

Department of Education
Summary

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| DESCRIPTION | FY 2004 ACTUAL | FY 2005 ESTIMATE | FY 2006 JLBC |
|---------------------------------|----------------------|----------------------|----------------------|
| PROGRAM BUDGET | | | |
| General Services Administration | 14,119,400 | 18,537,000 | 16,050,400 |
| Assistance to Schools | 3,010,600,200 | 3,223,296,100 | 3,355,067,300 |
| State Board of Education | 416,600 | 605,800 | 610,100 |
| AGENCY TOTAL | 3,025,136,200 | 3,242,438,900 | 3,371,727,800 |

| OPERATING BUDGET | | | |
|---------------------------------------|----------------------|----------------------|----------------------|
| <i>Full Time Equivalent Positions</i> | 206.2 | 207.2 | 208.2 |
| Personal Services | 3,829,600 | 4,746,900 | 4,746,900 |
| Employee Related Expenditures | 1,011,400 | 1,150,700 | 1,155,000 |
| Professional and Outside Services | 167,900 | 150,900 | 150,900 |
| Travel - In State | 95,200 | 58,000 | 58,000 |
| Travel - Out of State | 4,300 | 0 | 0 |
| Other Operating Expenditures | 1,727,900 | 1,170,400 | 1,170,400 |
| Equipment | 88,000 | 0 | 0 |
| OPERATING SUBTOTAL | 6,924,300 | 7,276,900 | 7,281,200 |
| Special Line Items (SLI) | 3,018,211,900 | 3,235,162,000 | 3,364,446,600 |
| AGENCY TOTAL | 3,025,136,200 | 3,242,438,900 | 3,371,727,800 |

| FUND SOURCES | | | |
|---|----------------------|----------------------|----------------------|
| General Fund | 2,959,417,900 | 3,184,039,500 | 3,319,567,700 |
| <u>Other Appropriated Funds</u> | | | |
| Permanent State School Fund | 59,761,100 | 46,509,100 | 43,223,000 |
| Proposition 301 Fund | 4,452,100 | 7,000,000 | 7,000,000 |
| School Improvement Revenue Bond Debt Service Fund | 0 | 3,215,000 | 0 |
| Teacher Certification Fund | 1,505,100 | 1,675,300 | 1,937,100 |
| SUBTOTAL - Other Appropriated Funds | 65,718,300 | 58,399,400 | 52,160,100 |
| SUBTOTAL - Appropriated Funds | 3,025,136,200 | 3,242,438,900 | 3,371,727,800 |
| Other Non-Appropriated Funds | 380,417,000 | 465,269,700 | 496,074,400 |
| Federal Funds | 680,270,200 | 769,725,900 | 805,542,300 |
| TOTAL - ALL SOURCES | 4,085,823,400 | 4,477,434,500 | 4,673,344,500 |

| CHANGE IN FUNDING SUMMARY | FY 2005 to FY 2006 JLBC | |
|---------------------------|-------------------------|----------|
| | \$ Change | % Change |
| General Fund | 135,528,200 | 4.3% |
| Other Appropriated Funds | (6,239,300) | (10.7%) |
| Total Appropriated Funds | 129,288,900 | 4.0% |
| Non Appropriated Funds | 66,621,100 | 5.4% |
| Total - All Sources | 195,910,000 | 4.4% |

AGENCY DESCRIPTION — The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 2006 it is anticipated that the department will oversee 228 school districts and approximately 500 charter schools in their provision of public education from preschool through grade 12.

| PERFORMANCE MEASURES | FY 2003 Actual | FY 2004 Actual | FY 2005 Estimate | FY 2006 JLBC |
|---|-------------------|-------------------|---------------------|-----------------|
| • % of agency staff turnover | NA | NA | 18 | -- |
| • Administration as a % of total cost | NA | NA | 0.2 | -- |
| • Total cost of administration (\$ in millions) | NA | NA | 6.8 | -- |

