



CHANDLER UNIFIED SCHOOL DISTRICT – SCHOOL FINANCE, CURRENT AND FUTURE EDUCATION REFORM TOPICS

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PRESENTATION OBJECTIVES

- **Understand overarching history and basics of AZ School finance**
- **Understand how our finance system has gone from simplified to complex**
- **Understand where the state typically spends money and the importance of alignment with the district's strategic plan**
- **Legislative issues from a schools perspective**
- **Governor's Education Proposal**
- **Future Issues facing schools**
- **Find ways to support public education and influence community stakeholders**
- **Identify where to find resources to answer questions and become more knowledgeable**

History of Arizona School Finance

Funding of Schools

1900 - 1950

- Very little State assistance
- Very little State control
- Ability to fund educational programs based upon wealth of community

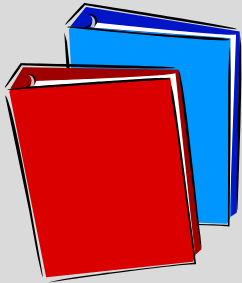
1950 – Today

- Gradual increase in State assistance
- Gradual increase in State control
- Higher level of equity between school districts

History of Arizona School Finance

- **ARIZONA REVISED STATUTE (ARS) - TITLE 15**

- Rules Established by the Arizona Legislature
- Title 15 Refers to Education
- Sections 15-901 to 15-1241 Refer to School Finance



- **UNIFORM SYSTEM OF FINANCIAL RECORD (USFR)**

The legislature has required that the Arizona Department of Education and the State's Auditor General interpret Title 15 and design the State's Uniform System of Financial Records (USFR) which is used in maintaining local school district financial records and preparing reports.

HOW BUDGET AND SPENDING LIMITS ARE SET:



Back in the early 1980's the Arizona Legislature refined its school finance system to provide **equal dollars per pupil** for school operations through a balancing of the local qualifying property tax rate and State of Arizona financial assistance. This concept, commonly referred to as the **"equalization formula,"** allowed public school districts throughout the State of Arizona to experience **similar "effort"** in raising educational dollars for their students irrespective of the value of property within their boundaries.

Today it is responsible to set up spending limits for:

- Maintenance and Operations Fund
- District Additional Assistance - (Unrestricted Capital Outlay Fund)
- Classroom Site Funds

WHERE DOES THE REVENUE COME FROM?

LOCAL TAXES

Property tax on real and personal property within the district provides all, or a portion of, M&O, Capital Outlay and Adjacent Ways.

FEDERAL IMPACT AID

Federal funds paid directly to districts in Federal-impacted areas due to Federal lands in lieu of property tax.

STATE EQUALIZATION

State General Fund revenues used to support P-12 Education.

COUNTY EQUALIZATION

A countywide tax rate (varies each year) applied to offset the State Equalization.

STATE GRANTS

State General Fund appropriations used to support supplemental education programs.

FEDERAL GRANTS

Federal funds passing through the ADE or directly to districts to support supplemental education programs with regulations.

CASH FUNDS

Cash Revenue generated primarily from local sources. (Tax credit, rental of facilities, donations, student activities and auxiliaries)

SIMPLIFIED EXPLANATION OF SCHOOL FINANCE

A. Expenditure Limits

- Take number of students multiplied by State support (\$3729.31 per pupil)
- Add to that the total number of miles students are transported multiplied by the State support (\$2.12 - \$2.59 per mile)
- That total equals what the district can spend, this concept equalizes funding.

SIMPLIFIED EXPLANATION OF SCHOOL FINANCE

B. How does the state pay for the school district budgets?

Legislature sets a Qualifying Tax Rate (QTR) which is multiplied by all of the assessed values in a school district. Whatever tax revenue is generated is compared to the expenditure limit. The state pays the difference. The following are two examples:

- Downtown Phoenix districts with high assessed values, the state pays very little of those district's expenses, or, in other words, property taxes cover the cost.
- A district on federal lands with very low assessed values generates a minimal amount of taxes and the state budget pays the majority.

