

**Department of Education**  
**Assistance to Schools**

A.R.S. § 15-231

	<b>FY 2002 Actual</b>	<b>FY 2003 Estimate</b>	<b>FY 2004 Approved</b>
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	72.8	67.7	67.7 <sup>1/</sup>
<b>Statutory Formula Programs</b>			
Basic State Aid Entitlement	2,358,212,200 <sup>2/</sup>	2,334,140,400 <sup>2/3/4/</sup>	2,643,907,800 <sup>2/5/6/7/8/9/</sup>
Additional State Aid to Schools	230,896,400	249,844,500	273,268,500
Assistance to School Districts for Children of State Employees	99,500	35,200	99,500
Certificates of Educational Convenience	269,900	859,700	269,900
Special Education Fund	23,859,200	26,351,600	29,617,600
<i>Subtotal</i>	2,613,337,200	2,611,231,400	2,947,163,300
<b>Non-Formula Programs</b>			
Adult Education Assistance	4,366,100	4,438,200	4,438,200 <sup>10/11/</sup>
AIMS Intervention; Dropout Prevention	510,200	550,000	550,000
Chemical Abuse	768,600	796,300	796,300
English Learner Grants	0	15,310,000	15,310,000 <sup>12/</sup>
Extended School Year	498,200	500,000	500,000
Family Literacy	982,300	1,002,100	1,002,100
Gifted Support	1,291,600	1,301,600	1,301,400
Optional Performance Incentive Programs	120,000	120,000	120,000
Parental Choice for Reading Success	992,500	2,000,000 <sup>13/</sup>	1,000,000
Residential Placement	10,000	10,000	10,000
School Accountability	5,086,700	4,620,700	4,678,100 <sup>14/</sup>
School Report Cards	288,500	443,700	439,100
School Safety Program	6,659,100	6,703,100	6,700,700 <sup>15/</sup>
Small Pass-Through Programs	581,600	581,600	581,600 <sup>16/</sup>
State Block Grant - Early Childhood	19,386,800	19,408,600	19,408,600
State Block Grant - Vocational Education	11,093,800	11,160,300	11,154,100 <sup>17/</sup>
Vocational Education Extended Year	528,800	400,000	600,000
<i>Subtotal</i>	53,164,800	69,346,200	68,590,200
<b>PROGRAM TOTAL</b>	<b>2,666,502,000</b>	<b>2,680,577,600</b>	<b>3,015,753,500<sup>18/</sup></b>
<b>FUND SOURCES</b>			
General Fund	2,589,152,300	2,605,727,800	2,951,332,700
<b>Other Appropriated Funds</b>			
Permanent State School Fund	72,263,000	70,263,000	59,761,100
Proposition 301 Fund	5,086,700	4,586,800	4,659,700
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>77,349,700</b>	<b>74,849,800</b>	<b>64,420,800</b>
<b>PROGRAM TOTAL</b>	<b>2,666,502,000</b>	<b>2,680,577,600</b>	<b>3,015,753,500</b>

<sup>1/</sup> All FTE Positions relate to Special Line Items.  
<sup>2/</sup> Does not include \$15,305,900 in FY 2002, \$31,530,100 in FY 2003, and \$48,727,700 in FY 2004 for additional school days pursuant to A.R.S. § 42-5029, as amended by Proposition 301 from the November 2000 General Election.  
<sup>3/</sup> Includes a \$(191,293,800) State General Fund reduction for deferring until July 1, 2003 the final Basic State Aid payment for FY 2003.  
<sup>4/</sup> Includes \$5,000,000 in supplemental FY 2003 funding from Section 120 of the General Appropriation Act (Laws 2003, Chapter 262).  
<sup>5/</sup> Includes a \$(191,293,800) state General Fund reduction for deferring until July 1, 2004 the final Basic State Aid payment for FY 2004.  
<sup>6/</sup> 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 \$59,761,100 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 2004. (General Appropriation Act footnote)  
<sup>7/</sup> 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)

