

Department of Education
Assistance to Schools

A.R.S. § 15-231

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
OPERATING BUDGET			
Full Time Equivalent Positions	57.8	71.8	70.3 ^{1/}
<u>Statutory Formula Programs</u>			
Basic State Aid Entitlement	2,227,660,100	2,363,168,700 ^{2/}	2,329,140,400 ^{2/3/4/5/6/7/}
Additional State Aid to Schools	203,851,700	231,796,000	249,844,500
Assistance to School Districts for			
Children of State Employees	56,500	35,200	35,200
Certificates of Educational Convenience	675,900	859,700	859,700
Special Education Fund	18,203,500	23,965,700	26,351,600
<i>Subtotal</i>	2,450,447,700	2,619,825,300	2,606,231,400
<u>Non-Formula Programs</u>			
Accountability Measures	5,000,000	0	0
Adult Education Assistance	4,582,100	4,543,200	4,553,800 ^{8/9/}
AIMS Intervention; Dropout Prevention	50,000	550,000	550,000
Arizona Teacher Evaluation	199,900	0	0 ^{10/}
Career Ladder Administration	128,300	0	0 ^{10/}
Chemical Abuse	821,800	844,200	849,800
English Learner Programs	0	3,080,000	15,310,000 ^{11/}
Extended School Year	492,600	500,000	500,000
Family Literacy	975,700	1,000,600	1,002,100
Gifted Support	1,286,300	1,297,900	1,301,600
Optional Performance Incentive Programs	400,000	120,000	120,000 ^{12/}
Parental Choice for Reading Success	999,900	1,000,000	1,000,000 ^{13/}
Residential Placement	94,500	10,000	10,000
School Accountability	0	5,857,400	4,620,700 ^{14/}
School Report Cards	481,400	473,000	478,500
School Safety Program	7,373,400	6,703,500	6,709,100 ^{15/}
Small Pass-Through Programs	556,400	581,600	581,600 ^{16/}
State Block Grant - Early Childhood	19,406,100	19,477,400	19,487,900
State Block Grant - Vocational Education	11,111,300	11,097,300	11,160,300 ^{17/}
Vocational Education Extended Year	600,000	600,000	600,000
Youth Support Research	39,000	0	0
<i>Subtotal</i>	54,598,700	57,736,100	68,835,400
TOTAL	2,505,046,400	2,677,561,400	2,675,066,800 ^{18/}
Additional Appropriations -			
School Reading Program; K-3, Ch. 295	0	0	1,000,000
TOTAL APPROPRIATIONS	2,505,046,400	2,677,561,400	2,676,066,800
FUND SOURCES			
General Fund	2,427,249,200	2,599,449,400	2,601,217,000
<u>Other Appropriated Funds</u>			
Proposition 301 Fund	0	5,849,000	4,586,800
Permanent State School Fund	77,797,200	72,263,000	70,263,000
<i>Subtotal - Other Appropriated Funds</i>	77,797,200	78,112,000	74,849,800
TOTAL APPROPRIATIONS	2,505,046,400	2,677,561,400	2,676,066,800

COST CENTER DESCRIPTION — Assistance to Schools consists of programs that provide pass-through funding to school districts and charter schools. The largest of these is Basic State Aid, which provides the state's share of equalization assistance to school districts and charter schools based on a funding formula set in statute.

PERFORMANCE MEASURES	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Est./Actual	Estimate
• % of students tested who perform at or above the national norm on the Stanford 9 test	NA/50.9	51.8/52.1	53/54.6	54/55
• % of students in the class of 2002 meeting state academic standards in reading, writing and math	NA	NA	NA	96/NA
• Increased percentage of schools with at least 75% of students meeting or exceeding standards in reading, writing and math above the FY 2002 percentage	NA	NA	Baseline*/NA	+1/+2
• Increased percentage of students who enter 9 th grade and graduate within 4 years above the FY 2002 percentage	NA	NA	Baseline*/NA	+1/+2
• % of students in grade 3 meeting or exceeding state academic standards in reading	NA	70	72/NA	74/76
• % of students in grade 3 meeting or exceeding state academic standards in writing	NA	67	69/NA	71/73

1/ All FTE Positions relate to Special Line Items.