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

RECOMMENDED CHANGES FROM FY 2005

| | | <u>FY 2006</u> |
|--|-----------|-----------------------|
| Basic State Aid | | |
| Enrollment Growth @ 3.2% | GF | \$152,090,000 |
| Net Assessed Value Growth @ 8% | GF | (122,492,800) |
| 2% Inflator (Prop 301) | GF | 78,730,800 |
| "Truth in Taxation" | GF | 34,080,000 |
| FY 2005 Base Adjustment | GF | (10,000,000) |
| Endowment Earnings OF <u>\$(3,286,100)</u> | GF | <u>3,286,100</u> |
| | GF | \$135,694,100 |

| | | |
|--|-----------|---------------------|
| Additional State Aid ("Homeowner's Rebate") | | |
| Net Assessed Value Growth @ 8% | GF | \$17,395,200 |
| FY 2005 Base Adjustment | GF | <u>(16,851,700)</u> |
| | GF | \$ 543,500 |

| | | |
|-----------------------------------|-----------|---------------------|
| Other | | |
| Achievement Testing | GF | \$(2,744,100) |
| Special Education Fund Caseload | GF | 2,034,700 |
| Hayden-Winkelman OF \$(3,215,000) | | |
| Teacher Certification OF 219,500 | | |
| Standard Changes OF <u>42,300</u> | GF | <u>0</u> |
| | GF | \$ (709,400) |

* * *

JLBC RECOMMENDED FORMAT — Varies by Program

JLBC RECOMMENDED FOOTNOTES

New Footnotes

The department shall provide an updated report on its budget status every two months for the first half of each fiscal year and every month thereafter to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and Director of the Joint Legislative Budget Committee. Each report shall include, at a minimum, the department's current funding surplus or shortfall projections for Basic State Aid and other major formula-based programs. *(Currently the department does not provide budget status reports on a periodic basis, which makes it difficult to monitor changes in current year funding requirements for Basic State Aid and other large formula-based programs.)*

Notwithstanding A.R.S. § 35-173C, any transfer to or from the amount appropriated for Basic State Aid Entitlement, Additional State Aid to Schools, Certificates of

Educational Convenience or the Special Education Fund line items shall require review by the Joint Legislative Budget Committee. *(This footnote would require JLBC Committee review of department plans to transfer monies to or from line items for formula programs.)*

OTHER ISSUES

The total recommended General Fund amount of \$3,319,567,700 for FY 2006 includes \$191,293,800 that will not appear in the General Appropriation Act for FY 2006 because it was already "advance appropriated" by Laws 2004, Chapter 278, Section 12. This funding is for the "K-12 Rollover."