SIMPLIFIED EXPLANATION OF SCHOOL FINANCE

**School District Spending Limit
(Equalization Base)**

- minus -

**Local Contribution
(Primary Property Taxes)**

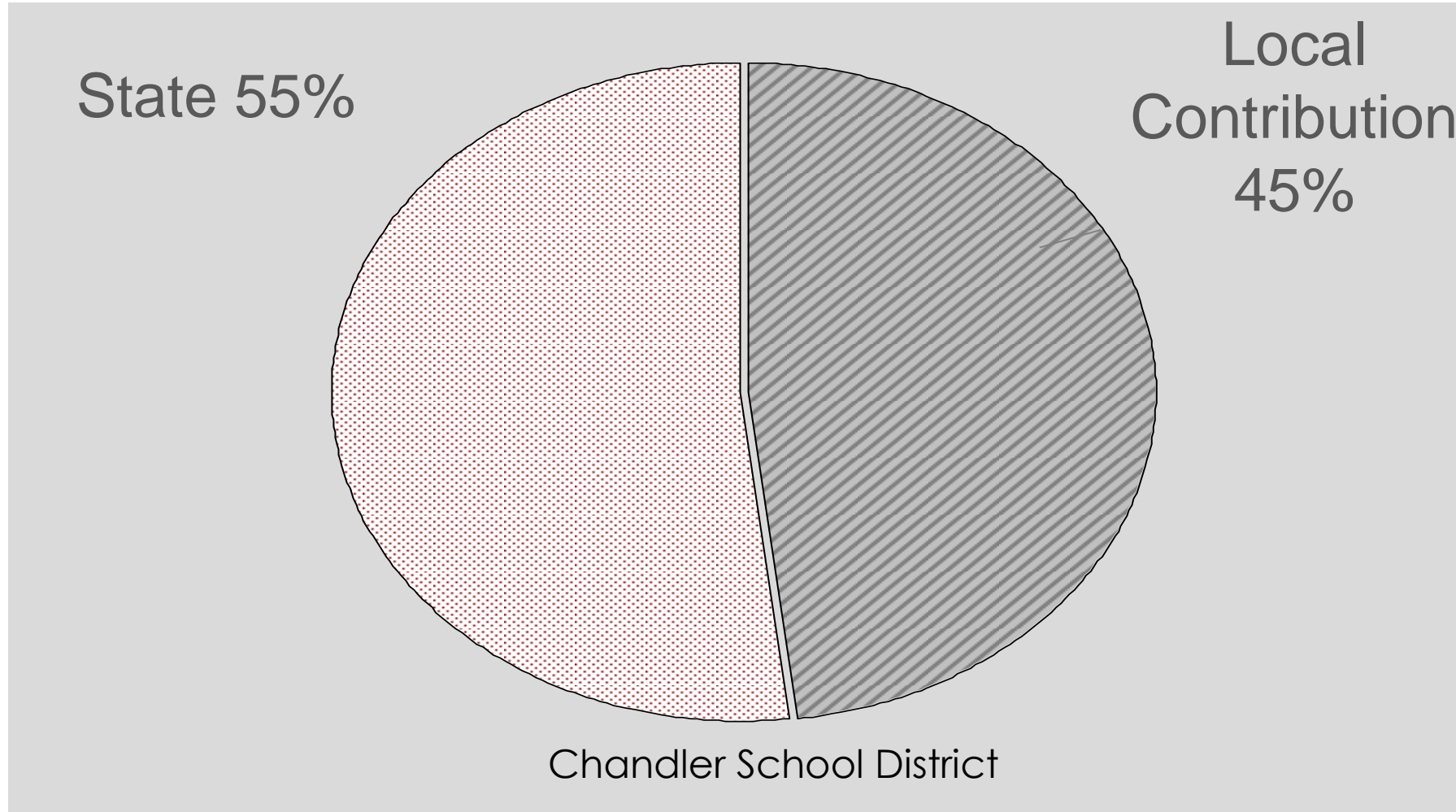
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**State Aid
(Equalization Assistance)**