2/ Does not include \$15,305,900 in FY 2002 and \$31,530,100 in FY 2003 for additional school days pursuant to A.R.S. §42-5029, as amended by Proposition 301 from the November 2000 General Election.

3/ The above appropriation provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973, and includes an estimated \$70,263,000 in expendable income derived from the Permanent State School Fund and from state trust lands pursuant to A.R.S. § 37-521(B) for FY 2003. (General Appropriation Act footnote)

4/ Receipts derived from the Permanent State School Fund and any other non-state General Fund revenue source that is dedicated to fund Basic State Aid will be expended, whenever possible, before expenditure of state General Fund monies. (General Appropriation Act footnote)

5/ Except as required by A.R.S. § 37-521, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, the income from the investment of permanent funds as prescribed by the Enabling Act and the Constitution and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237 and 15-531, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law. An expenditure shall not be made except as specifically authorized above. (General Appropriation Act footnote)

6/ Includes an estimated \$28,887,200 for increasing the English Learner Group B weight from 0.060 to 0.115 starting in FY 2003, as required by Laws 2001, Chapter 9, 2nd Special Session (the "Flores" bill).

7/ Includes a \$(191,000,000) State General Fund reduction for deferring until July 1, 2003 the final Basic State Aid payment for FY 2003.

8/ The appropriated amount is for classes in adult basic education, general education development and citizenship on a statewide basis. (General Appropriation Act footnote)

9/ It is the intent of the Legislature that no more than 10% of the appropriation for Adult Education Assistance be used by the Department of Education for operating the Division of Adult Education. It is also the intent of the Legislature that the greatest possible proportion of monies appropriated for adult education programs be devoted to instructional, rather than administrative, aspects of the programs. (General Appropriation Act footnote)

10/ The program is now funded through the General Services Administration cost center.

11/ Appropriated by Laws 2001, Chapter 9, 2nd Special Session (the "Flores" bill). The total shown includes \$4,500,000 for teacher training reimbursements, \$5,500,000 for compensatory instruction, \$1,500,000 for instructional materials, \$3,060,000 for reclassification bonuses and \$750,000 for a K-3 pilot program.

12/ The Optional Performance Incentive Program shall be limited to schools currently performing ranking performance pay. (General Appropriation Act footnote)

13/ Does not include \$1,000,000 appropriated by Laws 2002, Chapter 295, as shown in the "Additional Appropriation" row of the table. This appropriation is discussed in the "Additional Appropriation" narrative section for this cost center.

14/ The approved amount includes \$4,586,800 in "up to \$7 million" monies from Education 2000 (Proposition 301) pursuant to A.R.S. § 42-5029E7. It also includes \$33,900 from the State General Fund for standard changes related to employee salaries and benefits for the program. Funding for this program (up to \$7 million per year) is subject to legislative appropriation, whereas funding for all other Proposition 301 is automatically appropriated each fiscal year. The total shown does not include \$2,088,400 in "up to \$7,000,000 monies" from Proposition 301 that are appropriated for Stanford 9 testing for FY 2003 (see the "Achievement Testing" narrative in the General Services Administration cost center for more information).

15/ The amount shown does not include \$7,800,000 in Proposition 301 Fund monies that are automatically appropriated to the program pursuant to A.R.S. § 42-5029(E6).

16/ The appropriated amount includes \$50,000 for the Academic Contest Fund, \$82,400 for Academic Decathlon, \$50,000 for Arizona Geographic Alliance, \$40,000 for Arizona Humanities Council, \$25,200 for Arizona Principals' Academy, \$234,000 for Arizona School Service through Education Technology, \$50,000 for Project Citizen, and \$50,000 for the Economic Academic Council. (General Appropriation Act footnote)

17/ The appropriated amount is for block grants to charter schools and school districts that have vocational education programs. It is the intent of the Legislature that monies appropriated in the General Appropriations Act for the State Block Grant for Vocational Education be used to promote improved student achievement by providing vocational education programs with flexible supplemental funding that is linked both to numbers of students in such programs and to numbers of program completers who enter jobs in fields directly related to the vocational education program that they completed. It is the intent of the Legislature that the amount of the State Block Grant for Vocational Education funding that is used for state level administration of the program be limited to no more than the amount used for such costs during the prior fiscal year plus the applicable amount of any pay raise that may be provided for state employees through legislative appropriation. (General Appropriation Act footnote)

18/ General Appropriation Act (Laws 2002, Chapter 327) funds are appropriated as an Operating Lump Sum with Special Line Items for the Program.