**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.

<b>PERFORMANCE MEASURES</b>	<b>FY 2002 Appropriation</b>	<b>FY 2002 Actual</b>	<b>FY 2003 Appropriation</b>	<b>FY 2004 Appropriation</b>
• % of students tested who perform at or above the national norm on the Stanford 9 test	54	55	55	56
• % of students in the class of 2002 meeting state academic standards in reading, writing and math	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	+1	NA	+2	--
• % of schools with at least 75% of students meeting or exceeding standards in:				
-- reading	--	89	--	93
-- writing	--	74	--	78
-- math	--	75	--	79
• Increased percentage of students who enter 9 <sup>th</sup> grade and graduate within 4 years above the FY 2002 percentage	+1	+1	+2	--
• % of Arizona high school students who enter 9 <sup>th</sup> grade and graduate within 4 years	--	71.8	--	75
• % of students in grade 3 meeting or exceeding state academic standards in:				
-- reading	74	74	76	78
-- writing	71	78	73	82
-- math	52	63	54	67

8/ 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)

9/ The total FY 2004 Basic State Aid amount equals \$2,835,201,600. That number was adjusted downward to exclude \$191,293,800. That amount was already appropriated by Laws 2002, Chapter 330, Section 49 for the July 1, 2003 rollover payment that was authorized by Section 48 of that act. The rollover payment was also included, in error, in the FY 2004 General Appropriation Act appropriation. This error results in double funding of the rollover payment. The Chapter 330 monies will need to be reduced by the \$191,293,800 in order to eliminate the unintended double appropriation.

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

11/ 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)

12/ Includes \$15,310,000 appropriated by Laws 2001, Chapter 9, 2<sup>nd</sup> Special Session (the "Flores" bill). That total 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.

13/ Includes \$1,000,000 inadvertently appropriated by Laws 1998, Chapter 231, Section 5 as amended by Laws 2002, Chapter 295, Section 5.

14/ The approved amount includes \$4,586,800 in "up to \$7 million" monies from Proposition 301 pursuant to A.R.S. § 42-5029(E7). It also includes \$18,400 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 \$2,255,500 in "up to \$7,000,000 monies" from Proposition 301 that are appropriated for Stanford 9 testing for FY 2004 (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 Principal's 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 Appropriation 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 funds are appropriated as Special Line Items by Program.

<b>PERFORMANCE MEASURES</b>	FY 2002 Appropriation	FY 2002 Actual	FY 2003 Appropriation	FY 2004 Appropriation
• % of students in grade 5 meeting or exceeding state academic standards in:				
-- reading	68	58	70	62
-- writing	50	58	52	62
-- math	43	46	45	50
• % of students in grade 8 meeting or exceeding state academic standards in:				
-- reading	56	56	58	60
-- writing	52	43	54	50
-- math	20	20	25	40
• % of students in grade 12 meeting state academic standards in:				
-- reading	--	88	--	90
-- writing	--	73	--	80
-- math	--	NA	--	70
• % of students tested	94	NA	95	--
• % of students tested:				
-- Stanford 9	--	100	--	100
-- AIMS	--	86	--	95

**Comments:** The agency did not submit information for any measure labeled as "NA."

**Technical Adjustments** — The FY 2004 approved amounts include technical adjustments for Employee Related Expenditures, Other Fund health and dental insurance changes and Other Fund retirement changes. *(Please see the General Provisions section at the end of this Appropriations Report for further details on these changes.)*

**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.

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.

**Table 1: FY 2004 Basic State Aid Summary**

	General Fund	Permanent State School Fund	Prop 301 Sales Tax	Total
Basic State Aid from FY 2003	\$2,263,877,400	\$ 70,263,000	\$ 31,530,100	\$2,365,670,500
Changes for FY 2004:				
Enrollment Growth	132,166,200			132,166,200
2% Deflator	73,304,600			73,304,600
Net Assessed Valuation (NAV) Growth	(137,287,500)			(137,287,500)
Truth in Taxation	51,062,100			51,062,100
Endowment Earnings	10,501,900	(10,501,900)		0
Deferred Payment from FY 2003	191,293,800			191,293,800
Additional School Day			17,197,600	17,197,600
Rapid Decline @ 50% <sup>1/</sup>	(2,429,800)			(2,429,800)
DOC, DJC and Miscellaneous	1,658,000			1,658,000
Total - Cost after Formula Changes	\$2,584,146,700 <sup>2/</sup>	\$ 59,761,100 <sup>2/</sup>	\$ 48,727,700	\$2,692,635,500

<sup>1/</sup> The Governor vetoed statutory provision authorizing a change in the Rapid Decline formula.

<sup>2/</sup> Represents appropriated Basic State Aid Funds. Proposition 301 is not appropriated.