QTR = 4.0468

SIMPLIFIED EXPLANATION OF SCHOOL FINANCE

EXAMPLE: FUNDING SOURCE DISTRIBUTION

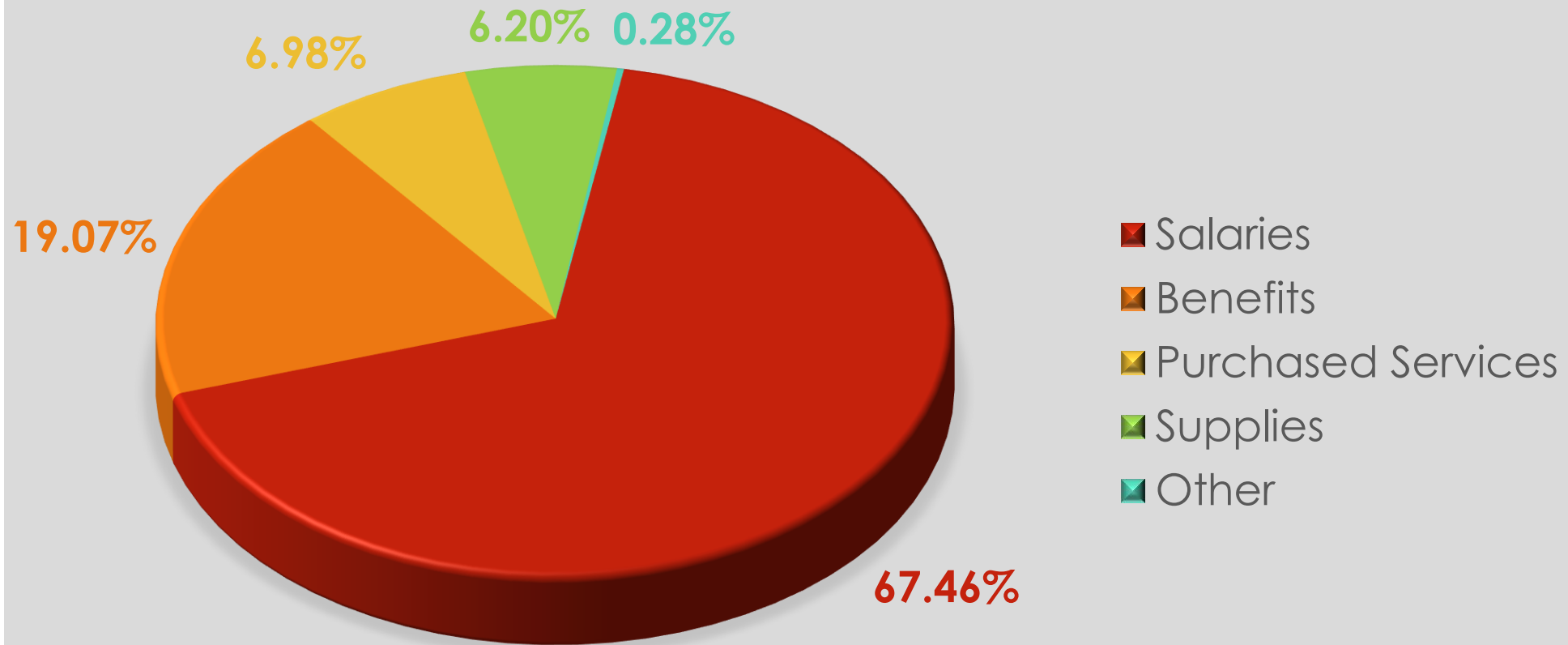


HISTORICAL PER PUPIL EXPENDITURES

| Fiscal Year | M & O | Prop 301 | Indian Gaming | Capital | Total | ADM | Per Pupil Expenditures |
|--------------------|------------------|-----------------|----------------------|----------------|--------------|------------|-------------------------------|
| 2007-08 | 187,970,952 | 14,319,843 | 2,073,561 | 9,941,668 | 214,306,024 | 33,815 | 6,338 |
| 2008-09 | 200,995,264 | 13,571,250 | 1,463,415 | 10,106,249 | 226,136,178 | 35,270 | 6,412 |
| 2009-10 | 200,813,032 | 12,150,651 | 1,301,835 | 4,229,560 | 218,495,078 | 36,166 | 6,041 |
| 2010-11 | 206,108,241 | 8,289,123 | 649,698 | 2,811,319 | 217,858,381 | 37,110 | 5,871 |
| 2011-12 | 206,706,933 | 7,131,302 | 1,610,742 | 4,392,035 | 219,841,012 | 37,771 | 5,820 |
| 2012-13 | 209,303,850 | 10,079,820 | 1,622,877 | 4,442,073 | 225,448,620 | 38,616 | 5,838 |
| 2013-14 | 212,463,074 | 11,882,964 | 1,756,417 | 6,718,128 | 232,820,583 | 39,714 | 5,862 |
| 2014-15 | 224,810,751 | 13,586,051 | 1,987,789 | 7,017,208 | 247,401,799 | 40,710 | 6,077 |
| 2015-16 | 236,329,480 | 19,506,068 | 1,213,768 | 7,813,264 | 264,862,580 | 41,606 | 6,366 |
| 2016-17 | 259,647,235 | 11,553,889 | 2,012,358 | 8,902,102 | 282,115,584 | 43,058 | 6,552 |

TYPICAL SPENDING TRENDS

CUSD'S MAINTENANCE & OPERATION



