. At 1,655 students, Thatcher is too big to qualify for a small school adjustment, did not exercise other local funding options and had limited debt. Below is a comparison to Tempe Elementary District, which in FY 2016 received the median level of funding, \$11,171 per student. When compared to Thatcher, Tempe Elementary had a higher percentage of special-needs students, low-income students and exercised local funding options. Tempe Elementary also received dollars through a desegregation order.

	THATCHER	TEMPE ELEM.
TOTAL SUPPORT PER STUDENT	\$7,140.32	\$11,170.80
SPECIAL ED FUNDING	\$442.46	\$1,059.09
FEDERAL FUNDS	\$425.94	\$1,262.56
LOCAL OVERRIDES	\$0	\$1,215.98
DEBT SERVICE	\$642.92	\$1,574.14
DESEGREGATION	\$0	\$1,273.04

FUNDING LIMITS

In addition to statutory complexities, certain constitutional and voter-protected spending limits impact K-12 funding.

Article IX, section 21 of the Arizona Constitution limits aggregate expenditures of state funds by all school districts. The cap is based on FY 1980 expenditures indexed for student growth, inflation and multiplying that result by 1.10. The FY 2017 limit was \$5.95 billion.³⁰ State funding was approximately \$5 billion.

Article IX, Section 18 of the Arizona Constitution caps primary property tax rates at no more than 1 percent of a home's full cash value. The 1-percent cap applies any time a homeowner's net-combined primary property tax rate for all taxing jurisdictions exceeds \$10 per \$100 of net-assessed value, even after the homeowner's rebate is applied. The Arizona Constitution does not specify a mechanism for enforcing the 1 percent cap. Historically, the cap has been implemented by having the state general fund backfill any primary property tax costs for homeowners that exceed the cap through the Additional State Aid program. School district bonds and overrides are exempt from the cap.

PROPOSITION 301 AND PROPOSITION 123

PROPOSITION 301

When Arizona voters approved Proposition 301 in November of 2000, they raised the state sales tax from 5 to 5.6 percent with the increased revenues dedicated to public education. The new sales tax rate took effect in 2001 and, under the terms of Prop. 301, will expire on June 30, 2021.

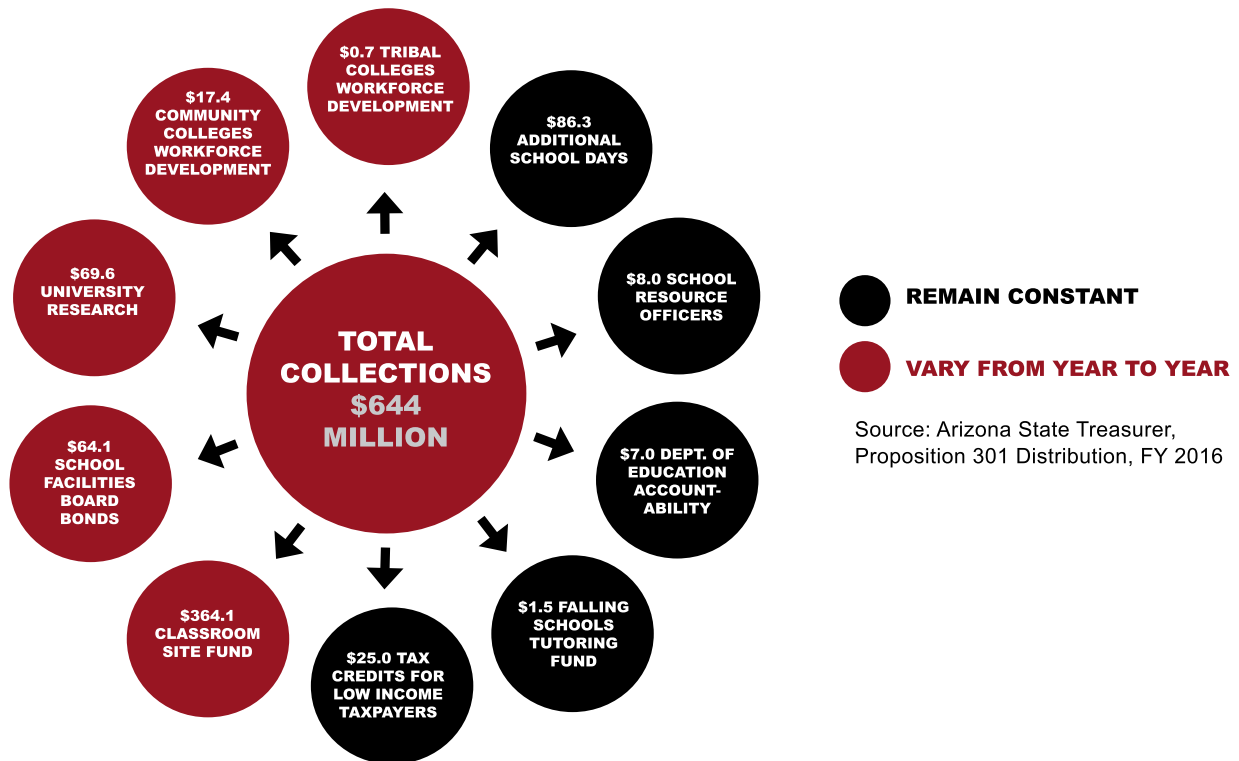
Gov. Jane Hull championed Prop. 301 based on years of widespread concern over insufficient funding for Arizona schools. This measure and companion proposals passed by the Legislature have set the foundation for a large portion of state education policy infrastructure and funding. In FY 2016, the dedicated sales tax generated more than \$644 million to support public universities, community colleges and local district and charter public schools.

The flowchart on the following page shows how the money from Prop. 301 was allocated in the state fiscal year that ended June 30, 2016. Amounts in the red circles can vary from year to year because they are based on a percentage of total collections; amounts in black circles remain constant each year from now until 2021. If there is no renewal or replacement, all of these amounts would go to zero when the tax expires in June 2021.

INFLATION REQUIREMENT

Prop. 301 requires annual cost-of-living increases in state support for schools. Under the formula adopted in the ballot measure, funding per student rises yearly by the rate of inflation or 2 percent, whichever is less. This requirement was designed to make sure the rising costs of expenses such as utilities, supplies, technology, and teacher and staff compensation don't shrink the resources for student education. Unlike the higher sales tax rate, the mandated inflation increase in Prop. 301 has no expiration date. It is required regardless of what happens to the sales tax. Interpretation of this provision has generated much debate and legal argument over the years. Prop. 123 instituted a settlement agreement that clarified and modified the inflation requirement.

PROPOSITION 301 TAX ALLOCATION, FY 2016³¹



OTHER PROVISIONS OF PROPOSITION 301

The legislation that accompanied Prop. 301 provides more detail on the dedicated funding as well as several fundamental reforms that remain an important part of Arizona's education landscape. This legislation has no expiration date, though it is always subject to revision by the Legislature. Provisions include:

- **Requires the Arizona Department of Education (ADE) to compile an annual achievement profile for each public school and specify certain requirements for underperforming schools. This was the first iteration of rating Arizona schools based on Arizona's Instrument to Measure Standards (AIMS) test scores, yearly progress and dropout rates;**
- **Lengthens the school year to 180 days, up from 175;**
- **Creates the Student Accountability Information System (SAIS) to enable school districts and charter schools to transmit student information and school finance data electronically to ADE;**
- **Requires the state auditor general to conduct performance audits on school districts and monitor what percentage of school budgets is spent in the classroom;**
- **Expands the student tuition tax credit for private schools and the tax credit for public school extracurricular activities; and**
- **Details the Classroom Site Fund established in the proposition and specifies that the maintenance and operations portion of the fund can be spent on:**
 - o Class size reduction;
 - o Teacher compensation increases;
 - o AIMS intervention;
 - o Teacher development;
 - o Dropout prevention; and
 - o Teacher liability insurance premiums.

PROPOSITION 123

Championed by Gov. Ducey as the solution to multi-year education litigation, Prop. 123 increased distributions from the State Permanent Land Endowment Trust Fund and made other changes to K-12 finance. The proposition was the result of a settlement agreement relating to litigation over the inflation provisions of Prop. 301.

As part of Arizona's Enabling Act, the federal government granted the state a land trust, the majority of which benefited K-12 education. Revenues from the land trust are distributed to the beneficiaries, but proceeds from the sale of properties are deposited in the permanent fund housed at the state treasurer's office. The balance of that fund was \$5.3 billion on December 31, 2016.

Prop. 123 increases land trust distributions from 2.5 percent per year to 6.9 percent per year through FY 2025, requires inflation funding and adds additional general fund support. These additional dollars allowed the state to increase the per-student base level, resulting in an additional \$299 million in K-12 funding in FY 2016 and an estimated \$3.5 billion over the ten-year period the proposition is in effect. JLBC estimates the proposition will reduce the value of the permanent fund by \$2.8 billion below what it would have been by FY 2025 and projects the FY 2025 balance at \$6.2 billion.

PROPOSITION 123 IMPACT ON K-12 FUNDING (IN MILLIONS)

FISCAL YEAR	LAND TRUST 4.4% INCREMENT	ADDITIONAL INFLATION	ADDITIONAL GENERAL FUND	EST. TOTAL INCREASE K-12
2016	\$172.1	\$74.4	\$52.4	\$298.8
2017	\$172.4	\$75.6	\$58.3	\$306.4
2018	\$189.9	\$76.8	\$47.4	\$314.1
2019	\$206.0	\$78.0	\$38.0	\$322.1
2020	\$217.9	\$79.3	\$33.1	\$330.3
2021	\$226.5	\$80.5	\$56.8	\$363.8
2022	\$233.3	\$81.8	\$57.4	\$372.5
2023	\$239.7	\$83.1	\$58.6	\$381.5
2024	\$245.8	\$84.5	\$60.5	\$390.8
2025	\$251.5	\$85.8	\$63.0	\$400.3
TOTAL	\$2,155.2	\$799.9	\$525.5	\$3,480.5

Source: Joint Legislative Budget Committee *Proposition 123 Yearly Estimates (12/3/15)*
<http://www.azleg.gov/jlbc/16mayprop123yrlyest.pdf>

Prop. 123 also allows the state to temporarily suspend future inflation increases during periods of economic slowdown in which sales tax revenue and employment each grow more than 1 percent but less than 2 percent in the preceding year. It would require the suspension of the inflation increase if sales tax revenue and employment each grow less than 1 percent. Since 1992, economic conditions would have met the 1-2 percent threshold in one year and would have met the less than 1 percent threshold in three years.

Furthermore, the measure allows the state to reduce the 6.9 percent distribution rate to no less than 2.5 percent for the following fiscal year if the five-year average balance of the permanent fund falls below the average balance of the preceding five years. The criteria for reducing the distribution rate would not have been met in the last 10 years, as no five-year period since 2001 has averaged a lower balance than the preceding five years.

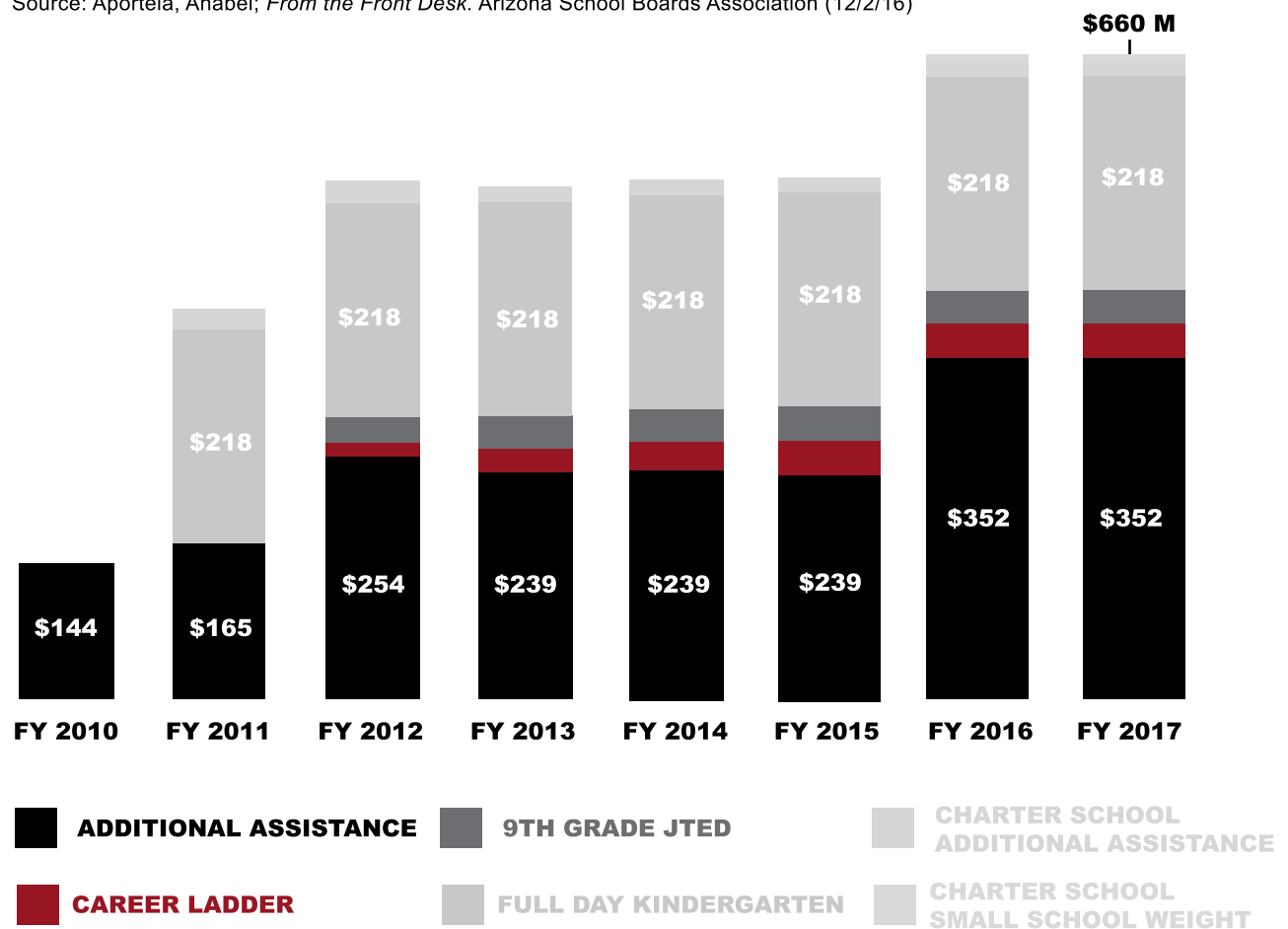
Beginning in FY 2026, the proposition will allow the suspension of the annual inflation adjustment and a reduction in K-12 funding for the next fiscal year equal to the current year inflation adjustment if K-12 spending surpasses 49 percent of the total state general fund appropriations. If K-12 spending surpasses 50 percent, the state could temporarily suspend the annual inflation adjustment and reduce K-12 funding for the next fiscal year by twice the current year inflation amount. Currently, K-12 spending constitutes approximately 42 percent of total state general fund appropriations.³²

RECENT CHANGES TO K-12 FINANCES

During the Great Recession, the Legislature made a number of changes to K-12 funding levels. The following chart shows the annual impact of ongoing reductions to the K-12 system. For example, in FY 2010, the state began a phased-in reduction of additional assistance funds, cutting funding by \$144 million. Over the following few years, that reduction increased to the current annual level of \$352 million. The annual value of reductions made since FY 2010 is approximately \$660 million. An explanation of each item in the chart is below.