PERFORMANCE MEASURES (Continued)	FY 1999	FY 2000	FY 2001	FY 2002-03
	Est./Actual	Est./Actual	Est./Actual	Estimate
• % of students in grade 3 meeting or exceeding state academic standards in math	NA	48	50/NA	52/54
• % of students in grade 5 meeting or exceeding state academic standards in reading	NA	65	66/NA	68/70
• % of students in grade 5 meeting or exceeding state academic standards in writing	NA	46	48/NA	50/52
• % of students in grade 5 meeting or exceeding state academic standards in math	NA	39	41/NA	43/45
• % of students in grade 8 meeting or exceeding state academic standards in reading	NA	52	54/NA	56/58
• % of students in grade 8 meeting or exceeding state academic standards in writing	NA	48	50/NA	52/54
• % of students in grade 8 meeting or exceeding state academic standards in math	NA	16	18/NA	20/25
• % of students tested	NA/88.6	100/92	93/95	94/95
• % of parents who rate "A+" the public school that their oldest school-age child attends	NA/7	NA/8	8/7	8

* "Baseline" means that the department will use the performance measure for the first time that year and therefore does not yet have an estimate for it. For years after the "baseline" year, the numbers shown indicate the anticipated increase or decrease for the new measure relative to its "baseline" score.

Statutory Formula Programs

Basic State Aid Entitlement — K-12 Education funding in Arizona is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula "equalizes" maintenance and operation (M&O) funding among school districts—enabling them all to spend approximately the same amount of M&O money per pupil

from state and local sources combined. A few districts with very strong local property tax bases are able to generate their entire formula funding entitlement from local property taxes alone. Most school districts, however, require "Basic State Aid" monies in order to receive full formula funding.

Table 1: FY 2003 Basic State Aid Summary

Basic State Aid Appropriation from FY 2002 (including Endowment Earnings & Proposition 301)	\$2,378,474,600
Demographic and Technical Changes for FY 2003:	
Enrollment Growth	\$127,058,600
Endowment Earnings (from State Trust Lands & Permanent Common Schools Fund)	2,000,000
Net Assessed Valuation (NAV) Growth	<u>(94,760,600)</u>
Subtotal – Cost before Formula Changes	\$2,412,772,600
Formula Changes for FY 2003:	
K-12 Rollover	(191,000,000)
2% Deflator	69,468,700
English Learner Group B Weight Increase	28,887,200
Truth in Taxation	25,317,800
Additional School Day	16,224,200
Joint Technology Education District growth restrictions	<u>(1,000,000)</u>
Total – Cost after Formula Changes	<u>\$2,360,670,500</u>
Fund Sources:	
General Fund (General Appropriation Act)	\$2,229,990,200
General Fund (Laws 2001, Chapter 9, 2 nd SS) (the "Flores" bill")	28,887,200
Education 2000 Sales Tax	31,530,100
Permanent State School Fund	70,263,000

The equalization formula for school districts consists of 4 elements: the "Base Support Level" (BSL), Transportation Support Level (TSL), "Capital Outlay Revenue Limit" (CORL), and "Soft Capital" (formerly "Capital Levy Revenue Limit" or "CLRL"). All but the TSL are computed by multiplying a specific dollar amount by a school district's student count (adjusted for various "weights"). The TSL, however, is computed by multiplying a specific dollar amount by a district's pupil transportation route miles. BSL, TSL and CORL funds may be used for M&O or capital expenditures. Soft Capital funds may be used for capital items only. The sum of the 4 formula components equals what is referred to as a school district's "equalization base," which is its total funding entitlement under the K-12 equalization funding formula.