MODIFIED EXPLANATION OF SCHOOL FINANCE

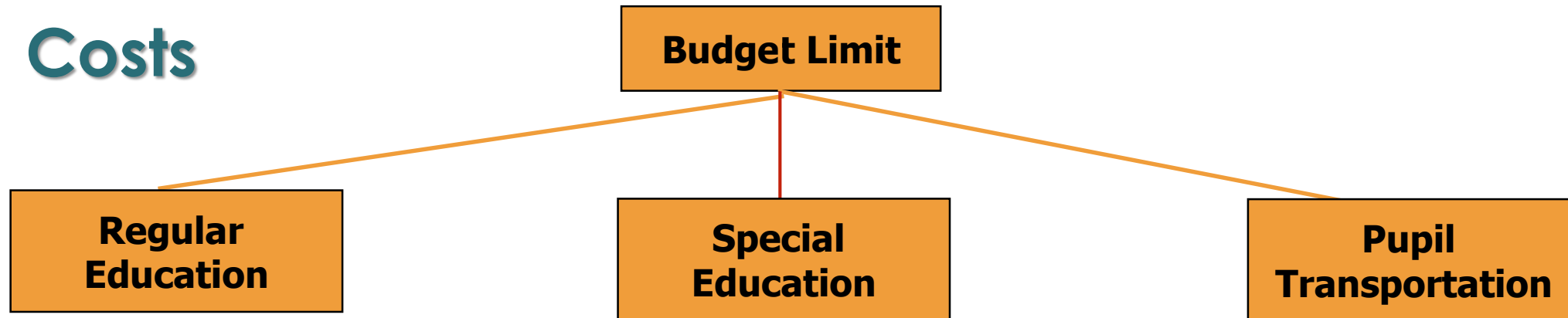
A. The simplified version is pure theory whose goal was to create equity

B. Over the years this concept has been amended to reflect

- Costs
- Desire to increase funding of education
- Politics

MODIFIED EXPLANATION OF SCHOOL FINANCE

Costs



- Obviously the costs to educate students are not the same. The formula adjusts the state support based on this fact. For example, the state pays more for:
 - High school students
 - Bilingual students
 - Special Education students
 - Gifted students
 - Transportation
- Costs vary depending on whether you are a rural versus urban district
- The state support for a student in a very small district is greater than a large district. This fact is based on the theory “Economics of Scale”

HISTORICAL PER PUPIL EXPENDITURES

WITH STATE, FEDERAL AND OTHER FUNDS

| Fiscal Year | Total | ADM | Per Pupil Expenditures |
|----------------|--------------------|---------------|------------------------|
| 2007-08 | 250,749,122 | 33,815 | 7,415 |
| 2008-09 | 269,773,103 | 35,270 | 7,649 |
| 2009-10 | 261,850,037 | 36,166 | 7,240 |
| 2010-11 | 263,931,202 | 37,110 | 7,112 |
| 2011-12 | 265,108,061 | 37,771 | 7,019 |
| 2012-13 | 271,630,446 | 38,616 | 7,034 |
| 2013-14 | 281,640,510 | 39,714 | 7,092 |
| 2014-15 | 303,169,519 | 40,710 | 7,447 |
| 2015-16 | 317,555,901 | 41,606 | 7,632 |
| 2016-17 | 337,680,832 | 43,058 | 7,842 |