REDUCTIONS IN K-12 FUNDING (MILLIONS)

Source: Aportela, Anabel; *From the Front Desk*. Arizona School Boards Association (12/2/16)





DISTRICT ADDITIONAL ASSISTANCE

Beginning in FY 2010, the state began suspending the district additional assistance formula. For FY 2017, without suspension, the formula would have produced general fund support of \$421 million. The current suspension reduces that amount by \$352 million (84 percent). The Legislature does not apply the suspension evenly across all districts, limiting the impact on districts with fewer than 1,100 students.³³

CHARTER SCHOOL ADDITIONAL ASSISTANCE

Similar to district additional assistance, the state began suspending the charter school additional assistance formula in FY 2011. Currently, the suspension reduces additional assistance for charter schools by \$19 million (6.6 percent).³⁴

NINTH GRADE JOINT TECHNICAL EDUCATION DISTRICTS

Students attending JTEDs generate 25 to 75 percent more per-pupil funding than traditional districts. This amount is designed to offset the higher costs of vocational education. In FY 2012, the state eliminated the additional funding for ninth graders enrolled in JTEDs. This change reduced state funding an estimated \$30 million.

FULL-DAY KINDERGARTEN

Prior to FY 2007, the basic state aid formula funded kindergarteners on a half-day basis. For FY 2007 through FY 2010, however, a kindergarten “group B” funding weight established by Laws 2006, Chapter 353 provided add-on monies to fund kindergarteners on a full-time basis. The FY 2011 budget eliminated the kindergarten group B weight, returning the state to half-day only funding for kindergarten. Monies generated by the kindergarten group B weight for FY 2007 through FY 2010 were not restricted for a specific purpose, but generally were used by schools to fund voluntary full-day kindergarten pursuant to A.R.S. § 15-901.02. The elimination of the weight reduced state funding an estimated \$218 million.

CAREER LADDER

Career Ladder was a pilot teacher pay program established in 1985. At its peak, it included 28 school districts, and no new school districts had been admitted since FY 1994. In 2010, based on litigation brought by the Gilbert Public School District, the program was declared unconstitutional because it was not available to all districts. Beginning in FY 2012, the Legislature initiated a five-year phase out of the program. Phasing the program out reduced state funding an estimated \$35 million.

CHARTER SCHOOL SMALL WEIGHT

In FY 2016, the state eliminated the small school weight for multisite charters with a common governance structure. Small school weights generate additional funding for eligible entities that have fewer than 600 pupils in grades K-8 or high school.

COMPARISONS TO OTHER STATES

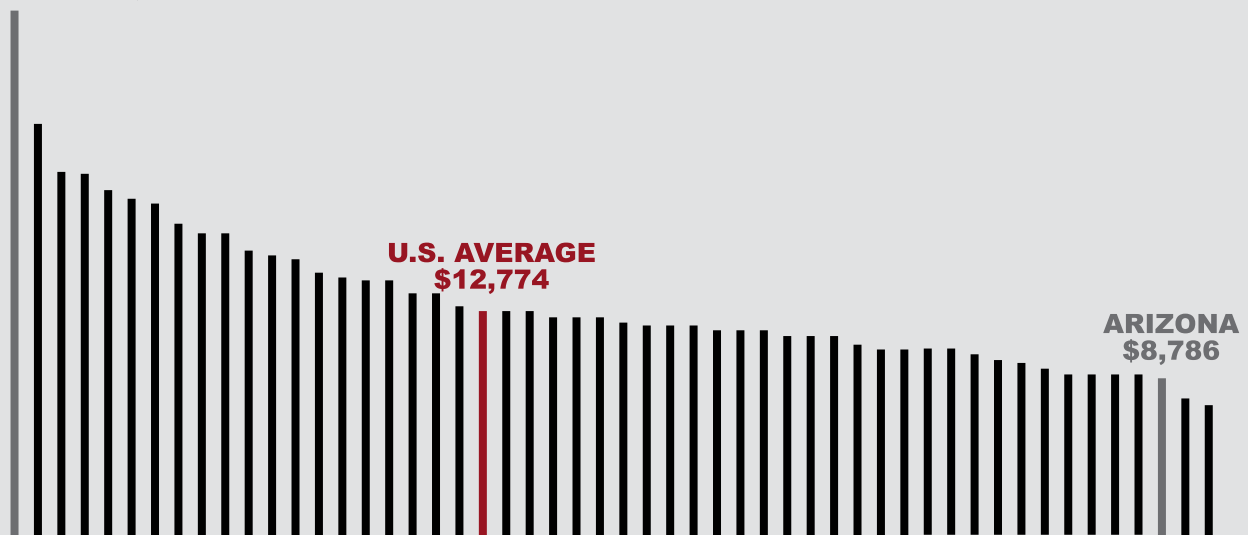
Funding comparisons between states in any category is difficult and often fraught with inaccuracies. K-12 education funding comparisons are especially difficult due to many different types of funding systems and sources used across the country. Additionally, data sources are often inconsistent or contradictory. The following comparisons use two data sets, 2014 U.S. Census data and 2016 National Association of Budget Officers (NASBO) data.

In 2014, including all sources of funding, the average per-pupil revenue in the United States was \$12,774. Arizona provided approximately 69 percent of that number at \$8,786. Arizona ranked 48th of the 50 states ahead of Utah and Idaho.³⁵

REVENUES PER K-12 STUDENTS - FY 2014

Source: U.S. Census Data, *Public Elementary-Secondary Education Finances*

WASHINGTON
D.C \$29,866



It is also instructive to view Arizona's education funding based on a per-capita basis and as a percentage of the Arizona economy. On a per-capita basis, Arizona districts received \$1,232 per Arizona citizen compared to a national average of \$1,937. This placed Arizona last among all states.³⁶

As a comparison to Arizona's economy, Arizona schools received \$34.04 per \$1,000 of personal income. The national average is \$43.91, ranking Arizona 49th among all states.³⁷

MEASURE	NATIONAL AVERAGE	ARIZONA	RANKING	PERCENT OF NATIONAL AVERAGE
TOTAL REVENUE PER PUPIL	\$12,774	\$8,786	48	68.7%
PER CAPITA REVENUE	\$1,937	\$1,232	50	63.6%
REVENUE PER \$1,000 OF PERSONAL INCOME	\$43.91	\$34.04	49	77.5%
K-12 SPENDING AS PERCENT OF GENERAL FUND	35%	43%	11	123%

Alternatively, a final comparison is the percentage of the state’s general fund that goes toward K-12 funding. This is a measure of the amount of total state resources dedicated to K-12 education. A lower percentage as compared to other states may mean a lower prioritization of K-12 funding and perhaps a capacity to increase K-12 funding.

As mentioned above, for FY 2017, Arizona directed 42 percent of the state general fund to K-12 funding. In FY 2016, according to the NASBO FY 2014 – 2016 State Expenditure Report, the average of state general fund dollars spent on K-12 was 35 percent. Arizona was at 43 percent, which ranked 11th highest.³⁸

ADDITIONAL RESOURCES:

Understanding School Finance (Arizona Charter Schools Association, Goldwater Institute, Office of the Governor, 2015)

Arizona’s School Finance System (Arizona State Senate, 2016)

Arizona Schools Count on Proposition 301 Sales Tax; Return on Education (Children’s Action Alliance, 2015)

Annual Survey of School System Finances (U.S. Census Bureau)

Arizona School Finance: A Brief Introduction (Phoenix Center for Community Development)

K-12 Funding (M&O & Other) FY 2008 through FY 2017 est, JLBC Staff

Backpack Funding (A for Arizona, Reason Foundation, Office of the Governor, n.d.)



SCHOOL CAPITAL

In 1994, Arizona's system of school capital finance was declared unconstitutional by the decision in *Roosevelt v. Bishop*, which was filed in 1991. The court found that the statutory financing scheme for public education that was the cause of undisputed gross disparities in school facilities was in violation of the "general and uniform" clause of the Arizona Constitution.

At that time, funding for school district capital came from two primary sources - a capital component in the equalized school finance funding formula and voter-approved bonds and capital overrides. Generally, "soft capital" items (textbooks, computers, furniture and equipment) and ongoing building maintenance and repair were funded through the equalization formula. On the other hand, "hard capital" (new construction and major renovations) was funded with voter-approved bonds and overrides.

To the degree the school finance funding formula was adequately funded at the time, access to capital for soft items and ongoing building maintenance was theoretically equally available to all school districts and generally appropriate for all school districts. As a function of coming through the school finance funding formula, these monies were distributed roughly equally for each student and each district's need associated with these items was primarily determined based on the number of students served.

However, other district needs for capital funding such as new construction and major renovations were subject to voter approval. The situation at the time was very different. First, new construction needs and major building renovations cannot be estimated for all districts statewide on a per-pupil basis. These needs are dependent on new student growth in the district and the age of the buildings in the district. Additionally, at all levels of need, property-poor districts require a higher tax rate to access voter-approved capital funding than property-rich districts. This causes disparities in proposed tax rates in each school district and seemingly impacted the ability of districts to secure voter approval.

Although the Arizona Supreme Court did not ultimately require equal funding per pupil for capital, the court did require the state to establish minimum facility standards tied to academic standards, guarantee funding for minimum facility standards and allow districts to go beyond the minimum adequate requirements with local funds.

STUDENTS' FIRST SYSTEM

The state responded to the court's decision by establishing a centralized, statewide system for funding school capital (with the exception of soft capital, which was modified but remained as a component of the equalized school finance funding formula), to be administered by the School Facilities Board (SFB). The system is based on the general premise that the state will provide full funding to ensure that all educational facilities in school districts meet state standards and to provide new facilities needed due to enrollment growth. It allows school districts, within limits, to expend local monies to exceed the state standards or to provide for capital needs that are not included in the state standards, such as administrative facilities. The Students' Fair and Immediate Resources for Students Today (FIRST) program, as enacted in 1998, included:

- 1. The requirement for the SFB to develop minimum school facility adequacy guidelines to provide the minimum quality and quantity of school buildings and facilities and equipment necessary and appropriate;**
- 2. The Deficiencies Correction Program to evaluate all facilities in the state and award monies to correct the deficiencies, the state spent approximately \$1.3 billion through this process; and the program was completed and repealed;**
- 3. The New School Facilities Fund to be distributed to school districts on a formula basis (square-foot-per-student, dollar amount-per-square-foot) for funding of additional facility needs associated with student growth; and**
- 4. The Building-Renewal Fund to be distributed to school districts by formula each year based on the capacity and adjusted age of student-square-feet within the district. The original design of this program was based on building renewal funding norms and was intended to leave districts with the responsibility to manage the annual funding and facilities.**

This school capital funding mechanism has been modified substantially over the past 19 years. The most notable changes are below:

- 1. The building-renewal formula has been replaced with a building-renewal grant program, through which districts submit qualified projects and request funding from the SFB. While the building-renewal formula required distribution of approximately \$250 million each year (several years ago), the Building Renewal Grant Program is currently funded at approximately \$30 million per year.**
- 2. As originally enacted, the state funded new construction two to three years ahead of anticipated needs with the goal of opening new schools in the year the benefitting districts expected to reach an overcrowded level. Today, school districts do not qualify for SFB new construction approval until the fiscal year in which the district is overcrowded. And, once the SFB approval is secured, funding for new school projects is subject to the legislative appropriations process.**



ISSUES AND CONSIDERATIONS

With the goal of creating a funding mechanism for school capital in Arizona that enhances the ability of students and staff to achieve educational goals, the following key points are worth considering:

1. All capital needs are not created equal. This makes it difficult to fund needs in the same manner.
 - **Text books, computers and science equipment bear a direct relationship to the number of students in the district. These items are used directly by students and relatively evenly by each student. As a consequence, statewide funding on a per-pupil basis may be reasonable.**
 - **HVAC units, painting and carpeting/flooring are related to both the number of students and total square footage in the district. These are ongoing capital maintenance items with varying annual investment needs. Capital needs associated with these items may vary among districts as a result of the quality and type of the original item installed and where a particular item is in its lifecycle.**
 - **Roofing, windows/doors, foundation and building envelope are related to the age of buildings. Regardless of the number of students served, it is reasonable to assume that older buildings will require more attention and dollars to maintain in proper operating condition. This capital need is not appropriate to average by the number of students served by each district.**
 - **Bus consumption by school districts is, among other factors, a function of the geographic expanse of the district and the terrain covered by the buses. Even when student ridership is equal, rural/urban, elevation, road quality, route miles and weather conditions are important determinants of a district's overall bus needs.**
 - **Need for additional school space is a function of student growth in the district. This is not dependent on the number of students served, but a function of the number of new students entering the schools.**
2. Property-rich school districts are not necessarily those districts where rich people live. Nor are property-rich school districts necessarily the largest school districts in the state. Partially because taxable commercial property tends to be larger than residential property, and partially because the Arizona property tax assessment process taxes a higher percentage of commercial property than residential property, property-rich districts are generally those with a high concentration of taxable commercial property and a limited number of students. As a basic rule, the measure of property-rich and property-poor school districts is the comparison of the amount of net-assessed property value per pupil in the district.
3. With a centralized system of funding school capital, particularly in the area of school repairs (for which districts are required to submit requests to a central state agency), it may be appropriate for the state to incorporate a robust facilities oversight system to

ensure no urgently needed repairs are missed. Based on the state's creation of a centralized school funding system and the obligation to provide a safe environment for students and staff, the state should be concerned with potential liability in this area in the event there is damage associated with unknown needs. Even with upfront costs to establish the oversight system, the ultimate benefit of a more reliable school building system throughout the state may be a prudent investment.

4. The bulk of the original Deficiencies Correction Program was completed by 2003. The general standard was to repair and replace items with a remaining useful life of less than three years. The state expenditure on this program was approximately \$1.3 billion. As it is now, nearly 15 years since the completion of the program, it is likely much of that investment is beginning to wear and may be in need of further repair and/or replacement. As a result of underfunding and subsequent elimination of the building-renewal formula, underfunding of district additional assistance through the school finance funding formula, underfunding of maintenance and operations (M&O) in the school finance funding formula and the limited amount of building-renewal grant money made available on an annual basis, the current and approaching volume of unmet needs could be significant.
5. There is a natural tension between the flexibility afforded school districts with respect to the authority to transfer dollars identified for capital to the M&O budget and the need to segregate dollars for capital spending. While flexibility fosters local decision making, capital needs are the component of the school district budget without a voice. Governing board meetings are full of advocates for teacher pay, class size limits, and arts, music and foreign language programs. But there is rarely an advocate for the building with the roof on the verge of leaking and wreaking havoc on the electrical system. Particularly when the overall state of school district funding is inadequate and the public conversation is singularly focused on classroom spending, the budget pressures likely weigh against capital funding.
6. One of the byproducts of Arizona's dual public school funding system is capital facility inefficiency. At least partially in lieu of access to the School Facilities Board (SFB) for new construction funding, the statutory additional assistance amount for charter school students is approximately \$1,600 more per student than the amount for district school students; the actual disparity is greater and has been growing since FY 2009-10. Consequently, the bulk of this additional dollar amount can be used to secure school facilities for charter schools. Because students always have the option to attend their local district schools, space secured by a charter school may become redundant the following year if students switch to the district public school and trigger a need for SFB funding for new facilities. Conversely, without needs testing for charter schools, a newly built district school paid for by the state could be underutilized in subsequent years if a successful charter school is opened nearby. In either situation, taxpayer dollars are funding unnecessary public school facilities.