After a school district's equalization base is determined, the net assessed property value (NAV) of the district is multiplied by the statutory "Qualifying Tax Rate" (QTR) and "County Equalization" tax rate in order to determine the amount of funding that is assumed to come from local sources under the formula. If this combined amount exceeds the district's equalization base, it is not entitled to Basic State Aid. If, however, "local share" funding does not exceed the district's equalization base, the district receives Basic State Aid funding in order to make up the difference.

The actual local tax rate for schools may be lower than the QTR, or higher if the district is allowed to budget for items outside of its "Revenue Control Limit" (RCL) under A.R.S. § 15-910. It also may be higher if the district participates in a Career Ladder program pursuant to A.R.S. § 15-918, or in an Optional Performance Incentive Program pursuant to A.R.S. § 15-919.

The equalization funding formula for charter schools is somewhat different than for school districts in that it does not include separate funding for CORL, Soft Capital or Transportation. Instead the charter school funding formula consists only of two components: 1) Base Support Level funding and 2) Additional Assistance. BSL funding for charter schools is determined under the same computational formula prescribed for traditional public schools (A.R.S. § 15-943). Additional Assistance funding amounts are established in statute (A.R.S. § 15-185.B4). For FY 2003 they equal \$1,253.34 per pupil for Grades K-8 and \$1,460.73 per pupil for Grades 9-12. Charter schools receive all of their funding through Basic State Aid, since they do not have authority to generate funding through local property tax levies.

Total funding for Basic State Aid for FY 2003 is summarized in *Table 1*, including major Basic State Aid changes from FY 2002.

Major Changes to Basic State Aid

Student Growth — The approved amount includes an increase of \$127,058,600 above FY 2002 from the General Fund for student growth in school districts and charter schools. Of this amount, \$76,574,100 is for school district and district-sponsored charter school Average Daily Membership (ADM) growth, and \$50,484,500 is for State Board-sponsored charter school ADM growth.

Under the Basic State Aid formula, the non-charter portion of a school district's formula funding entitlement initially is based on its ADM count from the prior academic year, but later may be increased with "Growth" (formerly "Sudden Growth") funding if that count goes up in the current academic year. Growth funding, however, is not provided for the capital and transportation portions of the Basic State Aid formula, which are paid on a prior year ADM basis only. In contrast, Basic State Aid funding for charter schools (both district-sponsored and State Board-sponsored) is based solely on current year ADM counts.

The approved FY 2003 amount assumes a 2.9% increase in the total statewide ADM count for academic year 2001-2002 and an additional 3% increase for academic year 2002-2003. (Both will affect the cost of Basic State Aid in FY 2003.)

The estimated ADM breakdown for academic year 2002-2003 equals 833,114 district non-charter pupils, 3,500 district charter pupils and 65,696 state board charter pupils—for a total ADM count of 902,310.

2% Deflator — The approved amount includes a General Fund increase of \$69,468,700 above FY 2002 for a 2% deflator. This includes the formula funding "base level" (A.R.S. § 15-901.B2), the charter school "Additional Assistance" amounts (A.R.S. § 15-185.B4) and transportation funding (A.R.S. § 15-945.A5).

The 2% increase in the "base level" will result in a base level amount of \$2,753.90 per pupil for FY 2003.

The 2% increase in transportation route mile funding will provide \$1.65 or \$2.03 per route mile for FY 2003, depending on the category (*see A.R.S. § 15-945.A5*).

Growth in School District Assessed Valuation — Growth in school district NAV increases the amount of formula funding that is generated locally, thereby reducing the need for Basic State Aid. The approved FY 2003 amount includes a General Fund reduction of \$(94,760,600) below FY 2002 for NAV growth, which assumes 6.96% NAV growth for the year. This estimate does not include the effect of "Truth in Taxation" upon "local share" funding for schools, which is discussed below.