MODIFIED EXPLANATION OF SCHOOL FINANCE

Efforts to provide more funding to educate

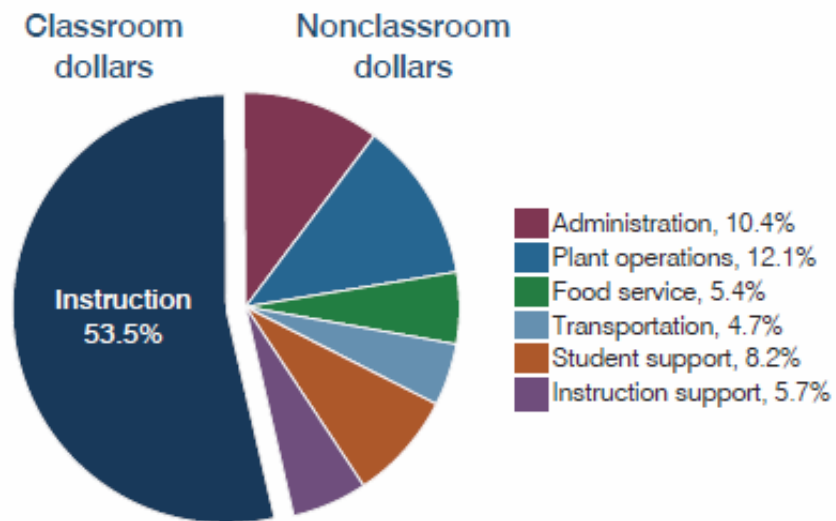
- Local districts can approve override elections to increase their operating budget called Maintenance and Operations (M&O) and Capital.
- The M&O elections are limited to an increase in M&O budget not to exceed 15%. Property taxes are increased to pay this cost.
- Note: the problem with the above two elections allowed in local school districts is that in many districts the taxpayer cannot afford the cost due to low assessed values and, therefore, these communities cannot pass their elections which creates an inequity problem.
- Bond elections for capital are allowed but limited to 20% of assessed values less outstanding debt. Property taxes are increased to pay the costs.

HISTORICAL PER PUPIL EXPENDITURES WITH

STATE, FEDERAL, OTHER, SFB, DEBT SERVICE AND ADJACENT WAYS FUNDS

| Fiscal Year | Total – All Funds | ADM | Expenditures |
|----------------|--------------------|---------------|---------------|
| 2007-08 | 304,578,776 | 33,815 | 9,007 |
| 2008-09 | 300,853,771 | 35,270 | 8,530 |
| 2009-10 | 287,539,073 | 36,166 | 7,951 |
| 2010-11 | 294,156,994 | 37,110 | 7,927 |
| 2011-12 | 332,186,324 | 37,771 | 8,795 |
| 2012-13 | 313,123,925 | 38,616 | 8,109 |
| 2013-14 | 318,852,453 | 39,714 | 8,029 |
| 2014-15 | 356,642,158 | 40,710 | 8,761 |
| 2015-16 | 365,891,510 | 41,606 | 8,794 |
| 2016-17 | 454,674,853 | 43,058 | 10,560 |