According to the SFB, Arizona’s academic school capital system consists of 13,117 buildings and 143,003,939 square feet. The average age of these buildings is just over 29 years. Space is spread haphazardly across the state with Apache County having the most per student (342 square feet per student) and Maricopa County the least (114 square feet per student). According to American School and University magazine,³⁹ average square footages for buildings built in FY 2008 (latest data available) were:

- **Elementary: 123 square feet**
- **Middle: 145 square feet**
- **High: 150 square feet**

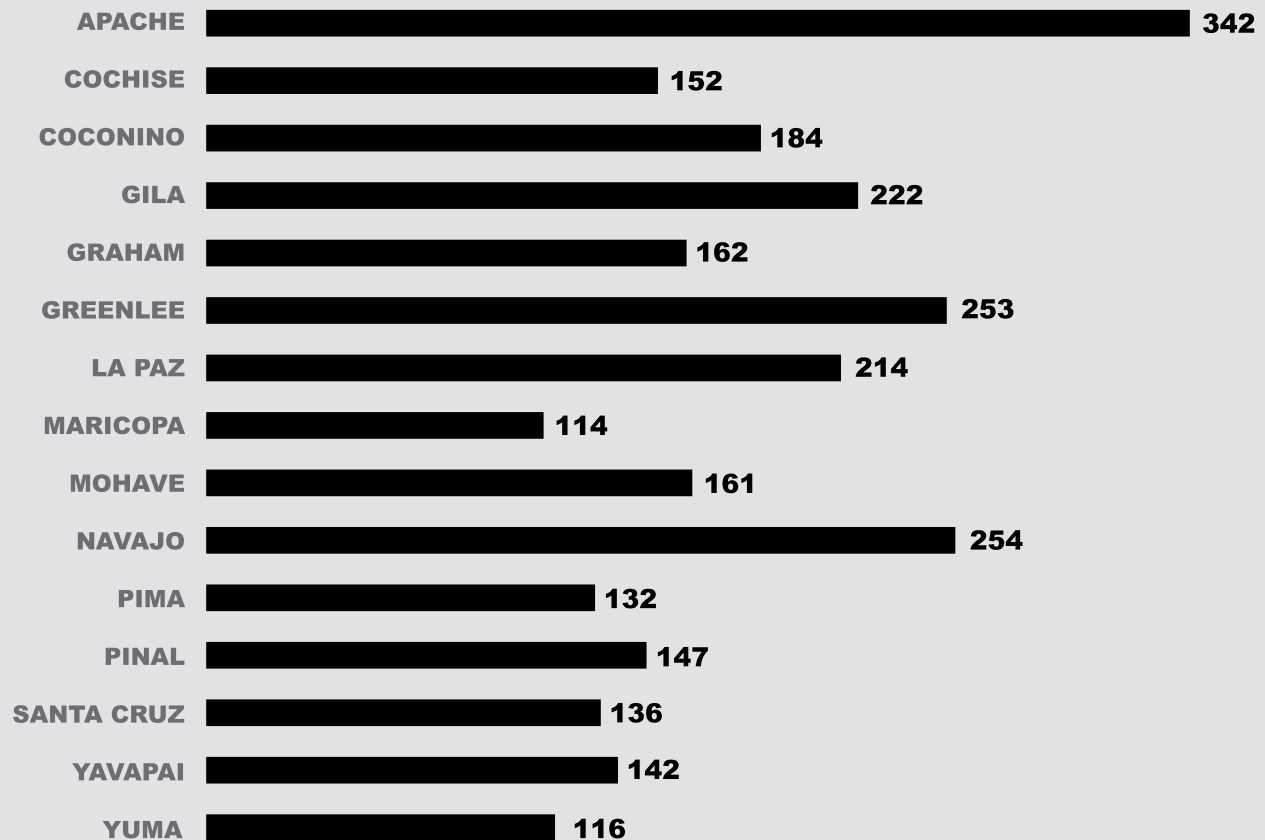
The square-footage-per-student amounts listed for Arizona in the preceding paragraph are a mix of all three types of space.

The SFB also forecasts new school construction needs. In their FY 2017 capital plan, the SFB projects 26 new schools over the next eight years. The projected value of those projects is \$343 million.

LITIGATION

On May 1, 2017 four school districts, education groups and parents filed suit alleging the state has not met its constitutional requirements to provide funding for soft and hard capital as outlined in the *Roosevelt v. Bishop* decision.

SQUARE FEET PER STUDENT BY COUNTY



ARIZONA CHARTER SCHOOLS

On June 17, 1994, Gov. Fife Symington signed into law House Bill 2002, bringing charter school education to Arizona and ushering in a new era of school choice for parents and accountability for schools. The law took effect 90 days later, making Arizona the 11th state in the country to allow charter schools, behind California, Colorado, Georgia, Hawaii, Kansas, Massachusetts, Michigan, Minnesota, New Mexico and Wisconsin.

State law defines charter schools as public schools that serve as alternatives to traditional public school to provide additional academic choices for parents and pupils and to provide a learning environment that will improve pupil achievement (A.R.S. §15-181). Hal Mattern of The Arizona Republic described charter schools: “Their purpose is simple: to encourage the use of innovative teaching methods, to provide parents and students with another educational choice, and to give parents and teachers more control over the way schools are run. And, above all, charter schools are designed to boost student achievement.”

Charter schools are public schools that are innovative while still being held accountable for improved student achievement. Publicly funded but independently operated, public charter school operators (such as parents, teachers or others from the public or private sector) sign a performance-based contract with state-approved authorizers to provide a free education to Arizona’s K-12 students. Approved authorizers in Arizona include the Arizona State Board for Charter Schools, the Arizona State Board of Education, universities and community colleges. Originally, traditional school districts could also have charter schools, but they no longer can.



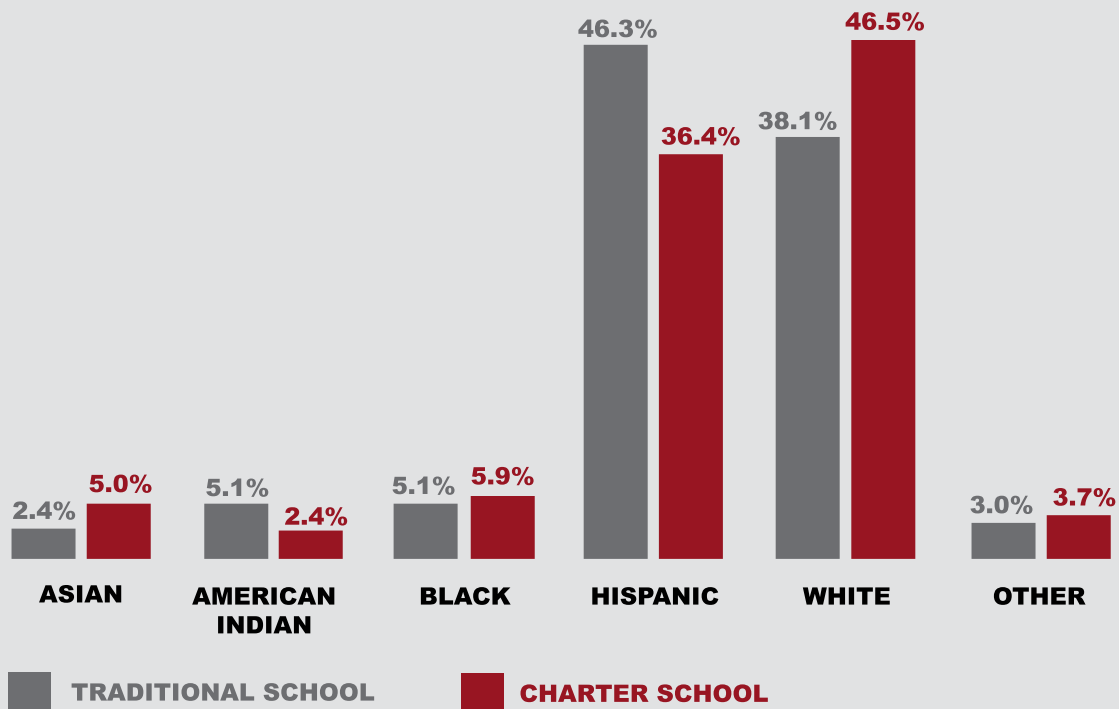
DEMOGRAPHIC MAKEUP

Using Arizona Department of Education (ADE) enrollment data, during school year 2016, 175,535 students attended 534 charter schools. The demographic make up of these students was similar to traditional schools with some key differences. In traditional schools, the FY 2016 student body was 46.3 percent Hispanic and 38.1 percent white. In charter schools these numbers were reversed with 46.5 percent white students and 36.4 percent Hispanic. Other differences included a higher percentage of black and Asian students in charters and a lower percentage of American Indian students. This is probably due to a lack of charter opportunities in rural areas.

Other comparisons include the percentage of disabled students and percentage qualifying for free or reduced-price lunch. In school year 2016, 12 percent of traditional district students were disabled, while 8 percent of charter students were disabled. Free or reduced-price lunch is a tougher comparison because several charter schools do not participate in the program. Again, using 2016 data, 171 of the 534 charter schools did not report free or reduced-price lunch. Of the 366 schools that did report, 55 percent of students qualified, but there is no way of knowing what percentage of all charter students would qualify. In traditional districts, 49 percent of students qualify.⁴⁰

ETHNIC MAKEUP OF CHARTER SCHOOLS VS. TRADITIONAL SCHOOLS

Source: Arizona Department of Education *October 1 Enrollment Report, 2016*



ACCOUNTABILITY

To open a charter school, a private entity must petition for and receive a charter from one of four entities - the Arizona State Board for Charter Schools, the Arizona State Board of Education, a public university or a public community college. The vast majority of charters - more than 500 - were granted by the Arizona State Board of Charter Schools.

To receive a charter, the entity must submit a detailed educational, business and operating plan. The entity that grants the charter is required to oversee the school and ensure that it meets the goals outlined in the plan. Charters are initially granted for 15 years. At the end of that period, charters are audited against their original plans.

While provided more autonomy, Arizona's public charter schools are held accountable for improving student achievement, compliance with local, state and federal laws and management of public funding. Public charter schools are closed for failing to meet those standards.

Charter students are subject to the same academic standards as traditional students. They take the same mandated tests and the ADE assigns a letter grade to each charter school.

Charters do not have to employ certified teachers and as private entities are not subject to open meeting laws.

PERFORMANCE

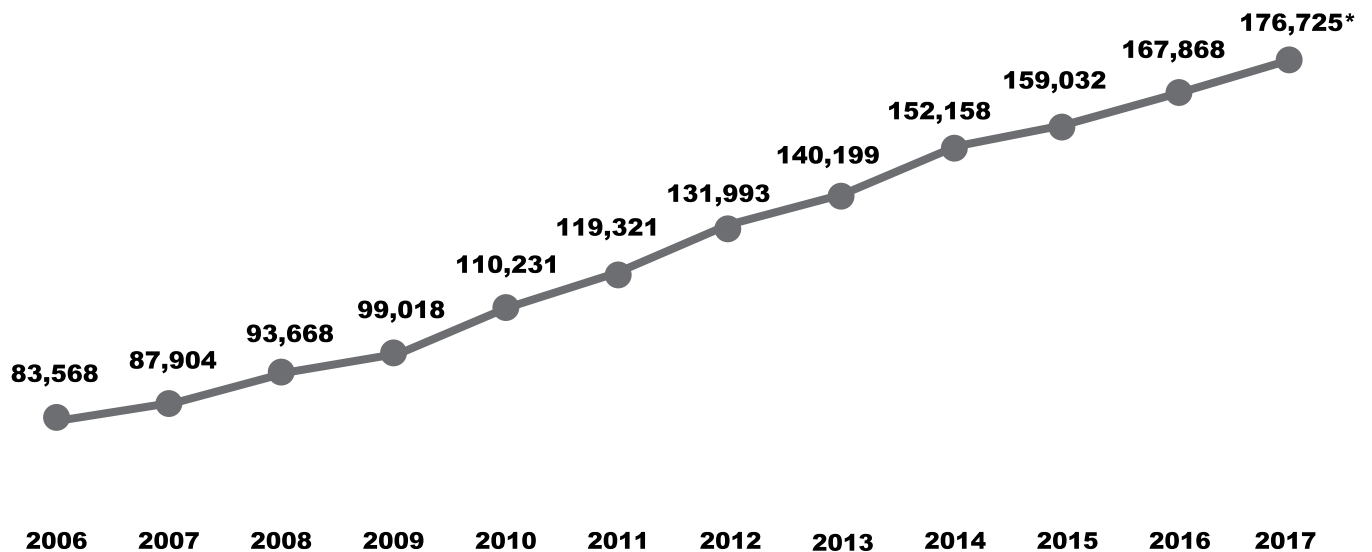
Academically, Arizona charter schools in total continue to produce excellent results. For the last two years, public charter students outperformed the state average on the AzMERIT assessment. If Arizona's public charter students were separated and measured as their own state, it would rank among a handful of the top-performing states in the entire country on the Nation's Report Card. For more information on charter performance, see the Measuring Performance section of this report.

EXPANSION

Today, one out of every four public schools is a charter school. The schools vary in mission and model, and serve almost 180,000 students across Arizona. Students attending Arizona charter schools are a majority-minority student body, as reflected in Arizona's K-12 sector.

Charter school growth over time has been steady, with the greatest percentage increases in charter enrollment occurring in the late 1990s. From 2006 to 2017 charter enrollment increased at an average rate of 7 percent. According to the Center for Student Achievement's report, "Oh, The Places They'll Go! Arizona School Choice and its Impact on Students," charter school enrollment could approach one-quarter of all public school students by 2020.

ARIZONA CHARTER STUDENT ENROLLMENT



Source: Joint Legislative Budget Committee, *Appropriation Reports FY 2009-FY 2017*

*Estimated

OPEN ENROLLMENT AND LOCAL CONTROL

Arizona provides families the ability to choose the public school of choice — district or charter — through its open enrollment law. As long as seating capacity is available, families can enroll their children in any public charter or district school for free.

While statewide open enrollment data is not available, anecdotal information suggests a significant number of families choose to send their children to both public charter and other districts' schools rather than their assigned neighborhood district school.

Based on available data on the number of charter students within school district boundaries, three school districts now have parity between the number of students attending public charter and district schools within their boundaries. Specifically, the Coolidge, Queen Creek and Colorado City School Districts have all experienced tremendous charter-school growth during the past decade. In those communities, there is a roughly equal number of students enrolled in the district and local charter schools.