| SUMMARY OF FUNDS | FY 2004 Actual | FY 2005 Estimate |
|--|-------------------|-------------------------|
| Academic Contests (EDA1006/A.R.S. § 15-1241) | | Non-Appropriated |
| Source of Revenue: Legislative appropriations from the state General Fund. | | |
| Purpose of Fund: To pay for sending state level winners of academic contests and their chaperons to national contests. | | |
| Funds Expended from the General Fund | 50,000 | 50,000 |
| Other Funds Expended | 0 | 10,700 |
| Year-End Fund Balance | 10,700 | 0 |
| Assistance for Education (EDA2420/A.R.S. § 15-973.01) | | Non-Appropriated |
| Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617. | | |
| Purpose of Fund: To provide additional funding support for public schools. | | |
| Funds Expended | 0 | 124,400 |
| Year-End Fund Balance | 74,400 | 34,000 |
| Charter Schools Stimulus (EDA1007/A.R.S. § 15-188) | | Non-Appropriated |
| Source of Revenue: Legislative appropriations from the state General Fund. | | |
| Purpose of Fund: To encourage the establishment of charter schools by assisting with charter school start-up costs. | | |
| Funds Expended from the General Fund | 0 | 0 |
| Year-End Fund Balance | 0 | 0 |
| Classroom Site (EDA2471/A.R.S. § 15-977) | | Non-Appropriated |
| Source of Revenue: Monies transferred to the fund from a 0.6% sales tax and growth in the Permanent State School Fund expendable earnings above the FY 2001 level. Those transfers and establishment of the fund itself were authorized by voter approval of Proposition 301 in the November 2000 General Election. | | |
| Purpose of Fund: To provide additional funding for teacher compensation increases based on performance (40%); teacher base salary increases (20%); and class size reduction, AIMS intervention programs, teacher development, dropout prevention and teacher liability insurance premiums (40%). | | |
| Funds Expended | 265,305,200 | 274,532,700 |
| Year-End Fund Balance | 20,031,500 | 20,031,500 |
| Education Commodity (EDA4210/A.R.S. § 15-1152) | | Non-Appropriated |
| Source of Revenue: Fees from school districts participating in the federal Food Commodities Program. | | |
| Purpose of Fund: To pay for costs of administering the federal Food Commodities Program. | | |
| Funds Expended | 160,200 | 136,100 |
| Year-End Fund Balance | 128,400 | 70,600 |
| Education Donations (EDA2025/A.R.S. § 35-142) | | Non-Appropriated |
| Source of Revenue: Grants received by the department from foundations or other private sector donors. | | |
| Purpose of Fund: To help pay for conferences, programs or other activities that are sponsored by donor organizations. | | |
| Funds Expended | 144,800 | 43,200 |
| Year-End Fund Balance | 92,700 | 50,500 |
| English Learner Classroom Personnel Bonus (EDA2485/A.R.S. § 15-943.04) | | Non-Appropriated |
| Source of Revenue: Appropriation from Laws 2001, Chapter 9, 2 nd Special Session (the "Flores" bill). | | |
| Purpose of Fund: To provide bonuses to classroom personnel based on the number of English Learners who become proficient in English. | | |
| Funds Expended from the General Fund | 3,060,000 | 3,060,000 |
| Other Funds Expended | 2,737,800 | 30,600 |
| Year-End Fund Balance | 61,300 | 30,700 |

| SUMMARY OF FUNDS | FY 2004 Actual | FY 2005 Estimate |
|---|-------------------|-------------------------|
| Extraordinary Special Education Needs (EDA2483/A.R.S. § 15-774) | | Non-Appropriated |
| Source of Revenue: Legislative appropriations from the state General Fund. | | |
| Purpose of Fund: To provide grants for extraordinary special education costs. | | |
| Funds Expended | 0 | 0 |
| Year-End Fund Balance | 0 | 0 |
| Failing Schools Tutoring (EDA2470/A.R.S. § 15-241) | | Non-Appropriated |
| Source of Revenue: Monies automatically appropriated to the fund from a 0.6% sales tax. That tax and the fund itself were authorized by voters through passage of Proposition 301 in the November 2000 General Election. Proposition 301 automatically appropriates \$1,500,000 per year to the fund from the 0.6% sales tax revenues. As of the end of FY 2004, ADE had spent only a small portion of deposits into the fund because “failing schools” were still being identified. Unspent prior year appropriations are being carried forward and eventually will be spent. | | |
| Purpose of Fund: To pay for the tutoring of students in “failing schools” pursuant to A.R.S. § 15-241. | | |
| Funds Expended | 4,300 | 1,500,000 |
| Year-End Fund Balance | 4,370,700 | 4,370,000 |
| Federal (EDA2000/A.R.S. § 35-142) | | Non-Appropriated |
| Source of Revenue: Federal grants for programs such as Child Nutrition Assistance, Federal Impact Aid - Public Law 81-874, Title I, Special Education - Title VIB, and Vocational Education. | | |
| Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants. | | |
| Funds Expended | 680,270,200 | 769,725,900 |
| Year-End Fund Balance | 4,141,000 | 1,200,700 |
| Full-Day Kindergarten (EDA2507/Laws 2004, Ch. 278) | | Non-Appropriated |
| Source of Revenue: Legislative appropriations from the State General Fund. | | |
| Purpose of Fund: To provide eligible schools with funding for full-day kindergarten. | | |
| Funds Expended from the General Fund | 0 | 21,000,000 |
| Year-End Fund Balance | 0 | 0 |
| Instructional Improvement (EDA2492/A.R.S. § 15-979) | | Non-Appropriated |
| Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. | | |
| Purpose of Fund: Clearing fund for Proposition 202 revenues that are dedicated to public schools. | | |
| Funds Expended | 16,350,800 | 37,031,800 |
| Year-End Fund Balance | 109,600 | 0 |
| Internal Services (EDA4209/A.R.S. § 35-142) | | Non-Appropriated |
| Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures. | | |
| Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures. | | |
| Funds Expended | 4,650,300 | 8,350,100 |
| Year-End Fund Balance | 5,291,700 | 1,281,400 |