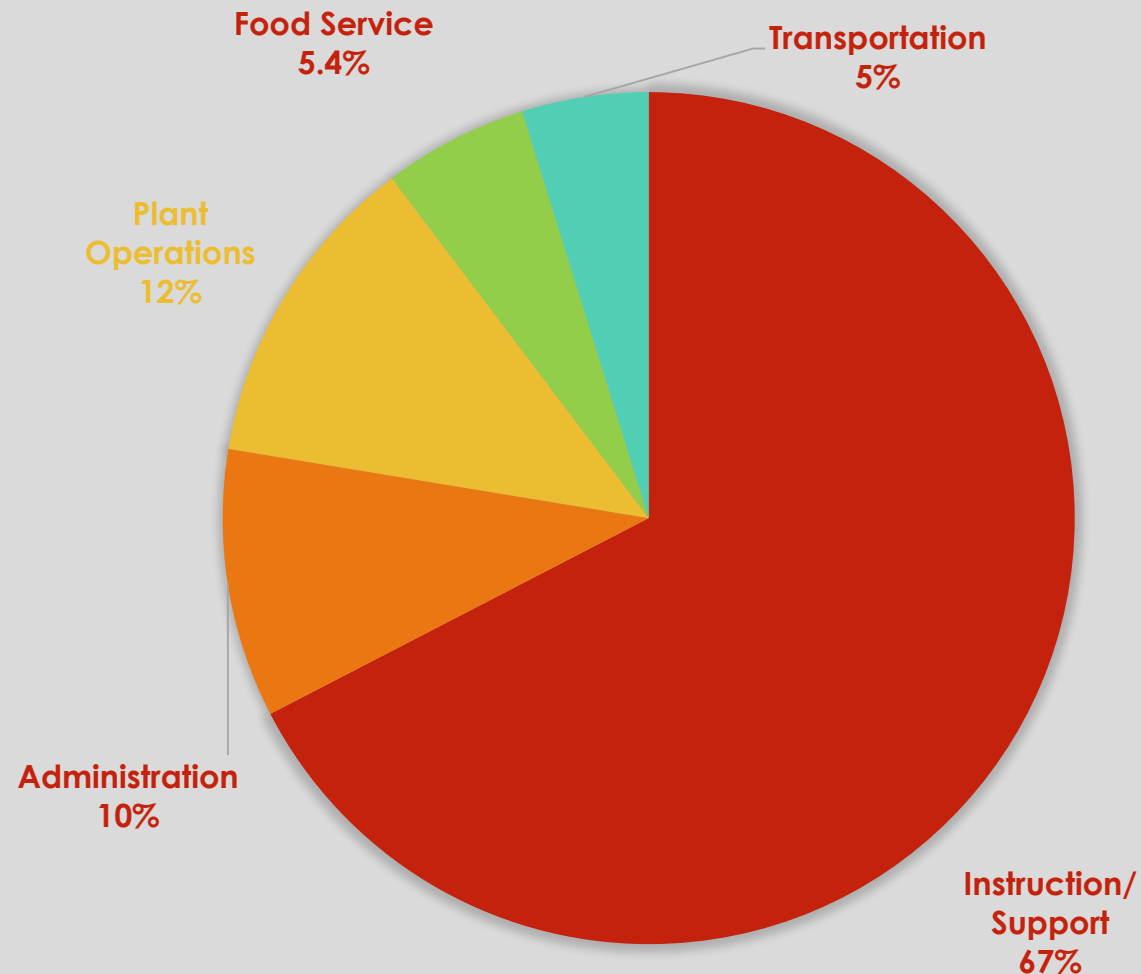
Spending by operational area



Per pupil spending

| Spending by area | State | | | National average 2014 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------------|
| | 2014 | 2015 | 2016 | |
| Instruction | \$ 4,073 | \$ 4,105 | \$ 4,145 | \$ 6,726 |
| Administration | 757 | 780 | 806 | 1,211 |
| Plant operations | 923 | 930 | 939 | 1,060 |
| Food service | 405 | 417 | 415 | 447 |
| Transportation | 373 | 371 | 364 | 477 |
| Student support | 600 | 613 | 633 | 615 |
| Instruction support | 447 | 442 | 444 | 530 |
| Total operational | \$ 7,578 | \$ 7,658 | \$ 7,746 | \$11,066 |
| Land and buildings | \$ 606 | \$ 641 | \$ 621 | \$ 740 |
| Equipment | 339 | 383 | 400 | 188 |
| Interest | 222 | 225 | 216 | 343 |
| Other | 148 | 150 | 153 | 159 |
| Total nonoperational | \$ 1,315 | \$ 1,399 | \$ 1,390 | \$ 1,430 |
| Total per pupil spending | \$ 8,893 | \$ 9,057 | \$ 9,136 | \$12,496 |