IMPACT ON LOCAL GOVERNMENT

When the public registers to vote, they have a right to participate in governance and taxation decisions of their local school district. As more families exercise the proverbial "vote with their feet" with respect to their school of choice, their voting rights are still restricted to their local school district bond, override and school board elections.

These data suggest that this system of local investment is in potential jeopardy given that parents of open-enrollment students — at both public charter and district schools — no longer have a direct, vested interest in the outcome of elections on their neighborhood schools.


PROPORTION OF CHARTER SCHOOL ENROLLMENT WITHIN DISTRICT BOUNDARIES FY 2015

GEOGRAPHIC ELEMENTARY DISTRICT	CHARTER ADM	DISTRICT ADM	TOTAL ADM	PROPORTION OF CHARTER SCHOOL STUDENTS WITHIN BOUNDARIES OF DISTRICT
QUEEN CREEK UNIFIED	5,828	5,026	10,854	54%
COOLIDGE UNIFIED	3,983	3,364	7,347	54%
COLORADO CITY UNIFIED	496	518	1,015	49%
ROOSEVELT ELEM.	6,331	10,598	16,929	37%
UNION ELEM.	1,074	1,879	2,953	36%
PHOENIX ELEM.	4,976	9,217	14,193	35%
HIGLEY UNIFIED	5,263	10,732	15,995	33%
MARICOPA UNIFIED	2,512	5,799	8,311	30%
BALSZ ELEM.	774	2,401	3,175	24%
PRESCOTT UNIFIED	1,298	4,200	5,499	24%
FLAGSTAFF UNIFIED	2,731	9,241	11,973	23%
MOHAVE VALLEY ELEM.	568	2,043	2,611	22%
DOUGLAS UNIFIED	956	3,632	4,588	21%
AVONDALE ELEM.	2,403	8,804	11,207	21%
HUMBOLDT UNIFIED	1,510	5,549	7,059	21%
TUCSON UNIFIED	11,518	45,931	57,449	20%

Despite this flexibility, school-district attendance areas still serve as real and consequential boundaries for the taxation of households. Though district boundaries and school addresses are fixed locations, the data show families are clearly exercising their freedom of choice within and between attendance areas.

As outlined in other areas of this report, school districts are funded through an equalization formula, which is a combination of local and state funding. Charter students, on the other hand, are completely funded by state aid from Arizona's general fund and do not have access to any other revenue sources from local taxpayers.

With decreased ties to local control of funds and charter schools' complete dependence on statewide general fund revenues, how can Arizona citizens best support, define and participate in school systems with porous boundaries? The answer to that question could have dramatic implications for how Arizona funds public charter and district schools.



ARIZONA'S AMERICAN INDIAN STUDENTS AND THEIR SCHOOLS

The federal government provides various programs to either supplement funding for Native Americans in traditional Arizona schools or provide educational opportunities in federally funded schools. Most American Indian students living on and off Arizona's 21 Native American nations attend traditional public schools, which receive state funding. Arizona school districts that include parcels of land that are owned by the federal government or have been removed from the tax rolls by the federal government, including Native American lands, receive a federal payment in lieu of property taxes called Federal Impact Aid. For some reservation public school districts, Federal Impact Aid funds make up 50 percent of the district's management and operation budget. Additionally, the federal government funds boarding dorms in Flagstaff, Holbrook and Winslow that house students who attend the local public schools.

In addition to public schools on Arizona Native American lands, the U.S. Department of the Interior's Bureau of Indian Education (BIE) funds schools, some of which are operated directly by the BIE using Title 25: Indian School Equalization Program (ISEP) funds and others run by tribal organizations that receive grants from or contracts through PL 100-297: The Tribally Controlled Grant Schools Act. Some of these schools also include boarding services. These BIE schools receive ISEP funds based on their enrollment, whether the students board at the school and students with special needs. The BIE requires the Arizona schools they fund to have teachers who are certified in Arizona, follow the state's curriculum standards and assessment measures, and meet K-12 school accreditation requirements. Supplemental funds are allotted based on gifted/talented, language development needs, small school size and/or small residential program size and geographic isolation. In Arizona, Havasupai Elementary is the only school that currently gets additional monies based on isolation.



PL 100-297: THE TRIBALLY CONTROLLED GRANT SCHOOLS ACT

The Tribally Controlled Grant Schools Act makes it possible for tribal schools to apply for grants from the federal government to operate schools serving Native American youth. This act also reaffirms the federal government's trust responsibility and commitment to the sovereignty and self-determination of tribal nations. Section 5202(b) notes: "Congress declares its commitment to the maintenance of the federal government's unique and continuing trust relationship and responsibility [...] for the education of Indian children through the establishment of a meaningful Indian self-determination policy for education that will deter further perpetuation of federal bureaucratic domination of programs."

FUNDS TO HELP TRIBES TAKE CONTROL OF THEIR EDUCATION PROGRAMS

The U.S. Department of Education (ED) and the BIE also provide grants to tribes to bolster their educational programs to advance self-determination goals through the development of an emphasis on academic rigor and culturally relevant programs. These grants are funded through the ED's State-Tribal Education Partnership (STEP) program, and the BIE's Tribal Education Department (TED) program.

The Diné (Navajo) Nation - representing the largest number of American Indian students in Arizona - and a number of other tribes have developed a tribal department of education, and are working toward moving BIE funding to flow through their department of education to the BIE schools. The Diné Nation government has adopted curriculum standards for Navajo history, language and culture.

OTHER FUNDING INITIATIVES

At the urging of American Indians and others, in 1990 the U.S. Congress passed the Native American Languages Act that establishes U.S. policy to support, preserve and protect American Indian languages. In 2006, the U.S. Congress passed the Esther Martinez Native American Languages Preservation Act, signed into law by President George W. Bush, which authorized a limited amount of competitive grant funding for new programs, including tribal language immersion schools, for tribes to prevent further loss of their heritage and culture. Tribal governments in Arizona have expressed concerns about the below-average academic performance of their children in public and other schools, their relatively high drop-out rates and the loss of their tribal language and culture as children assimilate into the larger society. Many public and BIE schools offer elective classes in Navajo language, history and culture, which helps qualify Navajo students for Chief Manuelito college scholarships offered by their tribe.



TEACHER SHORTAGES AND SALARIES

Both in Arizona and nationally, reports of teacher shortages are widespread and consistent. However, since each district and charter maintains their own personnel system, developing clear data on the specifics of teacher shortages is difficult. In recent years, groups including the Arizona Department of Education (ADE) have conducted surveys and reviewed federal data in an effort to better define the supply of qualified teachers.

The National Center for Education Statistics reported there were 48,124 teachers working in Arizona school districts in FY 2015.⁴¹ In their report, “Finding and Keeping Educators for Arizona’s Classrooms,” the Morrison Institute for Public Policy at Arizona State University cites a figure of 62,015 teachers. The report is based on data from the ADE that represents self-reported information submitted by public charters and districts.⁴² This would suggest there are approximately 14,000 charter school teachers working in Arizona.

Between August 2015 and August 2016, the Arizona School Personnel Administrators Association conducted a survey asking for the number of unfilled teaching positions. The survey was voluntary and had a fairly low response rate with 159 school districts and charter schools responding. That response group represented 2,166 unfilled teacher positions. The survey was conducted for the week of November 28, 2016 and found at that date, of the 2,166 positions:

- **879 were filled by long-term substitutes;**
- **72 were filled by administrators;**
- **127 were eliminated by increasing class size;**
- **689 were filled by 6/5th contract (does not provide for teacher planning time);**
- **247 were filled by a contractor; and**
- **67 positions were filled with a student teacher.**

The survey also found, since the beginning of the school year, 1,088 teachers had severed employment.⁴³

In September of 2014, ADE conducted a similar survey of school districts and charters. Of those responding, the survey found 62 percent still had open teaching positions with science, math, special education and kindergarten the most challenging to fill. This suggests that vacancy rates in certain specialty areas could be much higher than the general rate. Anecdotally, rural Arizona districts and charters appear to have difficulty filling teacher positions. Dr. Andrew Smith, the superintendent of the Antelope Union High School District in Wellton, Arizona stated, “Rural schools have trouble recruiting high school teachers overall, but especially in math and science.

Our district has had to recruit internationally. The teacher shortage has been exacerbated by the inability to provide cost-of-living raises and competitive salaries.”

The Morrison Institute for Public Policy confirmed the problem in their 2017 study, “Finding and Keeping Educators for Arizona Classrooms.” Some key findings detailed in the report:

- **Twenty-two percent of teachers hired between 2013 and 2015 were no longer teaching in Arizona after one year.**
- **Forty-two percent of Arizona teachers hired in 2013 left the profession within three years.**
- **Fifty-two percent of Arizona charter school teachers left during that same time period.**
- **Seventy-four percent of Arizona school administrators surveyed said their campuses are experiencing a shortage of teachers.**
- **Median pay for Arizona’s elementary school teachers dropped by 11 percent since 2001. For high school teachers, the decline is 10 percent.**

FUTURE OUTLOOK

There is evidence suggesting the problem is getting worse. According to information provided by the Arizona State Retirement System (ASRS), ADE noted that there were 108,840 active public school employee members in the state retirement system as of June 30, 2013. It is projected that 26,122 (24 percent) will be eligible to retire by June 30, 2018.

A national report by the Learning Policy Institute (LPI), “A Coming Crisis in Teaching? Teacher Supply, Demand, and Shortages,” projects that the demand for teachers is on the rise at the same time the workforce is diminishing.⁴⁴ The author’s modeling shows demand for teachers increased sharply after the Great Recession leveling off at about 260,000 teacher hires per year by 2014. The institute projects that by 2017-2018, hires will grow to 300,000 per year, a 15 percent increase. Projections for new teacher demands are driven by three main factors:

- **Student growth: The National Center of Education Statistics projects student enrollments will increase by roughly 3 million students in the next decade.**
- **Recession recovery: Many districts would like to reinstitute classes eliminated due to budget cuts in the Great Recession. LPI estimates it will require 145,000 additional teachers to reduce average teacher ratios from the current 16 to one to pre-recession ratios of 15.3 to one.**
- **Attrition rate: The national attrition rate, estimated at nearly 8 percent annually, is responsible for the largest share of annual teacher demand.**

Arizona is poised to be disproportionately impacted by the coming demands:

- **Student growth: As of July 1, 2016, Arizona’s total population was approximately 2.1 percent of the national population. However, during the next decade, the National Center for Education Statistics projects 7.0 percent of projected U.S. student growth will occur in Arizona (Projections of Education Statistics to 2024).**
- **Student-teacher ratios: Based on the Morrison 62,015 active public teacher number, the FY 2016 public student teacher ratio in Arizona was 17.6 to one. To bring the state to the national average of 16 to one would require an additional 6,200 teachers.**
- **Attrition rate: According to the LPI study, teacher attrition is the top driver of new teacher demand. Nationally, the attrition rate is a little under 8 percent. The same study estimated Arizona’s teacher attrition between the 2012 and 2013 school years at 18.8 percent, nearly 2.5 times the national rate. Reasons for this disparity are discussed in the following section.**

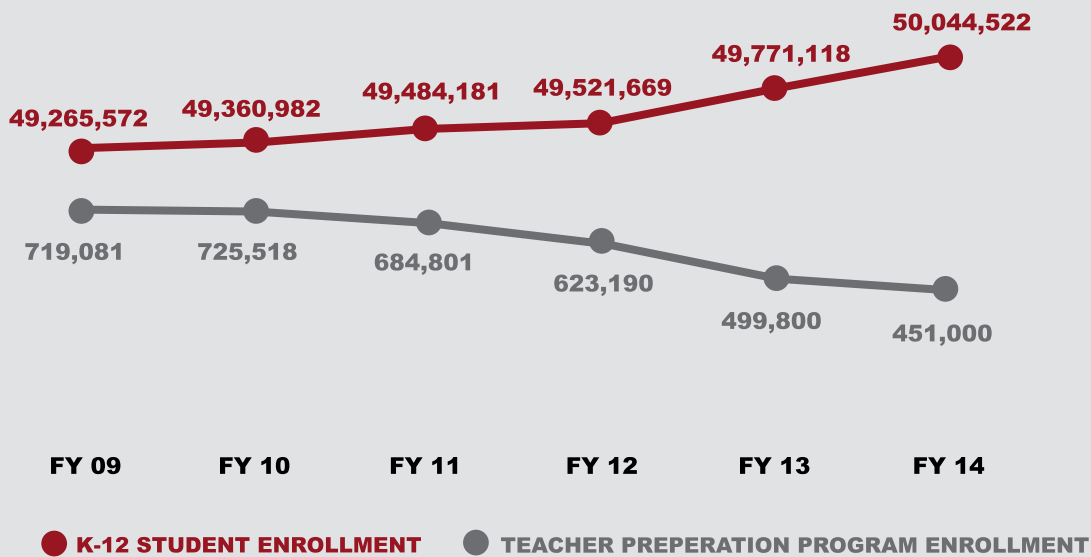
Source: National Center for Education Statistics *Number of operating public schools and districts, state enrollment, teacher and pupil/teacher ratio by state.*

SUPPLY

Even as the demand for teachers increases, fewer and fewer college students are choosing education as a major. Between 2009 and 2014, national student enrollments in teacher education programs dropped from 691,000 to 451,000 – a 35 percent drop. In Arizona, undergraduate education degrees from our three public universities decreased from 2,066 to 1,526, a decline of more than 26 percent. Over the same period, total degrees increased from 20,346 to 27,472.



TRENDS IN TEACHER PREPARATION PROGRAM COMPARED TO K-12 STUDENT ENROLLMENT



Source: US Department of Education News You Can Use, Enrollment in Teacher Preparation Programs

TEACHING ATTRACTIVENESS RATING

Last fall, the LPI reviewed teacher shortages and developed a state-by-state analysis of “factors influencing teacher supply, demand, and equity” to develop a “teaching attractiveness rating.” On a scale of one to five with five being the most attractive, Arizona received a 1.5, which ranked last among states. No other state was scored less than 2.⁴⁵ Some of the key factors are:

- **Starting salary:** Arizona’s 2013 average starting salary of \$31,874 was 13 percent below the national average of \$36,141.
- **Wage competitiveness:** Arizona’s teacher compensation level is 62 percent of non-teacher wages, holding constant age, education level and hours worked.⁴⁶
- **Percentage of uncertified teachers:** Arizona’s rate of 5.04 percent was nearly three times the national rate of 1.89 percent. However, teachers in Arizona charter schools are not required to be certified. This policy likely explains at least part of the gap.
- **Teacher attrition:** As discussed previously, 18.8 percent of Arizona teachers left the profession between school years 2012 and 2013. That compares to the national attrition rate of 7.7 percent.
- **Left school or profession:** 23.6 percent of teachers either left the profession or the school where they were teaching between school years 2012 and 2013. In other words, school districts and charters had to replace 23.6 percent of existing teacher positions between those years. Nationally, the figure was 14.2 percent.