"Truth in Taxation" — The approved amounts for Basic State Aid include a General Fund increase of \$25,317,800 above FY 2002 for "Truth in Taxation" (TNT). Statute requires an annual adjusting of the QTR and County

Equalization “local share” tax rates in order to compensate for changes in property values for existing properties. Those adjustments are intended to keep tax levies on existing properties from increasing automatically whenever their assessed value rises. The adjustments require increases in state General Fund monies for Basic State Aid because they reduce the amount of “local share” monies that otherwise would be available to help fund the Basic State Aid formula.

As of March 15, 2002, the JLBC reported that the FY 2002 rates would be as follows: QTR = \$2.0296 or \$4.0592 (depending upon the type of school district) per \$100 of NAV; County Equalization = \$0.4889 per \$100 of NAV.

Endowment Earnings — The approved amount includes a General Fund increase of \$2,000,000 above FY 2002 in order to compensate for a \$(2,000,000) reduction in “Endowment Earnings” from the Permanent State School Fund for FY 2003. This assumes that \$70,263,000 in Endowment Earnings will be available to help fund Basic State Aid costs in FY 2003 versus \$72,263,000 in FY 2002.

The estimated \$(2,000,000) decrease in Endowment Earnings for FY 2003 is due to changes to the Endowment Earnings distribution formula in A.R.S. § 37-521 pursuant to Laws 2001, Chapter 6, 2nd Special Session (the Education ORB from the December 2001 budget special session). Chapter 6 authorized the School Facilities Board to issue “Qualified Zone Academy Bonds” (QZAB’s) and to use Endowment Earnings monies for QZAB debt service.

Endowment Earnings consist of interest on securities held in the Permanent State Common School Fund and receipts from leases of state lands. They are used solely to help fund the cost of Basic State Aid, and therefore reduce the General Fund cost of Basic State Aid on a dollar for dollar basis.

It should be noted that during the November 2002 General Election voters will be asked to approve the dedication of all growth in Endowment Earnings after FY 2001 to the Classroom Site Fund. This is required by SCR 1005 from the 2001 Legislative Session. SCR 1005 seeks to have voter approval on this issue in order to render more permanent the dedication of Endowment Earnings growth after FY 2001 to the Classroom Site Fund.

K-12 Rollover — The approved amount includes a \$(191,000,000) State General Fund reduction for deferring until July 1, 2003 the final Basic State Aid payment for FY 2003. This “K-12 rollover” is authorized by the Section 48 of the Education ORB (Laws 2002, Chapter 330), which notwithstanding the law (A.R.S. § 15-973.B10) that otherwise would require that the final Basic State Aid payment for FY 2003 be made on June 15, 2002.

Section 49 of the Education ORB makes an advance appropriation of \$191,000,000 in FY 2004 in order to provide funding needed for the July 1, 2003 Basic State Aid payment. It also appropriates \$293,800 in FY 2004 in order to reimburse school districts for interest and other costs that may be associated with the rollover.

Additional School Day — In addition to the approved amount, the Basic State Aid program will receive \$31,530,100 in Proposition 301 Fund monies (an increase of \$16,224,200) for additional school days in FY 2003. This funding is not included in the approved amount because it is not appropriated by the Legislature. Instead it is automatically transferred to the program each year pursuant to A.R.S. § 42-5029(E5), as established by Proposition 301.

The \$31,530,100 total will be disbursed to school districts through the Basic State Aid formula as part of the overall “base level” increase for the year. The \$31,530,100 amount is intended to fund a 177-day school year. This is an increase of 2 school days above the 175-day school year that existed prior to Proposition 301.

Joint Technology Education Districts — The approved amount includes a State General Fund reduction of (\$1,000,000) for an estimated savings due to new restrictions on Joint Technology Education Districts (“JTED’s) (*see Table 1*). JTED’s consist of groups of school districts that join together to form an “overlay” school district for purposes of providing Career and Technical Education pursuant to A.R.S. § 15-392. The Education ORB (Laws 2002, Chapter 330) restricts the formation of new JTED’s and the expansion of existing JTED’s with certain exceptions.

Chapter 330 prohibits new JTED’s from forming unless at least 2 school district governing boards voted to participate in the new JTED before February 1, 2002 and unless the voters approve the new JTED before November 30, 2002. Chapter 330 also limits any new JTED to 450 ADM pupils through FY 2004.