Basic State Aid is also provided to charter schools, which are schools that (unlike school districts) do not have geographic boundaries, operate under terms specified in a “charter,” and are sponsored by an entity such as the State Board for Charter Schools. The equalization funding formula for charter schools is somewhat different than the one 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 2004 they equal \$1,278.40 per pupil for Grades K-8 and \$1,489.95 per pupil for Grades 9-12. Charter schools receive all of their equalization 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 2004 is summarized in *Table 1*, including major Basic State Aid changes from FY 2003. Of the total \$2,692,635,500 in funding, an estimated \$2,320,833,800 is for school districts, \$18,529,600 is for district-sponsored charter schools and \$353,272,100 is for state board-sponsored charter schools.

### Major Changes to Basic State Aid

**Student Growth** — The approved amount includes an increase of \$132,166,200 above FY 2003 from the General Fund for student growth in school districts and charter schools. Of this amount, \$83,741,600 is for school district and district-sponsored charter school Average Daily

Membership (ADM) growth, and \$48,424,600 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 “current year growth” funding if its ADM count goes up in the current academic year. Current year growth funding, however, is not provided for in the capital and transportation portions of the Basic State Aid formula, which are paid on a prior year 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 2004 amount assumes a 3.2% increase in the total statewide ADM count for academic year 2002-2003 and an additional 3.2% increase for academic year 2003-2004. (Both will affect the cost of Basic State Aid in FY 2004.)

The estimated ADM breakdown for academic year 2003-2004 equals 857,475 district non-charter pupils, 3,200 district charter pupils and 76,889 state board charter pupils—for a total ADM count of 937,564.

**2% Deflator** — The approved amount includes a General Fund increase of \$73,304,600 above FY 2003 for a 2% deflator. This includes a 2% increase in the formula funding “base level” (A.R.S. § 15-901.B2), the charter school “Additional Assistance” funding level (A.R.S. § 15-185.B4), and the transportation funding level per route mile (A.R.S. § 15-945.A5).

A.R.S. § 901.01, as established by Proposition 301, requires the Legislature to increase the base level or other components of the Revenue Control Limit (RCL) by 2% each year through FY 2006. After FY 2006 it requires the

base level or other components of the RCL to be increased by 2% or by the change in the GDP price deflator, whichever is less. A.R.S. § 901.01 prohibits the Legislature from ever setting a base level that is lower than the FY 2002 base level (\$2,687.32).

The 2% increase in the base level will result in a base level amount of \$2,822.74 per pupil for FY 2004.

The 2% increase in transportation route mile funding will provide \$1.68 or \$2.07 per route mile for FY 2004, depending on the category (*see A.R.S. § 15-945.A5*).

Growth in School District Assessed Valuation — Growth in school district Net Assessed Valuation (NAV) increases the amount of formula funding that is generated locally, thereby reducing the need for Basic State Aid. The approved FY 2004 amount includes a General Fund reduction of \$(137,287,500) below FY 2003 for NAV growth, which assumes 10% 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 \$51,062,100 above FY 2003 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 February 17, 2003, the JLBC reported that the FY 2004 rates would be as follows: QTR = \$1.96 or \$3.92 (depending upon the type of school district) per \$100 of NAV; County Equalization = \$0.47 per \$100 of NAV.

Endowment Earnings — The approved amount includes a General Fund increase of \$10,501,900 above FY 2003 in order to compensate for a \$(10,501,900) reduction in “Endowment Earnings” from the Permanent State School Fund for FY 2004. This assumes that \$59,761,100 in Endowment Earnings will be available to help fund Basic State Aid costs in FY 2004 versus \$70,263,000 in FY 2003.

The estimated \$(10,501,900) decrease in Endowment Earnings for FY 2004 is due to first-time implementation of a new formula for computing “expendable” endowment earnings, or required by Proposition 102 from November 1998.

Endowment Earnings consist of interest on securities held in the Permanent State Common School Fund and receipts from leases of state lands. A.R.S. § 37-521, as amended by Proposition 301, dedicates all growth in expendable endowment earnings above the FY 2001 level to the Classroom Site Fund. The estimated \$59,761,100 in expendable endowment earnings for FY 2004, however, is below the “baseline” level of endowment earnings from FY 2001 (\$72,263,000). As a result, no endowment earnings will be distributed to the Classroom Site Fund for FY 2004.