	ARIZONA	NATIONAL
STARTING SALARY	\$31,874	\$36,141
WAGE COMPETITIVENESS	62%	74%
UNCERTIFIED TEACHERS	5.04%	1.89%
LEFT PROFESSION	18.8%	7.7%
LEFT PROFESSION OR SCHOOL	23.6%	14.2%

EFFORTS TO ADDRESS THE ISSUE

In his January 2017 State of the State address, Gov. Ducey addressed the teacher pipeline and called on Arizona’s public universities to develop an Arizona Teachers’ Academy to help limit the costs of higher education for teachers. The governor specifically promised “your education will be paid for, a job will be waiting and you will be free of debt.” The universities are actively working to address this request and have created an Arizona Teachers’ Academy Blueprint that outlines the strategy and structure of the academy. The academy will launch fall of 2017.

Additionally, local school districts and charters are employing strategies to recruit and retain teachers. Some listed by the Yavapai County Superintendent Tim Carter include:

RETENTION

- **Honoring teachers through projects such as the County Teacher of the Year Program and school-wide and classroom mini-grants sponsored by the Yavapai County Education Foundation;**
- **Providing excellent professional development and increased technology support through the efforts of groups such as the Yavapai County Education Technology Association and the Forest Fee Management Association; and**
- **Working with districts and charters to create less expensive options for the delivery of direct services to schools using a shared-services model. Instead of everyone having a nurse, they share nurses on a need basis. Districts share a substitute pool.**

RECRUITMENT

- **Grow your own:** Starting with people who are already there and who have deep roots in the community, find those who might have an interest in teaching. Encourage them to complete their degree or offer them a path that will provide the “education core” they are missing to get certified, and walk them through the process. Introduce them to colleges Yavapai partners with (Yavapai College, Prescott College, Grand Canyon University, Northern Arizona University, Rio Salado College, etc.) and, where possible, help fund a major portion of the costs.
- **Use the Internship Program or the Troops to Teachers Program:** These state-wide programs created by the Arizona State Board of Education and administered by the Arizona Department of Education help bring home-grown teachers into the classroom faster. In fact, these teachers can now be paid by the district for completing their student teaching.
- **Out-of-state recruitment:** States like Michigan and South Dakota routinely graduate more educators than they can employ. These pipelines are now delivering an increasing supply



of candidates, especially in hard to find disciplines such as special education, math, foreign language and science.

- In-state recruitment fairs: Teams of administrators visit several recruitment fairs throughout Arizona and work jointly. Schools are sharing their needs and working together to meet needs as a group.
- Local recruitment fairs: For example, in Prescott, Yavapai College hosted an event for the first time that attracted almost 100 candidates over a three-day period. Many of the candidates were from out of state and were exposed to dozens of local schools at one time.
- Increased social media use: Young people look for jobs differently than they did 40 years ago, or even 10 years ago. Schools have joined the technology era and are active participants on Facebook, Twitter, Instagram and others social resources. One of the best ways to advertise for teachers is on Craig's List. Schools must meet the candidates on the platforms they prefer.

CHANGES IN STATE LAW

On May 2, 2017, Gov. Ducey signed Senate Bill 1042, which allows individuals with expertise in certain areas to obtain a special teacher certificate. The teacher candidate would have to demonstrate subject-matter expertise by teaching relevant courses for at least three years in a postsecondary institution, have a postsecondary degree in a related academic subject or have five years of relevant work experience. Holders of the subject-matter teaching certificate would have two years to demonstrate professional knowledge proficiency.

ONLINE RESOURCES

School districts often report teacher shortages are more severe in specific subject areas such as math and science. Starting in the fall of 2017, Arizona State University will provide online high-school classes that school districts and charters can access to supplement their local curriculum. For a nominal fee, ASU will provide online curriculum and teachers for courses required for university admissions including third-year science, fourth-year math and foreign language courses.

While the content is available, outstanding questions remain as to whether all districts, especially those in rural areas, have sufficient technology and bandwidth access to fully utilize the content. Continued budget reductions in district additional assistance, which is specifically designed to fund technology and equipment, likely compounds this problem.

ADDITIONAL RESOURCES:

Enrollment in Teacher Preparation Programs (U.S. Department of Education, 2015)

Finding and Keeping Educators for Arizona's Classrooms (Morrison Institute for Public Policy, 2017)

FULL-DAY KINDERGARTEN

The vast majority of kindergarten students in the United States now attend full-time programs. According to the U.S. Census Bureau, fully 80 percent of kindergarten students enrolled in the fall of 2015 were in full-day programs. This is up from approximately 70 percent a decade prior. In 1995, full-time students were about half of all kindergarteners.

Arizona's funding formula recognizes a kindergarten student as a half-time student. However, most districts and charters offer a full-time program funded with local overrides, funding shifted from other grades or parent fees. No one knows exactly how many of Arizona's 80,000 kindergarten students attend a full day, but national trends are heading toward full-day kindergarten. Since many Arizona kindergarteners already attend full-day kindergarten, much of the debate around providing state funding for full-day kindergarten is about shifting costs from local funding sources to the state.

There is substantial existing research on both the educational and workforce development benefits of full-day kindergarten. In the paper, "A Matter of Time? Impact of Statewide Full-day Kindergarten Expansions on Later Academic Skills and Maternal Employment," Dr. Chloe R. Gibbs of the University of Virginia reviewed the existing research. Her paper is quoted below:

The existing literature on full-day kindergarten takes two forms: observational studies using nationally representative data and district- and school-level evaluations. In observational studies using the ECLS-K, researchers have found significant differences between full- and half-day kindergarten students on literacy and mathematics assessments at the end of the kindergarten year (Cannon et al. 2006, DeCicca 2007, Lee et al. 2006, Votruba-Drzal et al. 2008). These full-day kindergarten advantages failed to persist, however, over the first-grade year. In one study, marginally significant differences were found in the spring of first grade (Cannon et al. 2006). DeCicca (2007) found significant differences in mathematics and reading in the fall of first grade, but only for white children, which faded but continued to be significant in spring literacy performance. No significant differences were found between full- and half-day kindergarten students in the ECLS-K in third grade (Cannon et al. 2006, Votruba-Drzal et al. 2008) or fifth grade (Votruba-Drzal et al. 2008).

Additional smaller-scale evaluations have supported the ECLS-K findings of short-term outcomes in the kindergarten year, but no significant long-term effects (Zvoch, Reynolds & Parker 2008, Hall-Kenyon, Bingham & Korth 2009). In general, findings on the impact of full-day kindergarten relative to half-day kindergarten suggest some positive associations, particularly in the early schooling years. Results related to the impact of full-day kindergarten over time, or the persistence of these positive findings, are more mixed. Recent experimental and quasi-experimental evidence on the impact of full-day kindergarten for participating children finds positive effects, but does not speak to longer-term effects nor the implications of greater provision of full-day kindergarten for schools and districts (Gibbs 2012). From the perspective of policymakers, the effects on overall academic achievement in schools and

districts offering full-day kindergarten may be of greatest interest. The intention-to-treat effect may better capture—as opposed to participant-level treatment on the treated effects—the return on a school or district’s investment in full-day kindergarten provision.”

In her own 2014 study, “Experimental evidence on early Intervention: The Impact of Full-day Kindergarten,” Dr. Gibbs noted: “Assignment to full-day kindergarten results in a sizable, statistically significant positive effect (0.31 s.d.) on end-of-kindergarten literacy skills.” She also found that the strongest positive effects were identified in low-income and Hispanic students.

Exploration of subgroup effects suggest that disadvantaged students benefit greatly from full-day kindergarten, as measured by end-of-year literacy skills. Specifically, students assigned to full day who are eligible for free or reduced-price lunch perform better than poor students assigned to half-day settings. More pronouncedly, nonwhite, Hispanic students assigned to full day make sizable gains relative to their half-day kindergarten counterparts at the end of the kindergarten year. The variation in impact estimates by student characteristics suggests that full-day kindergarten reduces end-of-kindergarten achievement gaps, particularly between Hispanic and non-Hispanic students.

FULL-DAY KINDERGARTEN IN ARIZONA

Prior to FY 2007, the basic state aid formula funded kindergarteners on a half-day basis. Between FY 2007 through FY 2010, however, a kindergarten group B funding weight established by Laws 2006, Chapter 353 provided add-on monies to fund kindergartners on a full-time basis. The FY 2011 budget eliminated the kindergarten group B weight, returning the state to half-day only funding for kindergarten. Monies generated by the kindergarten group B weight for FY 2007 through FY 2010 were not restricted for a specific purpose, but generally were used by schools to fund voluntary full-day kindergarten pursuant to A.R.S. § 15-901.02.

In his budget recommendation for FY 2018, Gov. Ducey recommended state funding to support full-day kindergarten for low-income students. The proposal provided \$10 million in FY 2018 and \$20 million per year after that to fund literacy strategies in schools where more than 90 percent of students qualify for free or reduced-price lunch. Ultimately, the Legislature funded \$8 million in FY 2018 and \$12 million per year after that to fund the program.

The Joint Legislative Budget Committee estimates the cost of state funding for full-day kindergarten at \$240 million.⁴⁷

ADDITIONAL RESOURCES:

Experimental Evidence on Early Intervention: The Impact of Full-day Kindergarten (Gibbs, 2014)

Presentation to the Arizona Tax Research Association: Revenue and Budget Update
(Joint Legislative Budget Committee, 2016)

State of Arizona Executive Budget Summary Fiscal Year 2018 (Ducey, 2017)

A Matter of Time? Impact of Statewide Full-day Kindergarten Expansions on Later Academic Skills and Maternal Employment (Gibbs, n.d.)

Full-day kindergarten in Arizona? What you need to know (Cano, 2016)

PRESCHOOL

Approximately 38 percent of Arizona’s 3-to-4 year olds attend preschool. This is below the national average of 48 percent.⁴⁸ Arizona provides funding for preschool through two programs discussed below:

PRESCHOOL DISABLED

School districts and charter schools may enroll and receive funding for disabled preschool students over age 3. In FY 2016, just over 19,000 students enrolled as preschool disabled. In FY 2016, Arizona provided \$36.7 million for these students.

FIRST THINGS FIRST

On Nov. 7, 2006, Arizona voters established First Things First (FTF), a public agency focused on providing early childhood development, health and education programs. To fund the new agency, voters established an 80-cent-per-pack tobacco tax. In FY 2016, FTF provided preschool scholarships for 9,250 children. In FY 2016, FTF spent \$59.7 million on quality child care and preschool programs.⁴⁹

FTF also manages the Quality First program, which rates preschool and daycare providers. Some 51,000 children attended programs rated through the Quality First program.

ARIZONA TOWN HALL

The benefits of early childhood education programs were explored in the Arizona Town Hall report “Strong Start – Early Education in Arizona.” The report recommends a number of items related to early childhood education including the state provide funding for:

- **All-day kindergarten;**
- **Early intervention programs;**
- **Home visiting;**
- **Preventative health education;**
- **Expanded access to high-quality early care and education programs for children ages 0 to 5;**
- **Childcare subsidies;**
- **Kindergarten Plus or other extended-day and school-break programs for young children;**
- **Improving the transition from pre-K and Head Start programs to kindergarten;**
- **Early childhood block grants, which include preschool funding and reducing class sizes for first through third grade;**
- **Professional development, particularly continuing education for professionals who may not be able to attend full-time programs; and**
- **Pay for early childhood educators that represents a livable wage, and reflects respect and appreciation for early childhood professionals.**

The full report can be found on the Arizona Town Hall website.

ADDITIONAL RESOURCES:

103rd Arizona Town Hall: Strong Start – Early Education in Arizona (Northern Arizona University & Arizona K12 Center, 2013)

FY 2016 Annual Report of First Things First (First Things First, 2013)



ACCOUNTABILITY MEASURES FOR SCHOOLS

With a variety of school choice options available to parents and students, a strong accountability system that transparently communicates school performance is critical. In 2000, Arizona voters passed Prop. 301 to increase education funding with a 0.6 percent increase in the state's sales and use tax, effective until 2020. As part of the ballot referendum, Arizona adopted a school-rating system that includes a \$7 million annual allocation to the Arizona Department of Education (ADE) for accountability purposes.

In 2010, Arizona revised its accountability law to use A-F letter grades rather than labels such as “performing” or “underperforming” to identify school performance. A.R.S. 15-241 requires the ADE to compile an annual achievement profile for each public school and school district, and prescribes the school improvement process for schools assigned a letter grade of D or F, requiring the adoption of school improvement plans and the assignment of school solutions teams. A-F letter grades were assigned to schools, districts and charter holders based on performance in 2012, 2013 and 2014. The letter-grade system was put on hold in 2015 through legislation authorizing a moratorium and requiring the board of education to adopt a new system to assign letter grades by the 2017-2018 school year based on spring 2017 results. The board has convened an A-F ad hoc committee tasked with giving advice and policy recommendations to the board on a model for A-F letter-grade calculations.



The board adopted the new system in April of 2017. The new system awards points based on the following outcomes:

CATEGORY	COMPONENT	POINTS PERCENTAGE
PROFICIENCY	AzMERIT ELA AND MATH, AIMS SCIENCE	30%
GROWTH (IMPROVEMENT)	STUDENT GROWTH ON AzMERIT ELA AND MATH	50%
ENGLISH LANGUAGE LEARNERS	PROFICIENCY ON AZELLA	5%
	GROWTH ON AZELLA	5%
ACCELERATION READINESS	SCHOOLS CAN SCORE POINTS IN THIS CATEGORY FOR:	10%
	<ul style="list-style-type: none"> • INCREASES IN STUDENTS SCORING PROFICIENT OR HIGHER IN GRADES 5,6,7,8 OR HIGH SCHOOL ON AzMERIT MATH • ACHIEVING A PROFICIENCY RATE OF 25 PERCENT OR HIGHER ON AzMERIT MATH • DECREASE GRADE 3 ELA MINIMALLY PROFICIENT STUDENTS • DECREASE CHRONIC ABSENTEEISM • INCLUSION OF STUDENTS WITH HIGH-INCIDENT AND LOW-INCIDENT DISABILITIES • IMPROVED GROWTH OF SUBGROUPS 	

The state uses letter grades as a primary communication to parents on the quality and success of their schools. School districts and charters use the grades to recruit and retain students. Gov. Jan Brewer recommended letter grades be used to provide performance funding.



TRACKING THE DATA

In 2011, the Legislature authorized development of the Education Learning and Accountability System (ELAS) to “collect, compile, maintain and report student-level data for students attending public educational institutions that provide instruction to pupils in preschool programs, kindergarten programs, grades one to 12 and post-secondary educational programs in this state.” (A.R.S. § 15-249A)

Funding for this system was a mix of federal, community college, university and general fund dollars. Since FY 2012, the state has provided \$40.4 million for the construction of this longitudinal database. To date, the Arizona Department of Education has yet to complete a functional school accountability or finance system. In February 2017, the department warned state lawmakers that without an additional infusion of \$17.6 million, it would be unable to even distribute state funds in FY 2018.

FEDERAL ACCOUNTABILITY REQUIREMENTS

In 2001, President Bush signed into law the No Child Left Behind Act, the reauthorization of the Elementary and Secondary Education Act (ESEA) requiring national school accountability. Reauthorized under President Obama and now referred to as the Every Student Succeeds Act (ESSA), states are currently working to align their accountability systems with the updated law. Regulations have yet to be finalized, but the ADE has submitted its initial state plan for review as of January 2017. The primary function of the federal accountability requirements is to identify low-performing schools for targeted federal support.