Chapter 330 likewise prohibits a school district from joining an existing JTED unless it shares a border with a school district that currently belongs to the JTED. If a district does not share a border with a current JTED, Chapter 330 prohibits it from joining an existing JTED unless its district governing board voted to become part of the JTED at a public meeting before March 7, 2002.

Additional State Aid to Schools — This General Fund program is the “homeowner’s rebate,” whereby the state pays 1) 35% [up to \$500] of every homeowner’s primary property tax levy for school districts [A.R.S. § 15-972], and 2) that portion of any homeowner’s overall primary property tax levy that exceeds 1% of the property’s full cash value [Arizona Constitution, Article IX, § 18].

The approved amount includes a General Fund increase of \$18,048,500 above FY 2002 for higher formula costs due to projected increases in homeowner tax levies for the fiscal year.

The \$18,048,500 estimate includes the projected effects of a two year cap on desegregation costs pursuant to Laws 2002, Chapter 68 and a temporary cap on “excess utilities” costs pursuant to Laws 2002, Chapter 330. Those caps are expected to collectively reduce growth in Homeowner’s Rebate costs for FY 2003 by about \$(5,874,500), which consists of an estimated \$(4,797,400) for the desegregation cap and an estimated \$(1,077,100) for the excess utilities cap. Desegregation programs and “excess utilities” affect Homeowner’s Rebate costs because they are funded through local primary property tax levies and the state pays a portion of those levies under the Homeowner’s Rebate program.

Assistance to School Districts for Children of State Employees — The approved amount (all from the State General Fund) is unchanged from FY 2002. The program supplements Basic State Aid funding for school districts that educate pupils whose parents are employed and domiciled at certain state institutions located within the school district's boundaries, pursuant to A.R.S. § 15-976.

Certificates of Educational Convenience (CEC's) — The approved General Fund amount is unchanged from FY 2002. CEC's allow students to attend school in a district other than the one they live in, if they are placed there by an authorized state or federal agency. This includes placement into a 1) rehabilitative or corrective institution, 2) foster home or child care agency or institution which is licensed and supervised by the Department of Economic Security (DES) or the Department of Health Services (DHS), or 3) residential facility operated or supported by DES or DHS [A.R.S. § 15-825]. CEC's also provide supplemental special education funding for school districts that provide special education services to out-of-district children.

Special Education Fund — The approved General Fund amount includes 1 FTE and an increase of \$2,385,900 above FY 2002 for special education vouchers. The approved total includes \$26,289,500 in pass-through funding for special education vouchers and \$62,100 for program administration.

The approved amount includes an increase of \$515,500 for a 2% increase in the K-12 funding formula “base level” under Education 2000. This is because the funding formula for special education vouchers uses the same “base level” as the Basic State Aid program.

The Special Education Fund provides funding for special education costs of students from 1) Arizona State Schools for the Deaf and the Blind, 2) Arizona State Hospital (ASH), or 3) developmentally disabled programs operated by DES [A.R.S. § 15-1202]. It also funds costs of

residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency (Department of Juvenile Corrections, DES, DHS, or the Administrative Office of the Courts) [A.R.S. § 15-1182].

Non-Formula Programs

Adult Education Assistance — The approved General Fund amount includes 5.6 FTE Positions and no change in funding from FY 2002. The total appropriation of \$4,553,800 includes \$466,600 for program administration and \$4,087,200 in pass through funding. The program funds immigrant education and adult basic education programs that receive funding through the department pursuant to A.R.S. § 15-234.

AIMS Intervention/Dropout Prevention — The approved General Fund amount is unchanged from FY 2002. The program is authorized by A.R.S. § 15-809 and seeks to provide additional academic support for high school pupils who are most likely to drop out of school. It was originally authorized by Laws 2000, Chapter 377.

Chemical Abuse — The approved General Fund amount includes 2.9 FTE Positions and no change in funding from FY 2002. The total appropriation includes \$198,100 for program administration and \$651,700 in pass through funding for schools. The program funds chemical abuse prevention programs for students in grades K-12 pursuant to A.R.S. § 15-712.