NEW STATE CALCULATION



• Charters – Serve 16 % of AZ population

- Can choose who they allow in and who they can serve
- Receive an additional \$1200
- Fully funded by AZ's General Fund (your tax \$\$\$)
- Little Financial Oversight
- No voter initiatives
- High Administration Costs
- Majority do not transport
- Majority do not provide food service programs
- If they cannot serve a special needs child they typically send them back to a public district
- No Conflict of interest – third party transactions prevalent
- Pay teachers less & over 40% Opt out of retirement contributions for their staff
- Do not have to have certified teachers
- Owners of charters can be elected to the legislature
- Limited oversight – financial and governance

• Districts – Serve 84% of AZ K-12 population

- Meet the need of every child who walks on our campuses
- Do not receive additional assistance
- Funded by local tax base and state aid
- Multiple financial accountable reports
- Can ask the local voters to pass overrides and bonds
- Low administrative costs
- Provide Transportation & Food Service
- Provide special needs services no matter what
- Strict Procurement guidelines, with conflict of interest policies
- Must pay 11.5% into ASRS (retirement)
- Required to have certified teachers
- Administrator can't run for the legislature
- Strict control over finances and governance



Camille @CamilleCasteel · 8h

Really proud of the efforts of students & staff on the #AZMerit exams. Here are some highlights.

CUSD Excels on AzMerit 2017-18

CUSD highlights:

- Chandler Unified student outperformed the charter average of students passing the Mathematics test on average by **9 percentage points.**
- Chandler Unified students outperformed the state average of students passing the English Language Arts test on average by **15 percentage points.**
- Chandler Unified student outperformed the charter average of students passing the English Language Arts test on average by **6 percentage points.**
- Chandler Unified students outperformed the state average of students passing the Mathematics test on average by **16 percentage points.**
- **ACP Oakland** ranked second and **Knox Gifted Academy** fifth on math proficiency
- **Knox Gifted Academy** finished third and **ACP Oakland** ninth on English Language Arts proficiency

Chandler Unified School District
The Premier District of CHOICE
cUSD80.com

DISCOVER
CREATE
EXPLORE

MODIFIED EXPLANATION OF SCHOOL FINANCE

Politics

Over the years, elections at the State and local level have increased funding available to school districts. These elections include:

- Proposition 301 was passed by the electorate to add approximately \$386 per student to the district budget and is paid from sales tax (the percentage is 0.6%)
- Proposition 123 passed by the State electorate increases funding for education by approximately \$45 per student. The cost is paid for by the State Land Trust. This law is good for ten years.
- Tax credits - Extra curricular and STOs
- Expansion of ESAs



PAST AND CURRENT EDUCATION REFORMS THAT HAVE IMPACTED CUSD

- Bonding Capacity
- Override %
- Leasing authority and length
- District Sponsor Charter Schools
- Changes to the SFB
- Prop 301
- Prop 123
- Clarity of Cash funds
- ESA – Empowerment Scholarship accounts

COMPLICATED ASPECTS OF SCHOOL FINANCE

COMPLEXITY ISSUES

- Tax rate
- Property tax limitations
- Truth in Taxation issues
- Desegregation funding
- Differences in funding for charter schools versus public schools
- Percentage expended on instruction
- SFB (School Facilities Board)
- District Additional Assistance (DAA) – Capital funding cuts

SFB - APPROVAL

- In May of 2016 the Legislature approved phase II of Casteel HS = **\$12,000,000**

- In May of 2017 the Legislature approved three projects for FY 2017-2018
 - Hamilton HS (9-12)= \$ 6,970,000
 - Casteel HS (9-12) = \$10,455,000
 - Special Education School (7-12) \$ 4,153,925
 - **Total Allocation** = **\$21,578,925**

- In December of 2017 The SFB recommended approval for:
 - Chandler High School \$ 4,356,250
 - Perry High School \$ 6,970,000
 - Casteel High School \$ 5,227,500
 - **Total Recommended Allocation** = **\$16,553,750**