K-12 Rollover — The approved amount includes \$191,293,800 that was advance appropriated by the FY 2003 Education ORB (Laws 2002, Chapter 330, Section 49) in order to make on July 1, 2003 (the first day of FY 2004) a deferred Basic State Aid payment from June 2003 (the “rollover”). This \$191,293,800 rollover payment was erroneously included in the General Appropriation Act total for Basic State Aid for FY 2004. As a result, Basic State Aid funding will need to be reduced by \$191,293,800 in order to provide the intended level of funding.

Since the intended funding level did not permanently “pay off” the K-12 rollover, the Education ORB for FY 2004 (Laws 2003, Chapter 264, Section 37) advance appropriates \$191,293,800 in Basic State Aid funding for FY 2005 in order to make an FY 2004 rollover payment on July 1, 2004 (the first day of FY 2005). The K-12 rollover will not be paid off permanently until “13 months” of Basic State Aid payments are appropriated for a given fiscal year.

Additional School Day — In addition to the approved amount, the Basic State Aid program will receive \$48,727,700 in Proposition 301 Fund monies (an increase of \$17,197,600) for additional school days in FY 2004. 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 \$48,727,700 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 \$48,727,700 amount is intended to fund a 178-day school year. This is an increase of 3 school days above the 175-day school year that existed prior to Proposition 301.

Proposition 301 requires a 180-day school year by FY 2006. It allocates \$66,957,200 in Proposition 301 Fund monies in FY 2005 for a 179-day school year and \$86,280,500 per year starting in FY 2006 for a 180-day school year.

Rapid Decline — The approved amount includes a General Fund decrease of \$(2,429,800) for Rapid Decline funding (A.R.S. § 15-942). Section 40 of the Education ORB

(Laws 2003, Chapter 264) revised the formula for FY 2004 so that qualifying schools would only be eligible for 50% of the formula costs. The Governor, however, vetoed Section 40 of the FY 2004 Education ORB. The Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto.

The veto does not add back funding into the General Appropriation Act, so the approved amount still includes a (\$2,429,800) reduction for this issue.

**FY 2003 Supplemental** — Section 120 of the General Appropriation Act (Laws 2003, Chapter 262) appropriated \$5,000,000 in supplemental Basic State Aid funding to the department for FY 2003. This additional funding is included in the funding summary table for this cost center and for the agency as a whole.

**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 \$23,424,000 above FY 2003 for higher formula costs due to projected increases in homeowner tax levies for the fiscal year.

**Assistance to School Districts for Children of State Employees** — The approved amount (all from the State General Fund) includes an increase of \$64,300 above FY 2003 for projected formula costs. 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 amount (all from the General Fund) is unchanged from FY 2003. 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 amount (all from the General Fund) includes an increase of \$3,266,000 above FY 2003 for growth in formula cost for special education vouchers. The approved total includes \$29,556,400 in pass-through funding for special education vouchers and \$61,200 for program administration (unchanged except for technical adjustments). The line item includes 1 FTE Position.

The approved amount includes an increase of \$591,100 for a 2% increase in the K-12 funding formula “base level” under Proposition 301. 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***

**Technical Adjustments** — The FY 2004 approved amounts include technical adjustments for Employee Related Expenditures, Other Fund health and dental insurance changes and Other Fund retirement changes. *(Please see the General Provisions section at the end of this Appropriations Report for further details on these changes.)*

**Adult Education Assistance** — The approved amount (all from the General Fund) is unchanged from FY 2003. The total appropriation of \$4,438,200 includes \$351,000 for program administration and \$4,087,200 in pass through funding. The line item includes 4 FTE Positions. 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 amount (all from the General Fund) is unchanged from FY 2003. 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 amount (all from the General Fund) is unchanged from FY 2003. The total appropriation includes \$144,600 for program administration and \$651,700 in pass through funding for schools. The line item includes 3 FTE Positions. The program funds chemical abuse prevention programs for students in grades K-12 pursuant to A.R.S. § 15-712.

**English Learner Grants** — The approved amount (all from the General Fund) was appropriated by Laws 2001, Chapter 9, 2<sup>nd</sup> Special Session (the “Flores” bill) and is unchanged from FY 2003. 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 Chapter 9 funding continues through FY 2005.

**Extended School Year** — The approved amount (all from the General Fund) is unchanged from FY 2003. The program helps pay for extended school year programs for handicapped students, as required by A.R.S. § 15-881.