English Learner Programs — The approved General Fund amount was appropriated by Laws 2001, Chapter 9, 2nd Special Session (the “Flores bill”) and is an increase of \$15,310,000 above FY 2002. The \$15,310,000 total includes \$4,500,000 for reimbursing teachers who become certified to teach English Learners, \$5,500,000 for compensatory instruction, \$1,500,000 for instructional materials, \$3,060,000 for reclassification bonuses and \$750,000 for a K-3 pilot program for English Learners.

The \$15,310,000 total does not include an estimated \$28,887,200 that is included in the approved amount for Basic State Aid in order to fund an increase in the English Learner Group B funding weight that is authorized in Chapter 9.

Extended School Year — The approved General Fund amount is unchanged from FY 2002. The program helps pay for extended school year programs for handicapped students, as required by A.R.S. § 15-881.

Family Literacy — The approved General Fund amount includes 1 FTE Position and no funding change from FY 2002. Pursuant to A.R.S. § 15-191.01, the program seeks to increase the basic academic and literacy skills of undereducated low-income parents and their preschool children.

Gifted Support — The approved General Fund amount includes 1.9 FTE Positions and no change in funding from FY 2002. The approved total consists of \$109,100 for program administration and \$1,192,500 in pass-through monies for schools. The program is authorized by A.R.S. § 15-772, which allows school districts to apply for funding for gifted programs equal to \$55 per pupil for 3% of the district's student count, or \$1,000, whichever is more.

Optional Performance Incentive Programs — The approved General Fund amount is unchanged from FY 2002. The program, which is authorized under A.R.S. § 15-919.02, serves as an alternative to the Career Ladder program. Optional Performance Incentive Programs utilize measures of quality including parental satisfaction or rating of educational quality, teacher job satisfaction or rating of support, and pupil satisfaction with the quality of education being received.

Parental Choice for Reading Success — The approved General Fund amount in the General Appropriations Act is unchanged from FY 2002. (See *Additional Appropriations section for more information.*)

The program funds training and continued development of teachers on reading instruction and scientifically based reading research pursuant to A.R.S. § 15-704, as amended by Chapter 295.

Residential Placement — The approved General Fund amount is unchanged from FY 2002. The funding is for training school districts to identify students that require residential placement and for providing a "Residential Emergency Fund" for use when DES or DHS lacks funds to place students (Laws 1991, Chapter 173).

School Accountability — The approved amount includes 13.5 FTE Positions, \$4,586,800 in "Proposition 301 Fund" monies (a decrease of \$1,262,200) and \$33,900 in State General Fund monies (an increase of \$25,500).

The \$(1,262,200) reduction in "Proposition 301 Fund" monies is due to a \$(4,500,000) reduction in one-time costs for SAIS Compatibility, a \$(366,200) reduction for School Profiles and a \$3,600,000 increase for Solution Teams (see *Table 2*). The \$25,500 increase in State General Fund costs is due to standard salary and benefit changes for state employees).

<u>Item</u>	<u>FY 2002</u>	<u>FY 2003</u>
SAIS Compatibility	\$4,500,000	\$ 0
School Profiles (6 FTE Positions per year)	750,000	387,800
Solution Teams		3,600,000
SAIS Maintenance (8 FTE Positions per year)	599,000	599,000
Standard Changes (GF)	8,400	33,900
Total	\$5,857,400	\$4,620,700

The FY 2003 total in *Table 2* does not include \$2,088,400 in Education 2000 sales tax monies that are appropriated for Stanford 9 testing for the year. This increases the overall appropriation of "Proposition 301 Fund" monies to \$6,675,200. (See the "Achievement Testing" narrative in the *General Services Administration cost center for more information regarding the Stanford 9 appropriation.*)

Unlike funding for other Proposition 301 programs, which is automatically appropriated each year, funding for School Accountability is subject to legislative appropriation pursuant to A.R.S. § 42-5029E7. That statute allows the Legislature to appropriate up to \$7,000,000 per year for the program.