- Conceptually approved square footage for our secondary students in FY 2019-20
 - Approval of 190 Students
- Next steps – JLBC to fund SFB recommendation

2018-2019 Legislative Agenda

- EFRG
 - District Additional Assistance
 - 1.06 % Teacher Compensation – put into base
 - SFB – New Construction and business practices
 - Preparing for Prop 301
- CUSD
 - SFB - New Construction
 - SFB – Procurement process
 - Elimination of Truth in Taxation
 - AOI – (On-line credits) – clean up bill
 - Utilization of Tax Credit
 - Parking revenues

Governor's Education Budget

- Inflation increase 1.7% (Promise to fund – Prop 123)
- \$100 Million District Additional Assistance (DAA)
- \$34 Million -Teacher Compensation 2%
 - 1.06 % - 34 Million (Already in 17-18 Budget)
 - Will be put into the Base Support Level and made permanent
 - .94% - 34 Million (Additional teacher compensation \$\$)
 - Will be put into the Base Support Level and made permanent
- \$81 million for New Construction SFB New Construction funding -
- \$35 Million - SFB Building Renewal Grants (Now \$51 million)
- \$4 million for early literacy
- \$2.5 million to expand a computer science teacher training program
- \$2 million to fully fund large JTEDs (CUSD not eligible)
- \$7.6 million on IT projects and assessments (assuming this is for ADE)

Governor's Education Budget – Impact on CUSD

| Additional M&O DAA Revenues 2018-2019 | |
|--|-------------------|
| 1.7% Inflation Increase on the Base Level | 3,688,120 |
| DAA Restoration | 5,044,048 |
| 1.06% teacher compensation (part of M&O budget in 2017-2018) | 1,529,465 |
| .94% Teacher Compensation (2% promise to increase teacher pay) | 1,437,697 |
| 1.7% Increase on Transportation Support | 124,446 |
| Additional Override Amount | 1,028,867 |
| Growth - Additional 500 ADM | <u>2,358,276</u> |
| New M&O Budget Increase | 15,210,919 |

Future Reform - Looking Forward & Planning for the Future

- Prop 301 – Teacher compensation
- Prop 206 – increases with no revenue stream except inflation
- Retirement increase of .3 for next four years
- Health insurance inflation
- Utilities – increase
- Charters school enrollment is increasing our boundaries
- School finance formula deficiencies
- Marketing expenditures will continue to increase as competition continues
- Building Capacity
 - We will continue to grow until 2021-2022
 - We need to prepare to decline in 2022-2023
 - Space issue for now and extra space issues in the future
 - Over build/Under build
 - Growth is in the south
 - Schools and programs that continue to attract students/families/teachers/staff
- Planning for the next override and bond elections to maximize options for successful elections

Focus On The Future

1. Districts need to focus on confirming that all new programs and existing programs align with their strategic plan
2. Growing districts – Need to focus is on securing funds to build new schools
3. Declining districts – Need to focus is on decreasing expenditures without devastating programs
4. All districts need to focus on creating a contingency plan to address state, federal, and local issues
5. District public schools need to look at best practices around the state and nation – steal great ideas from others
6. All districts needs to look for new potential revenue sources that align with priorities and strategies from their district's strategic plans
7. Districts need to become involved with their community stakeholders, parents, business partners, and legislators
8. District Public Schools must tell their story - Amazing things are happening in our district public schools and everyone should know about them!!!!!!!

Resources

- Auditor General Website
 - Districts <https://www.azauditor.gov/reports-publications/school-districts>
- Arizona Department of Education (ADE)
 - School Finance <http://www.ade.az.gov/Districts/EntitySelection.asp>
- School Facilities Board (SFB)
 - District Annual Reporting
<http://www.azsfb.gov/sfb/sfbscr/sfbda/daChooseTarget.asp>
- Arizona Association of School Business Officials (AASBO)
 - School Finance Manual <http://www.aasbo.org/> (Members Only)
 - Presentations <http://aasbo.site-ym.com/?page=ArchivedPresentation>
- Federal Department of Education
 - <http://www.ed.gov/>
- Arizona School Boards Association
 - Policies <http://azsba.org/policy-services/>