ADDITIONAL RESOURCES:

Consensus Conceptual Design for the A-F School Accountability System (Arizona State Board of Education, 2016)



POM POM

POM POM

ELEANOR'S EYEBROWS

TIM, TED & THE PIRATES

SPECIAL EDUCATION IN ARIZONA

In 1975, Congress passed the Individuals with Disabilities in Education Act (IDEA). The federal law, originally known as the Education for All Handicapped Children Act, has been amended many times over the years, but has maintained its original purposes. The law guarantees the rights of children with special needs to access a free, appropriate education in the least restrictive environment; It also guarantees the rights of their parents to due process.

Prior to the passage of IDEA, there were a montage of laws, regulations and court rulings regarding special education that varied by state. The federal intent of IDEA was twofold - to clarify the rights of students with special needs and the rights of their parents, and to provide consistent guidance and direction to states. As recognition of the need for services and supports, the federal government also began to give states grants for the education of children with disabilities.



There are various federal grants for special education, but the largest grant source is IDEA Part B. In 2014-15, IDEA Part B distributed \$11.4 billion to states, calculating funds through student count formulas. By 2014, the IDEA funding only covered 16 percent of total special education expenses. As a result, the lion's share of the funding responsibility falls to states and localities.

As a recent study⁵⁰ noted, states utilize one of four methods to pay for special education. All four have advantages and disadvantages. The four methods are:

- 1. Per-pupil funding either pupil-weighted or a flat grant;**
- 2. Cost reimbursement state defines eligible costs;**
- 3. Instructional/teacher units funds to support teachers; or**
- 4. Census based on total student population rather than eligibility for special education.**

Arizona uses a per-pupil system generally referred to as the group B weights. As noted earlier, Arizona's school finance system is foundational and provides a statutory base-level amount per pupil. The funding weights correlate with specific disability categories and are multiplied by the base-level amount.



SPECIAL EDUCATION FUNDING IN ARIZONA

- Arizona spends more than \$840 million each year to provide special education services to its students.
- Approximately 25 percent of this funding comes from federal funds. The remainder comes from local, county and state revenues.
- Arizona receives more than \$180 million annually in IDEA funds.

Source: Arizona Students with Disabilities Funding Primer. https://addpc.az.gov/sites/default/files/media/AZ_SWD_Primer_Final%20Deliverable_06302014.pdf

ARIZONA GROUP B WEIGHTS

CATEGORY	GROUP B WEIGHT	ADDITIONAL AMOUNT PER PUPIL
DEVELOPMENTAL DELAYS, EMOTIONAL DISABILITIES, MILD INTELLECTUAL DISABILITIES, SPECIFIC LEARNING DISABILITY, SPEECH/LANGUAGE IMPAIRMENT AND OTHER HEALTH IMPAIRMENTS	0.003	\$10.91
RESOURCE PROGRAMS FOR PUPILS WITH ORTHOPEDIC IMPAIRMENT	3.158	\$11,481.35
PRESCHOOL PROGRAMS FOR PUPILS WITH SEVERE DELAY	3.595	\$13,070.13
MODERATE INTELLECTUAL DISABILITY	4.421	\$16,073.16
HEARING IMPAIRMENT	4.771	\$17,345.64
VISUAL IMPAIRMENTS	4.806	\$17,472.89
EMOTIONAL DISABILITIES ENROLLED IN PRIVATE SPECIAL EDUCATION PROGRAMS	4.822	\$17,531.06
SELF-CONTAINED PROGRAMS FOR PUPILS WITH MULTIPLE DISABILITIES, AUTISM AND SEVERE INTELLECTUAL DISABILITY	5.833	\$21,206.69
RESOURCE PROGRAMS FOR PUPILS WITH MULTIPLE DISABILITIES, AUTISM AND SEVERE INTELLECTUAL DISABILITY	6.024	\$21,901.10
SELF-CONTAINED PROGRAMS FOR PUPILS WITH ORTHOPEDIC IMPAIRMENT	6.773	\$24,624.19
MULTIPLE DISABILITIES WITH SEVERE SENSORY IMPAIRMENT	7.947	\$28,892.43

NOTE: In addition to special education for disabled students, Arizona tracks expenditures for gifted, ELL, remedial, Voc education, and Career Education under the broader category of special education. In FY 2016, for example, Arizona schools spent \$45 million on gifted programs. 84 percent of special education population qualifies under the first category.

During FY 2016, Arizona group B weights produced \$846 million in special education funding for approximately 127,400 special education students.⁵¹

It is important to note that one of the cornerstones of IDEA is the philosophy of the “least restrictive environment.” Least restrictive environment (LRE) is the requirement that students with disabilities receive their education, to the maximum extent appropriate, with non disabled peers and that special education students are not removed from regular classes unless, even with supplemental aids and services, education in regular classes cannot be satisfactorily achieved.⁵² A state may identify the cost differentials for separate and self-contained programs; however, the state should be cautious that no disincentives to a mainstream placement exist.

Since implementation, Arizona’s system was designed to fund the needs of students with specific disabilities in accordance with federal laws, and the program initially provided for periodic special-education cost studies to inform required adjustments to the established weights. However, over time, several difficulties occurred. First, significant increases in the special-education population pressured overall funding. Second, significant fluctuations in the types of disabilities identified exposed the limitations of the original funding categories. Further, even within disability categories, specific children identified with the same disability may need significantly different support needs. Finally, state funding has not kept pace with the cost studies. Ultimately, the study requirement was eliminated during the recent recession and a study has not been completed since 2007. The most recent study found a funding gap of about \$43 million. Gov. Ducey’s Classrooms First Council recently recommended the study be reinstated.⁵³

As shown in the Arizona group B weights table, 84 percent of Arizona students in special education generate only an additional \$10 for their student funding. Whether or not this amount is sufficient, one thing should be obvious: The diversity of students’ disabilities and the assumption that all children identified with a certain disability require equal types of services is a problem. As posed in the report “Financing the Education of High-Need Students” by the Fordham Institute, perhaps it is time to think about funding students based on services and levels of intensity rather than disability diagnoses.⁵⁴

Arizona’s current system of group B weights is easy to administer, but it is based on a system of averages and, arguably, outdated notions of what these disabilities are and how differently they can manifest in children. In his book “The End of Average,” Dr. L. Todd Rose describes how a faulty belief in the idea of an “average” student has led to the design of one-size-fits-all systems. Ironically, while the state funds averages, the whole special education system is predicated on a presumption of individualized programs.

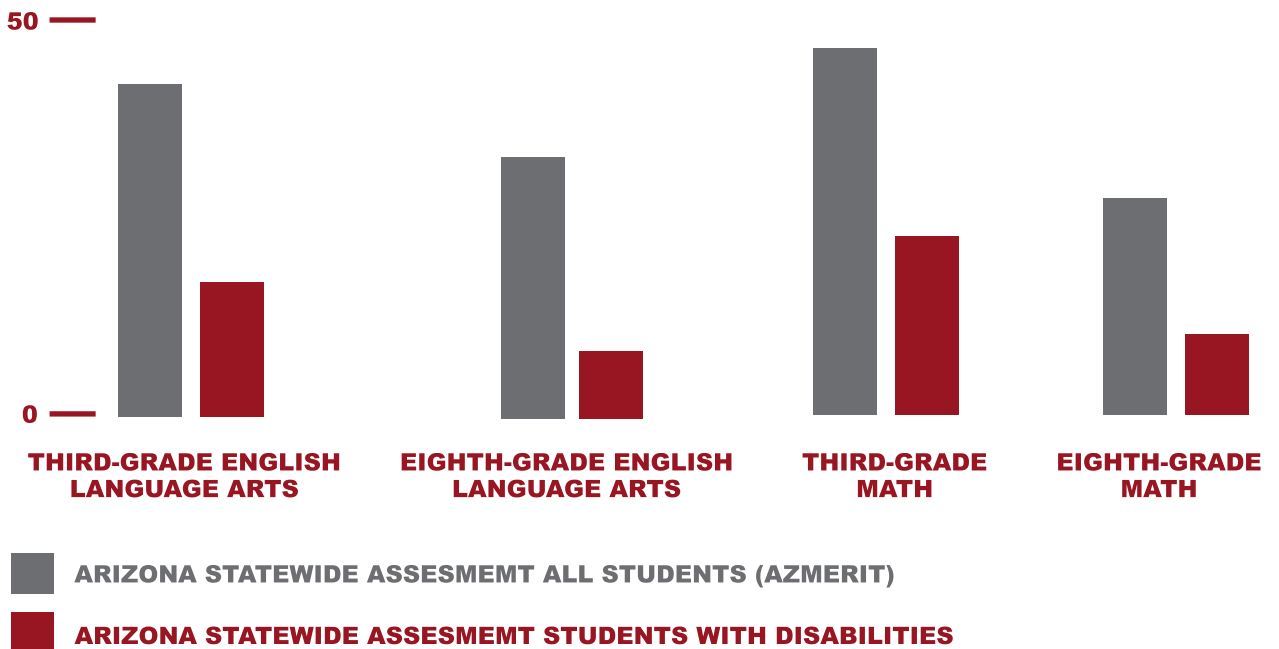
Perhaps the most important shift has been in the perceptions and expectations of children with special needs. This should prompt policymakers to think differently about how much money is needed, as well as how funds are allocated.

ACADEMIC ACHIEVEMENT

IDEA also changed how the nation began to think about academic achievement for students with special needs by requiring participation in state assessments. No Child Left Behind took this a step further by requiring state assessment results to be disaggregated and publicly reported, thus exposing long-overlooked achievement gaps between students with special needs and the general student population.

The data in the charts below clearly demonstrate that despite 40 years of IDEA implementation, significant achievement gaps persist.

PERFORMANCE ON STATEWIDE ASSESSMENTS 2015



"No belief is more damaging in education than the misperception that children with disabilities cannot really succeed and shouldn't be challenged to reach the same high standards as all children."

Arne Duncan, former U.S. Secretary of Education

Source: <http://www.baltimoresun.com/news/opinion/oped/bs-ed-disabled-students-20141007-story.html>

NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS 2014-15

PERCENT PROFICIENT AND ADVANCED

ARIZONA STUDENTS WITH DISABILITIES



NATION STUDENTS WITH DISABILITIES



ARIZONA ALL STUDENTS

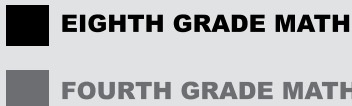


NATION ALL STUDENT PROFICIENT



0

40



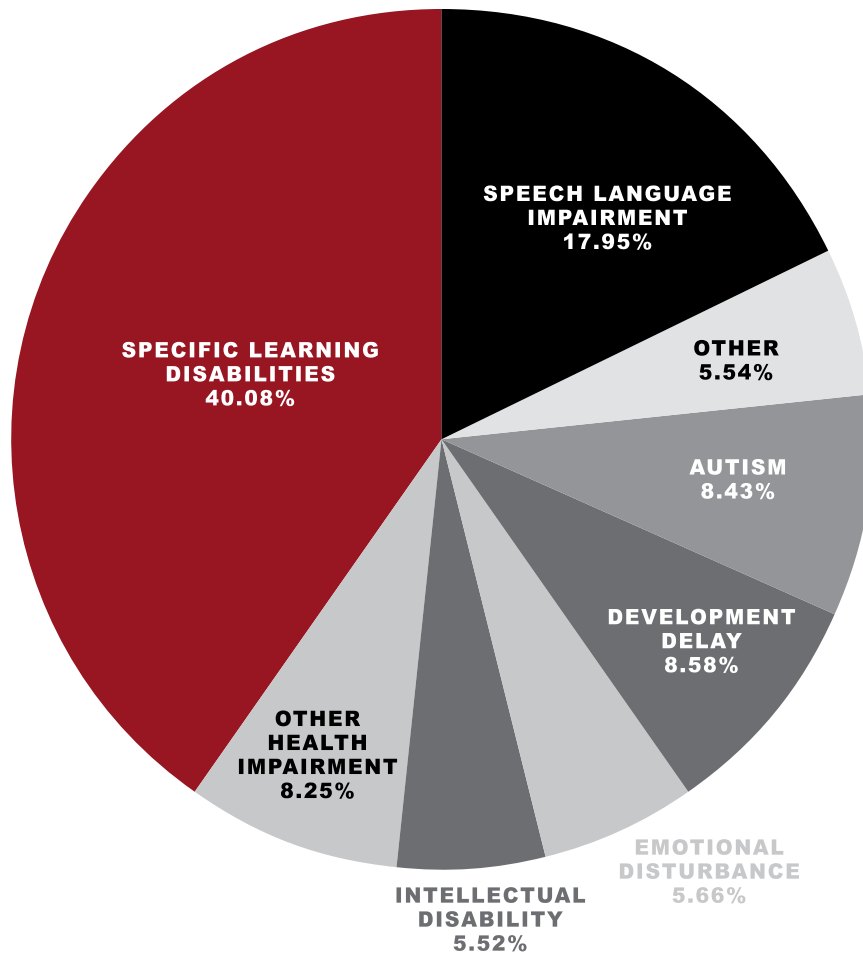
Source: <http://www.azed.gov/research-evaluation/files/2016/06/state-report-card-2015.pdf>

One of the most pervasive and pernicious myths of special education is that the identification of a student with special needs is a recognition of the student's inability to achieve at levels similar to typically developing students. This myth is due, in part, to a misunderstanding of the diverse array of disabilities recognized by IDEA as well as long-held misperceptions about the limitations students may have. The National Center on Education Outcomes notes that approximately 80-85 percent of special education students can meet the same achievement standards as other students if provided the appropriate services and supports required by federal law.⁵⁵ In other words, the vast majority of special education students have no cognitive impairments that would prevent them from reaching the same learning achievement levels as other students.

The majority of students with disabilities in Arizona come from only two categories and are generally considered of high incidence with relatively mild disabilities such as specific learning disorders and speech-language impairments. As demonstrated above, these students only generate an additional \$10 per student. Unfortunately, their achievement gap is reflective of neither their achievement potential nor their relatively minor funding support.



PERCENTAGE OF ARIZONA CHILDREN IN SPECIAL EDUCATION BY CATEGORY (OCTOBER 2015)



Source: <http://www.azed.gov/special-education/files/2016/05/100115countbydisability.pdf>
<https://nces.ed.gov/fastfacts/display.asp?id=64>

The original intent of Arizona's group B weight system was to recognize the needs of special education students. However, almost 40 years later, the understanding and knowledge of these students' needs and capabilities have dramatically changed. New definitions of success have also evolved and are incorporated into federal and state accountability systems. Unfortunately, there appears to be a disconnect between the Arizona funding system based on averages and achievement goals based on individual achievement. Perhaps providing the services and support students need to obtain these goals should be the premise on which special education finance conversations are based.