**Family Literacy** — The approved amount (all from the General Fund) is unchanged from FY 2003. The line item includes 1 FTE Position. 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 amount (all from the General Fund) is unchanged from FY 2003 other than for technical adjustments. The approved total consists of \$108,900 for program administration and \$1,192,500 in pass-through monies for schools. The line item includes 2 FTE Positions. 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 amount (all from the General Fund) is unchanged from FY 2003. 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 amount (all from the General Fund) includes a decrease of \$(1,000,000) below FY 2003. (The actual amount of funding available for the program is \$1,000,000 in both FY 2003 and FY 2004. Section 39 of the Education ORB transferred to the General Fund an inadvertent double appropriation for the program for FY 2003.) The program funds training and continued development of teachers on reading instruction and scientifically based reading research pursuant to A.R.S. § 15-704.

**Residential Placement** — The approved amount (all from the General Fund) is unchanged from FY 2003. 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 \$4,659,700 in “Proposition 301 Fund” monies (unchanged other than for technical adjustments) and \$18,400 in State General Fund monies (also unchanged other than for technical adjustments). The line item includes 14 FTE Positions.

<u>Item</u>	<u>FY 2004</u>
School Profiles (6 FTE Positions per year)	\$ 387,800
Solution Teams	3,600,000
SAIS Maintenance (8 FTE Positions per year)	599,000
Standard Changes	<u>91,300</u>
<b>Total</b>	<b>\$4,678,100</b>

The FY 2004 total in *Table 2* does not include \$2,255,500 in Proposition 301 sales tax monies that are appropriated for Stanford 9 testing for the year. This increases the overall appropriation of “Proposition 301 Fund” monies to \$6,915,200. (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. § 42-5029(E7). 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) is unchanged from FY 2003 other than for technical adjustments. This line item includes 3 FTE Positions. 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 (all from the General Fund) is unchanged from FY 2003 other than for technical adjustments. The program also receives \$7,800,000 in Proposition 301 sales tax monies each year that is automatically appropriated by A.R.S. § 42-5029(E6). The line item includes 3 FTE Positions. The program places peace officers and juvenile probation officers in schools pursuant to A.R.S. § 15-154.

**Small Pass-Through Programs** — The approved amount (all from the General Fund) is unchanged from FY 2003. 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 amount (all from the General Fund) is unchanged from FY 2003. The total appropriation consists of \$334,200 for program administration and \$19,074,400 in pass-through money for schools. The line item includes 4.7 FTE Positions. 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 amount (all from the General Fund) is unchanged other than for technical adjustments. The total appropriation consists of \$1,936,000 for program administration and \$9,218,100 in pass-through monies for schools. The line item includes 32 FTE Positions. The program provides block grants to school districts and charter schools that have career and technical education programs.

**Vocational Education Extended Year** — The approved amount (all from the General Fund) includes an increase of \$200,000 above FY 2003 for elimination of a one-time lump sum reduction. 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 Legislation: Education; Omnibus Budget Reconciliation; 2003-2004 (Chapter 330)** — As noted under the Basic State Aid narrative, this bill advance appropriates \$191,293,800 in Basic State Aid funding for FY 2005 in order to make an FY 2004 rollover payment on July 1, 2004 (the first day of FY 2005). In addition, as also is noted in the Basic State Aid narrative, the General Appropriation Act (Laws 2003, Chapter 262) appropriated \$5,000,000 in supplemental funding to the department for Basic State Aid for FY 2003.

The Education ORB also included these provisions: 1) allow school employees to use severance pay, sick leave payouts or vacation payouts to purchase federal tax sheltered "403" annuity plans, retroactive to May 1, 2003; 2) modify language in Laws 2003, Chapter 3, 1<sup>st</sup> Special Session regarding a "cap" on Excess Utilities" expenditures to make the cap relative to actual FY 2002 expenditures for Excess Utilities rather than to budgeted amounts; 3) allow school districts to have a shorter than 36-week school year using longer days; and 4) give

Flagstaff Unified more time to correct budget errors through reduced state aid.

**Veto:** Education; Omnibus Budget Reconciliation; 2003-2004 (Chapter 264) – The Governor vetoed Section 40 of this bill, which revised the Rapid Decline formula for FY 2004 so that qualifying schools would only be eligible for 50% of the formula costs. This Appropriations Report has incorporated the veto without making an assessment of its legality. As of this writing, there is pending litigation concerning the legality of this particular veto. (*See the "Rapid Decline" narrative under "Basic State Aid" for more information.*)

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