The purpose of the School Accountability program is to promote improved student achievement and school accountability pursuant to A.R.S. § 15-241.

School Report Cards — The approved amount (all from the General Fund) includes 2.9 FTE Positions and no change in funding from FY 2002. The school report card program is required by A.R.S. § 15-746. Under it, each school supplies annual information to the department regarding school goals and student achievement, and the department compiles and publishes that information in paper and electronic "school report cards".

School Safety Program — The approved amount includes 2.9 FTE Positions and \$6,709,100 in State General Fund monies (no change). The program also receives \$7,800,000 in Education 2000 sales tax monies each year that is automatically appropriated by A.R.S. § 42-5029(E6). The program places peace officers and juvenile probation officers in schools pursuant to A.R.S. § 15-154.

Small Pass-Through Programs — The approved General Fund amount is unchanged from FY 2002. It includes \$50,000 for the Academic Contest Fund, \$82,400 for the Academic Decathlon, \$50,000 for the Arizona Geographic Alliance, \$40,000 for the Arizona Humanities Council, \$25,200 for the Arizona Principals' Academy, \$234,000 for Arizona School Service Through Education Technology, \$50,000 for Project Citizen and \$50,000 for the Economic Academic Council.

State Block Grant for Early Childhood Education — The approved General Fund amount includes 5.5 FTE Positions and no change in funding from FY 2002. The total appropriation consists of \$413,500 for program administration and \$19,074,400 in pass-through money for schools. The program provides block grants to school districts and charter schools for efforts aimed at improving the academic achievement of pupils in preschool through Grade 3, pursuant to A.R.S. § 15-1251.

State Block Grant for Vocational Education — The approved General Fund amount includes 33.1 FTE Positions and no change in funding from FY 2002. The

total appropriation consists of \$1,942,200 for program administration and \$9,218,100 in pass-through monies for schools. The program provides block grants to school districts and charter schools that have career and technical education programs.

Vocational Education Extended Year — The approved General Fund amount is unchanged from FY 2002. This funding is to enable students to attend an extended year or summer school program in a joint technological education district pursuant to A.R.S. § 15-783.02.

Additional Appropriations: School Reading Program: K-3 (Chapter 295) — Chapter 295 establishes new permanent law requirements for K-3 reading programs and amends session law language (Laws 1998, Chapter 231) that also pertains to K-3 reading programs. The bill, however, appears to have inadvertently added \$1,000,000 in State General Fund monies to the Parental Choice for Reading Success Program. That program already receives \$1,000,000 in State General Fund monies in the General Appropriation Act.

Additional Legislation: Education: Omnibus Budget Reconciliation: 2002-2003 (Chapter 330) — This bill makes statutory and session law changes that will affect K-12 funding, including 1) a 2-year session law freeze (through FY 2004) on the amount of “excess utilities” funding that school districts may generate from local property tax levies, 2) a 2-year session law restriction (through FY 2004) on the establishment or expansion of joint technology education districts (JTED’s), and 3) session law authorization to defer until July 1, 2003 \$191 million of the Basic State Aid and Additional State Aid (Homeowner’s Rebate) payment that school districts otherwise would receive on June 15, 2003 (the “K-12 rollover”). These changes are discussed in further detail in the narrative for the Basic State Aid and Additional State Aid programs.

Chapter 330 also establishes new session law regarding K-12 administrative costs and audits. It requires the JLBC Staff to analyze K-12 administrative cost data for FY 2001 by July 1, 2002 and requires the Auditor General to do a further analysis by December 1, 2002 of school districts that are identified in the JLBC Staff study as having particularly high or low administrative costs. In addition, Chapter 330 requires the Auditor General (in FY 2003 and FY 2004) to address the accuracy of reported K-12 administrative costs and to provide a detailed breakdown of the duties, salaries and related costs of administrative personnel when conducting school-wide audits pursuant to A.R.S. § 41-1279.03. Finally, Chapter 330 allows the Auditor General to determine through random selection the school districts to receive school-wide audits each year pursuant to A.R.S. § 41-1279.03 (subject to review by the Joint Legislative Audit Committee), rather than requiring it to audit each school district every 5 years.