ADDITIONAL RESOURCES:

Arizona Students with Disabilities Funding Primer (Arizona Developmental Disabilities Planning Council, 2014)

PERFORMANCE FUNDING

Currently, government budgets are almost exclusively designed to pay for inputs rather than achieving outcomes. Several states, including Florida, Arizona, Michigan, Pennsylvania, Wisconsin and Oregon have recently explored flipping the traditional K-12 funding model to reward performance outcomes. Additionally, the federal government included provisions in the recently enacted Every Student Succeeds Act (ESSA), the reauthorization of the 1965 Elementary and Secondary Education Act, for two “pay-for-success” opportunities. These authorizations implement a particular type of performance-based funding called social impact bonds. Further, ESSA requires every state to prepare and disseminate report cards that provide information on state, school district and school performance and progress in an understandable and uniform format.

ARIZONA

Over the past several years, a number of proposals surfaced tying educational outcomes to performance. Both Gov. Jan Brewer and Gov. Ducey successfully implemented some level of performance funding. Gov. Brewer originally proposed performance funding in the 2014 budget, tying a small, but growing portion of the equalization formula to the A-F letter grades. For FY 2015, the Legislature passed a slightly different Brewer proposal, Student Success Funding, which provided bonus funding for student achievement on standardized test scores and for high-school graduation. The Legislature repealed the program after one year. For the FY 2017 budget, Gov. Ducey proposed and the Legislature adopted a system of teacher rewards for students who pass college preparation programs such as Advanced Placement and the Cambridge Program. The Legislature provided \$6 million for a pilot program that is scheduled to begin in the FY 2018 school year.

In 2017 session, the Legislature established the Results-Based Funding Fund (SB1530) and appropriated \$37.6 million to the fund. Schools with less than 60 percent of students qualifying for free or reduced-price lunch will receive \$225 per pupil from the fund if the schools AzMerit test scores are within the top 10 percent of all schools in the state. Schools with 60 percent or more of their students qualifying for free or reduced-price lunch receive \$400 per student if their scores are in the top 10 percent. Monies received from the fund must be used to enhance, expand or replicate the school site that received the results-based funding.

FLORIDA

In FY 2016, an amount of \$134,582,877 was appropriated for school recognition funds and district-discretionary lottery funds for the 2015-16 fiscal year. The first priority in the use of the funds is the Florida School Recognition Program, which is authorized by section 1008.36, F.S. The Florida School Recognition Program provides monetary awards to schools that earn an A-grade, improve at least one performance grade from the previous year or sustain the previous year’s improvement of more than one letter grade. The Florida Legislature provided for awards of up to \$100 per student for the 2015-16 school year, which are to be used for nonrecurring bonuses to the faculty and staff, nonrecurring expenditures for educational equipment or materials, or for temporary personnel

to assist the school in maintaining or improving student performance. The school's staff and school advisory council (SAC) must decide to spend these funds for one or any combination of these three purposes. If the school's staff and SAC cannot reach agreement by February 1, the awards must be equally distributed to all classroom teachers teaching in the school at that time.

MICHIGAN

Since 2012, Michigan has provided performance-based funding as an extra incentive for elementary and secondary schools. Using a student academic performance change metric, a school district can earn up to \$30 per pupil for both mathematics and reading in elementary and middle school and \$40 per pupil for all tested subjects in high school.

PENNSYLVANIA

Pennsylvania introduced a performance-funding model designed at the district level. Pittsburgh Public Schools (PPS) introduced performance bonuses in FY 2011 that include a variety of awards for teachers and staff. An example of one program is the Promise-Readiness Corps Cohort Award.

The Promise-Readiness Corps (PRC) is focused on ensuring that each ninth and 10th grade student enters the 11th grade Promise-Ready. PRC cohorts are empowered to work together to ensure that their group of students masters academic content, explores dreams and ambitions, and develops behaviors and habits that prepare them for postsecondary success.

To recognize the impact of these teams and their contributions toward student learning, PPS created the PRC Cohort Award. The award - of up to \$20,000 - is based on better-than-expected results in student academic achievement, attendance and course credits earned. For the first time last year, approximately \$240,000 was distributed to eight teams receiving the PRC Cohort Award for their impact on student achievement.



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APPENDIX A



EDUCATION AND THE ARIZONA CONSTITUTION*

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EDUCATION AND THE ARIZONA CONSTITUTION

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I. Introduction

The drafters of the Arizona Constitution “believed that an educated citizenry was extraordinarily important to the new state.”¹ The constitution established a comprehensive framework for the establishment and maintenance of a public school system in Arizona. This article will provide an overview of the relevant constitutional provisions. It will also address three issues that have received significant attention from the courts: the requirement that the public school system be general and uniform; the requirement that instruction be as nearly free as possible; and the limitations on the State’s ability to assist religious and other private schools.

II. The Enabling Act

The provisions regarding education in the Arizona Constitution need to be considered in light of the Arizona-New Mexico Enabling Act (“Enabling *100 Act”), enacted in 1910, in which the United States Congress set terms for the admission of Arizona and New Mexico to the Union.² The Enabling Act constitutes part of the fundamental law of Arizona.³ Neither the Arizona Constitution nor any statutes may be in conflict with it.⁴

The drafters of the Enabling Act demonstrated a significant concern for education. The Act granted 10,790,000 acres of land to the State of Arizona to be held in trust for designated public uses.⁵ Of that total, approximately 9,180,000 acres were earmarked for purposes related to education, with 8,000,000 acres designated for the support of common schools.⁶ Congress expected that the lands would be sold and leased, with the proceeds to be used for the benefit of the beneficiaries of the trust.⁷ The Enabling Act provided detailed instructions for the disposal of such lands.⁸

The Enabling Act also imposed some specific requirements on the State regarding education. It directed that in Arizona’s

Constitution, “provisions shall be made for the establishment and maintenance of a system of public schools which shall be open to all the children of said State and free from sectarian control; and that said schools shall always be conducted in English.”⁹ That requirement could not be changed without the consent of the United States.¹⁰ The Enabling Act further directed that

the schools, colleges, and universities provided for in this Act shall forever remain under the exclusive control of the said State, and no part of the proceeds arising from the sale or disposal of any lands granted herein for educational purposes shall be used for the support of any sectarian or denominational school, college, or university.¹¹

The courts have so far had no occasion to apply these provisions in any reported decision.

***101 III. Article XI of The Arizona Constitution**

An entire article of the Arizona Constitution, Article XI, is devoted to education.¹² In part, Article XI implemented the commands of the Enabling Act.¹³ [Section 1 of Article XI](#) requires the establishment of a public school system.¹⁴ It also specifies the kinds of schools that must be part of the system.¹⁵ [Sections 2 through 5 of Article XI](#) describe how the public school system is to be governed and supervised.¹⁶

[Section 6 of Article XI](#) provides that state educational institutions are to “be open to students of both sexes.”¹⁷ It also provides that instruction is to be “as nearly free as possible,” as discussed in detail hereafter.¹⁸

[Section 7 of Article XI](#) prohibits “sectarian instruction” in any state educational institution.¹⁹ This section also prohibits religious or political tests as a condition of attending or teaching at a state educational institution.²⁰

[Sections 8 through 10 of Article XI](#) concern funding for education.²¹ [Sections 8 and 10](#) provide that income from the trust lands granted to Arizona by the Enabling Act is to be used to support the public school system.²² [Section 10](#) also states:

In addition to such income the Legislature shall make such appropriations, to be met by taxation, as shall insure the proper maintenance of all State educational institutions, and shall make such special appropriations as shall provide for their development and improvement.²³

This language has not received significant attention from the courts. Whether appropriations are sufficient to ensure the proper maintenance of educational institutions could be viewed by the courts as a political question that they will not address. Similarly, the instruction that the legislature ***102** develop and improve the State’s educational institutions may be found to provide no standard that the courts can enforce. Regardless of the enforceability of these provisions by the courts, however, these provisions constitute part of the Arizona Constitution that legislators take an oath to uphold. These provisions also evince the high priority attached to public education by the drafters of that constitution.

IV. The “General and Uniform” Clause

In 1973, in the case of *San Antonio v. Rodriguez*, the United States Supreme Court rejected the notion that inequitable or inadequate school finance systems across the United States implicated any rights under the United States Constitution.²⁴ The Court held that wealth was not a suspect classification under the Constitution.²⁵ The Court also held that alleged inequities in a state’s school finance system were not subject to strict scrutiny analysis under the Equal Protection Clause.²⁶ In addition, the Court held that education was not a fundamental right under the Constitution.²⁷ *San Antonio v. Rodriguez* effectively closed the doors of federal courts to school finance litigation premised on the Constitution.

As a result, plaintiffs turned to their state constitutions for relief. Almost every state’s constitution contains requirements regarding the establishment of a public school system.²⁸ A few state constitutions contain permissive provisions, while only one state’s constitution contains no provisions whatsoever addressing education.²⁹

As discussed above, the Arizona Constitution contains a number of requirements relating to the establishment of the state’s public school system. [Article XI, Section 1 of the Arizona Constitution](#) provides that “[t]he Legislature shall enact such laws

as shall provide for the establishment and maintenance of a general and uniform public school system”³⁰ This provision has remained unchanged since statehood. It was not until 1973, however, that the Arizona Supreme Court first considered the meaning of this provision.³¹ In *Shofstall v. Hollins*, the court *103 was confronted with a challenge from students and taxpayers in the Roosevelt School District.³² The plaintiffs claimed that “the system of financing public schools in Arizona [was] discriminatory because of the disparity of wealth among school districts.”³³ They contended that the disparity resulted in unequal education for students and an unequal burden on taxpayers in poorer school districts.³⁴ The plaintiffs further alleged that the school finance system violated the Equal Protection Clauses of the Arizona and United States Constitutions.³⁵

The court rejected the federal Equal Protection claim based upon *San Antonio v. Rodriguez*, which had been decided by the United States Supreme Court earlier that year.³⁶ In rejecting the Equal Protection claim under the Arizona Constitution, the *Shofstall* court had occasion to consider the “general and uniform” clause.³⁷ According to the court, the Arizona Constitution requires that there be “a general and uniform public school system” and “a system of schools by which a free school shall be established.”³⁸ The *Shofstall* court held that the school laws provided for a system that was “statewide and uniform” because the minimum length of the school year was provided in the constitution and the legislature had provided a means of establishing required courses, teacher qualifications, textbooks, and qualifications for non-teaching personnel.³⁹

After analyzing the Equal Protection claim, the court held that the Arizona Constitution “does establish education as a fundamental right of pupils between the age of six and twenty-one years.”⁴⁰ The “fundamental right” contained in the constitution “assures to every child a basic education.”⁴¹ According to the *Shofstall* court, so long as that “basic education” is provided, a school financing system that meets the educational mandates of the constitution (“uniform, free, available to all persons aged six to twenty-one, and open a minimum of six months per year”) only needs to be “rational, reasonable, and neither discriminatory nor capricious.”⁴²

*104 Twenty-one years later, the courts revisited the issues first addressed in *Shofstall*.⁴³ The plaintiffs in *Roosevelt v. Bishop* made claims nearly identical to those asserted in *Shofstall*.⁴⁴ The evidence provided by the plaintiffs showed that the quantity and quality of school buildings, facilities, and equipment varied enormously from one school district to another based upon the value of real property within the school district.⁴⁵ Though the trial court found that there were “gross disparities” that were a direct result of the school finance system, it held that *Shofstall* precluded a challenge on those grounds.⁴⁶

The Arizona Supreme Court reversed.⁴⁷ A plurality of the court determined that a statutory financing scheme for public education that itself causes gross disparities in school facilities violates the “general and uniform” requirement of [Article XI, Section 1 of the Arizona Constitution](#).⁴⁸ There was no consensus among the plurality to decide the case on Equal Protection grounds.⁴⁹ Nevertheless, the court determined that *Shofstall* was not dispositive.⁵⁰ The court did not understand how the rational-basis test could be used if a fundamental right was implicated in a case.⁵¹ The court observed that “[i]f education is a fundamental right, the compelling state interest test (strict scrutiny) ought to apply.”⁵² The court concluded the Equal Protection discussion by saying that it did not need to resolve the conundrum because, in the court’s view, the general and uniform clause in the Arizona Constitution sufficed to resolve the issues in the case.⁵³

Two of the three justices in the plurality determined that the “general and uniform” requirement means at least two things.⁵⁴ First, “funding mechanisms that provide sufficient funds to educate children on substantially equal terms tend to satisfy the general and uniform requirement.”⁵⁵ School financing schemes that cause gross disparities are not general and uniform.⁵⁶ Second, “as long as the statewide system *105 provides an adequate education and is not itself the cause of substantial disparities, local political subdivisions [like school districts] can go above and beyond the statewide system.”⁵⁷ There is nothing to “prohibit a school district or a county from deciding for itself that it wants an educational system that is even better than the general and uniform system created by the state.”⁵⁸

Those two justices also determined that there are two components to a general and uniform system.⁵⁹ One is a substantive education requirement and the other is a uniformity requirement.⁶⁰ As a result, they determined that “[e]ven if every student in every district were getting an adequate education, gross facility disparities caused by the state’s chosen financing scheme would violate the uniformity clause.”⁶¹

It was on this point that the third justice in the plurality disagreed.⁶² In his view, the constitution does not require that the state provide sufficient funds to educate children on substantially equal terms.⁶³ Instead, the general and uniform clause was intended not to guarantee equal education, but only an equal opportunity for each child to obtain the basic, minimum education that the

state prescribes for its public school students.⁶⁴ It was this view that would inform the court's later decisions.

The Arizona State Legislature's subsequent efforts to comply with the Roosevelt decision presented the Arizona Supreme Court with two more opportunities to clarify the meaning of the "general and uniform" clause. Together, the three decisions established a two-prong test for assessing whether a school financing scheme meets the state constitutional requirements. First, "the state must establish minimum adequate facility standards and provide funding to ensure that no district falls below them."⁶⁵ Second, "the funding mechanism chosen by the state must not itself cause substantial disparities between [school] districts."⁶⁶ Importantly, the court held that "in addition to providing a minimum quality and quantity standard for buildings, a constitutionally adequate system will make available to all *106 districts financing sufficient to provide facilities and equipment necessary and appropriate to enable students to master the educational goals set by the Legislature."⁶⁷

Subsequently, the Arizona Court of Appeals rejected a challenge to the legislature's failure to provide full funding for the building renewal formula.⁶⁸ That formula was designed to provide school districts with sufficient funds to maintain and renovate school facilities related to academic achievement.⁶⁹ The court of appeals held that because the plaintiffs challenged the lack of funding for administrative facilities, they had failed to demonstrate that school districts had currently unmet needs related to academic achievement.⁷⁰ The court of appeals noted, however, that "the legislature's decision to repeatedly not fully fund the [building renewal formula] to meet the capital needs of public schools well may result in large future expenditures, possibly greater than what the formula requires, to allow students to achieve academic success."⁷¹ The court of appeals determined that was a matter for the legislature to determine, and not the courts.⁷²

V. "As Nearly Free As Possible"

The Arizona Constitution provides that "State educational institutions shall be open to the students of both sexes, and the instruction furnished shall be as nearly free as possible."⁷³ Few Arizona courts have addressed the requirement that instruction be "as nearly free as possible." The most recent decision by the Arizona Supreme Court appears to take such issues away from the courts and leave them entirely in the hands of the legislature.⁷⁴

The first discussion of the "as nearly free as possible" clause came in *Board of Regents of University of Arizona v. Sullivan*.⁷⁵ The Arizona Attorney General had refused to approve and certify the issuance of bonds to the University of Arizona.⁷⁶ One reason cited by the Attorney General for his refusal was that the issuance of the bonds would violate the *107 requirement that instruction be as nearly free as possible.⁷⁷ The Attorney General asserted that the clause required that school instruction should be entirely free.⁷⁸ He argued that a schedule of fees that had been adopted by the University of Arizona violated the constitutional provision.⁷⁹ The Sullivan court rejected the Attorney General's view, holding that "the language of the [c]onstitution refutes this contention. There is no suggestion that the fees, rentals, etc., are excessive or other than reasonable, or are not as nearly free as possible."⁸⁰

Thirty years later, in *Arizona Board of Regents v. Harper*, students at Arizona State University challenged the residency requirements for in-state tuition as, among other things, violating the "as nearly free as possible" clause.⁸¹ The Harper court, citing Sullivan, held that the provision did not require that a college education be entirely free, and observed that the students had not challenged whether the fees or other charges were "excessive, or other than reasonable, or are not as nearly free as possible."⁸²

In *Carpio v. Tucson High School District No. 1 of Pima County*, the parent of a minor child claimed that a school district's failure to provide free textbooks to indigent children violated the Arizona Constitution.⁸³ On appeal from summary judgment in favor of the school district, the Arizona Supreme Court held that the Arizona Constitution did not require that textbooks be furnished to high school students for free. It stated that "proper construction of the Arizona Constitution compels the conclusion that the word 'free' was intended to include free instruction and textbooks, and that the words 'as nearly free as possible' do not require that either be provided without charge"⁸⁴

Most recently, in *Kromko v. Arizona Board of Regents*, the Arizona Supreme Court held that interpretation of the "as nearly as free as possible" clause was a political question not appropriate for resolution by the courts.⁸⁵ In *Kromko*, students at Arizona State University challenged an increase in tuition at the university as violating various sections of the Arizona Constitution, including the "as nearly free as possible" clause.⁸⁶ The *108 superior court dismissed the action.⁸⁷ The Arizona Court of Appeals reversed in part, holding "that the students' complaint stated a claim upon which relief could be granted."⁸⁸ The Arizona

Supreme Court vacated the decision of the Arizona Court of Appeals, holding that the issue presented a political question not suitable for judicial resolution.⁸⁹ The Kromko court focused on “the second critical prong of the political question test: whether there exist judicially discoverable and manageable standards for determining when tuition is constitutionally excessive.”⁹⁰ Once again following Sullivan, the Kromko court noted that “as nearly free as possible” does not entitle students to an “entirely free” college education, and that neither case law nor statutes provided a standard by which to measure whether tuition was so high as to be in violation of the “as nearly free as possible” clause.⁹¹ The court concluded:

We can conceive of no judicially discoverable and manageable standards—and the students have suggested none—by which we could decide such issues, either individually or in the aggregate. Even assuming, as the students contend, that [Article XI, Section 6](#), requires that tuition be “reasonable” and not “excessive,” there is no North Star to guide a court in making such a determination; at best, we would be substituting our subjective judgment of what is reasonable under all the circumstances for that of the Board and Legislature, the very branches of government to which our Constitution entrusts this decision. The issue of whether tuition is as nearly free as possible is thus a nonjusticiable political question.⁹²

VI. Aid to Private and Religious Schools

In recent years, state courts have given increasing attention to state constitutions when addressing the protection of individual rights.⁹³ This *109 trend has been prompted in part by the fact that the United States Supreme Court has been taking a less expansive view of individual rights.⁹⁴

Two provisions of the Arizona Constitution, in particular, address the relationship between the state and religion, including religious schools. Article II, Section 12, also called the “Religion Clause,” provides that “[n]o public money or property shall be appropriated for or applied to any religious worship, exercise, or instruction, or to the support of any religious establishment.”⁹⁵ [Article IX, Section 10](#), also called the “Aid Clause,” states that “[n]o tax shall be laid or appropriation of public money made in aid of any church, or private or sectarian school, or any public service corporation.”⁹⁶

Until 2009, only three cases of any significance had been decided under these appropriations clauses. In *Pratt v. Arizona Board of Regents*, the court held that the Religion Clause did not prohibit renting Sun Devil Stadium to evangelist Billy Graham for a fair fee.⁹⁷ The court observed that the occasional use of public facilities for worship services, after hours, had been common when the Arizona Constitution was adopted.⁹⁸ As long as a fair rental was paid and the use was only occasional, said the court, the practice was not the sort that the Arizona Constitution had intended to prohibit.⁹⁹

Community Council v. Jordan concerned state reimbursement to the Salvation Army “for the supplying of food, lodging, clothing, cash assistance, transportation, laundry and cleaning” to welfare recipients.¹⁰⁰ No religious conditions were attached to the aid.¹⁰¹ The court held that where a religious organization was used as a mere conduit for state aid to the poor, with no religious strings attached to that aid, the appropriation clauses were not violated.¹⁰²

In *Kotterman v. Killian*, the state had enacted a law that allowed taxpayers to take a tax credit for donations to school tuition organizations.¹⁰³ The organizations provided aid to students who attended religious and other *110 private schools.¹⁰⁴ The validity of the statute was challenged on various grounds, including the Aid and Religion Clauses.¹⁰⁵ A divided court in *Kotterman* held, over a lengthy and vehement dissent, that tax credits did not constitute public money.¹⁰⁶ Since the Aid and Religion Clauses by their terms only apply to uses of public money, *Kotterman* held that the tax credits at issue did not violate either clause.¹⁰⁷

In *Pratt*, *Jordan*, and *Kotterman*, the Aid and Religion Clauses were considered together, for the most part, with no significant discussion of their differences. It does not appear that the differences in the two clauses would have been material in any of those cases. None of the three cases found a violation of either clause. The three cases, therefore, provided some guidance as to what the two clauses did not mean, but they provided little guidance as to what the clauses did mean.

Some of these uncertainties were resolved in 2009 in the court’s decision in *Cain v. Horne*.¹⁰⁸ *Cain* involved two school-voucher statutes that had been enacted in 2006.¹⁰⁹ The statutes appropriated public money to allow disabled students and foster children to attend private or religious schools.¹¹⁰ Parents of qualifying students could apply for a “scholarship” from the State.¹¹¹ The State would issue a warrant to the parents that had to be restrictively endorsed to a private or religious school.¹¹² Private and religious schools were not required to change any practices in order to accept the warrants.¹¹³

The plaintiffs in Cain relied primarily on the Aid and Religion Clauses.¹¹⁴ The trial court dismissed their complaint.¹¹⁵ The Arizona Court of Appeals reversed, holding that the voucher statutes violated the Aid Clause but not the Religion Clause.¹¹⁶ The Arizona Court of Appeals viewed itself as constrained by Kotterman and Jordan to treat the Religion *111 Clause as virtually indistinguishable from the federal Establishment Clause.¹¹⁷

The Arizona Supreme Court also concluded that the voucher statutes violated the Aid Clause.¹¹⁸ Although Kotterman in particular had engendered some uncertainty as to whether Arizona’s clauses would be construed independently of each other and of the Establishment Clause, the Cain court held that they should be so construed.¹¹⁹ The court observed that, unlike the Federal Constitution, the Arizona Constitution dealt extensively with education and “the framers plainly intended that Arizona have a strong public school system to provide mandatory education.”¹²⁰ The court observed that the Aid Clause furthered that purpose by prohibiting diversions of funds to private and religious schools.¹²¹ The voucher statutes, in the court’s view, did precisely what the Aid Clause prohibited.¹²²

The Cain court found it unnecessary to decide whether the voucher statutes violated the Religion Clause.¹²³ The Cain court then vacated the Arizona Court of Appeals’ opinion.¹²⁴ The portion of the Court of Appeals’ opinion holding that the Religion Clause was essentially indistinguishable from the Establishment Clause is, therefore, of no precedential value.¹²⁵ The Arizona Supreme Court’s reasoning in Cain suggests that the Religion Clause should not be assumed to be coextensive with the federal Establishment Clause.¹²⁶

VII. Conclusion

Education is primarily a concern of state rather than federal law. That fact is evidenced by the extensive provisions concerning education in the Arizona Constitution. In Arizona’s first century of statehood, those *112 provisions have received only a modest amount of attention from the courts. It seems likely that those provisions will receive increased attention from the courts in the coming years.

Footnotes

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¹ [Roosevelt Elementary Sch. Dist. No. 66 v. Bishop](#), 877 P.2d 806, 812 (Ariz. 1994).

² Act of June 20, 1910, ch. 310, 36 Stat. 557, 568-79.

³ [Gladden Farms, Inc. v. State](#), 633 P.2d 325, 327 (Ariz. 1981).

⁴ Id.

⁵ [Lassen v. Arizona](#), 385 U.S. 458, 460 (1967) (summarizing terms of the Enabling Act).

⁶ Id. at n.2.

⁷ Id. at 463.

⁸ Act of June 20, 1910, ch. 310, 36 Stat. 557, 574-75.

⁹ Id. at 559.

¹⁰ Id. at 571.

¹¹ Id. at 573-74.

¹² ARIZ. CONST. art. XI.

¹³ [Roosevelt Elementary Sch. Dist. No. 66 v. Bishop](#), 877 P.2d 806, 812 (Ariz. 1994). One of the authors of this article was an attorney for the plaintiffs in the Roosevelt case.

¹⁴ [ARIZ. CONST. art. XI, § 1](#).

¹⁵ [Id. § 1\(A\)](#).

¹⁶ [Id. §§ 2-5](#).

¹⁷ [Id. § 6](#).

¹⁸ [Id.](#)

¹⁹ [Id. § 7](#).

²⁰ [Id.](#)

²¹ [Id. §§ 8-10](#).

²² [Id.](#)

²³ [Id. § 10, cl. 2](#).

²⁴ [San Antonio Indep. Sch. Dist. v. Rodriguez](#), 411 U.S. 1 (1973).

²⁵ [Id. at 28](#).

²⁶ [Id.](#)

²⁷ [Id. at 19-20](#).

²⁸ Regina R. Umpstead, [Determining Adequacy: How Courts are Redefining State Responsibility for Educational Finance, Goals, and Accountability](#), 2007 BYU EDUC. & L.J. 281, 289 n.20.

29 Id.

30 [ARIZ. CONST. art. XI, § 1.](#)

31 [Shofstall v. Hollins, 515 P.2d 590 \(Ariz. 1973\).](#)

32 Id.

33 Id. at 591.

34 Id.

35 Id.

36 Id. at 592-93.

37 Id. at 591-92.

38 Id. at 592 (internal quotations omitted).

39 Id.

40 Id.

41 Id.

42 Id.

43 [Roosevelt Elementary Sch. Dist. No. 66 v. Bishop, 877 P.2d 806 \(Ariz. 1994\).](#)

44 Id.

45 Id. at 808-09.

46 Id. at 808.

47 Id.

48 Id. at 815-16.

49 Id. at 811.

50 Id.

51 Id.

52 Id.

53 Id.

54 Id. at 814-15.

55 Id.

56 Id.

57 Id.

58 Id. at 815.

59 Id.

60 Id.

61 Id. at 815 n.7.

62 Id. at 819 (Feldman, C.J., specially concurring).

63 Id.

64 Id.

65 [Hull v. Albrecht](#), 960 P.2d 634, 637 (Ariz. 1998) (en banc); [Hull v. Albrecht](#), 950 P.2d 1141, 1145 (Ariz. 1997) (en banc).

66 [950 P.2d at 1145](#); [960 P.2d at 637](#).

67 [950 P.2d at 1145](#); [960 P.2d at 637](#).

68 [Roosevelt Elementary Sch. Dist. No. 66 v. State](#), 74 P.3d 258 (Ariz. Ct. App. 2003).

69 Id. at 260.

70 Id. at 267-68.

71 [Id.](#) at 268.

72 [Id.](#)

73 [ARIZ. CONST. art. XI, § 6.](#)

74 [Kromko v. Ariz. Bd. of Regents, 165 P.3d 168 \(Ariz. 2007\) \(en banc\).](#)

75 [42 P.2d 619 \(Ariz. 1935\).](#)

76 [Id.](#) at 621.

77 [Id.](#)

78 [Id.](#) at 626.

79 [Id.](#)

80 [Id.](#) at 626.

81 [495 P.2d 453 \(Ariz. 1972\).](#)

82 [Id.](#) at 455 (quoting [Bd. of Regents v. Sullivan, 42 P.2d 619, 626 \(Ariz. 1935\)](#)).

83 [524 P.2d 948 \(Ariz. 1974\).](#)

84 [Id.](#) at 949-50.

85 [165 P.3d 168 \(Ariz. 2007\) \(en banc\).](#)

86 [Id.](#) at 169.

87 [Id.](#) at 170.

88 [Id.](#) at 170 (citing [Kromko v. Ariz. Bd. of Regents, 146 P.3d 1016, 1024-25 \(Ariz. Ct. App. 2006\)](#)).

89 [Id.](#) at 172.

90 [Id.](#) at 171.

91 [Id.](#) at 171-72.

⁹² [Id. at 172.](#)

⁹³ See generally Ruth J. McGregor, [Recent Developments in Arizona State Constitutional Law](#), 35 ARIZ. ST. L.J. 265 (2003).

⁹⁴ [Id.](#)

⁹⁵ [ARIZ. CONST. art. II, § 12.](#)

⁹⁶ [ARIZ. CONST. art. XI, § 6.](#)

⁹⁷ [520 P.2d 514 \(Ariz. 1974\) \(en banc\).](#)

⁹⁸ [Id. at 516.](#)

⁹⁹ [Id. at 517.](#)

¹⁰⁰ [432 P.2d 460, 463 \(Ariz. 1967\).](#)

¹⁰¹ [Id.](#)

¹⁰² [Id. at 468.](#)

¹⁰³ [972 P.2d 606 \(Ariz. 1999\).](#)

¹⁰⁴ [Id. at 609-12.](#)

¹⁰⁵ [Id. at 610.](#)

¹⁰⁶ [Id. at 620-21.](#)

¹⁰⁷ [Id.](#)

¹⁰⁸ [202 P.3d 1178 \(Ariz. 2009\).](#) Two of the authors of this article served as counsel for the plaintiffs.

¹⁰⁹ [Id. at 1180.](#)

¹¹⁰ [Id.](#)

¹¹¹ [Id.](#)

¹¹² [Id. at 1180-81.](#)

¹¹³ Id. at 1180.

¹¹⁴ Id. at 1181.

¹¹⁵ Id.

¹¹⁶ Id.

¹¹⁷ Id.

¹¹⁸ Id. at 1185.

¹¹⁹ Id. at 1182-83.

¹²⁰ Id. at 1183.

¹²¹ Id.

¹²² See *id.* at 1184 (rejecting a contention that, because the voucher statutes primarily aided students and parents rather than private and religious schools, the statutes did not violate the Aid Clause; observing that such an application of what is sometimes called the “true beneficiary” doctrine would nullify the Aid Clause, since aid to private and religious schools would always benefit parents and students).

¹²³ Id. at 1185 n.4.

¹²⁴ Id. at 1184.

¹²⁵ See *id.*

¹²⁶ See *id.* at 1182-83.

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