| SUMMARY OF FUNDS | FY 2004 Actual | FY 2005 Estimate |
|------------------|-------------------|---------------------|
|------------------|-------------------|---------------------|

Permanent State School (EDA3138/A.R.S. § 37-521) Partially-Appropriated

Source of Revenue: Monies received from the sale or lease of state school trust lands and interest earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund, up to the amount generated in FY 2001 (\$72,263,000), are automatically appropriated first to pay for debt service on State School Facilities Revenue Bonds, Qualified Zone Academy Bonds or State School Trust Revenue Bonds. Any remaining monies from the \$72,263,000 baseline total are then subject to appropriation to the Department of Education (ADE) to help fund Basic State Aid pursuant to A.R.S. § 15-971(H). Expendable earnings beyond the \$72,263,000 baseline total from FY 2001 are automatically deposited into the Classroom Site Fund, as required by A.R.S. § 37-521(B4).

In the display below, the "Appropriated Funds Expended" total equals the amount used for Basic State Aid. The "Transfer to Classroom Site Fund" total consists of monies that are automatically appropriated from this fund into the Classroom Site Fund pursuant to A.R.S. § 37-521(B4). (See "State Land Trust Bond Debt Service Fund" and "School Improvement Revenue Bond Debt Service Fund" in the Summary of Funds for the School Facilities Board budget for information on other uses of expendable monies from this fund.)

Purpose of Fund: To support common schools.

| | | |
|--|------------|------------|
| Appropriated Funds Expended | 59,761,100 | 46,509,100 |
| Transfer to Classroom Site Fund | 0 | 6,880,400 |
| Year-End Fund Balance | 2,371,600 | 73,000 |

Production Revolving (EDA4211/A.R.S. § 15-237) Non-Appropriated

Source of Revenue: Print shop collections from in-house and interagency publishing.

Purpose of Fund: Revolving fund for revenues and expenditures from the agency print shop.

| | | |
|------------------------------|-----------|-----------|
| Funds Expended | 2,003,600 | 2,187,300 |
| Year-End Fund Balance | 1,213,400 | 433,600 |

Proposition 301-Appropriated (EDA1004/A.R.S. § 42-5029.E7) Appropriated

Source of Revenue: Legislative appropriation of sales tax revenue from Proposition 301 from the November 2000 General Election.

Purpose of Fund: To pay for school accountability functions required by Education 2000.

| | | |
|------------------------------|-----------|-----------|
| Funds Expended | 4,452,100 | 7,000,000 |
| Year-End Fund Balance | 0 | 0 |

Proposition 301-Non Appropriated (No Fund Number/A.R.S. § 42-5029.E5&6) Non-Appropriated

Source of Revenue: Monies automatically appropriated by Proposition 301 for additional school days, School Safety and Character Education and carry forward monies from the Proposition 301 school accountability program.

Purpose of Fund: To pay Proposition 301 costs for additional school days, School Safety and Character Education.

| | | |
|------------------------------|------------|------------|
| Funds Expended | 58,031,500 | 83,995,800 |
| Year-End Fund Balance | 1,275,500 | 1,162,300 |

Research Based Reading Instruction and Reading

Instruction Training (EDA2413/Laws 2002, Chapter 295) Non-Appropriated

Source of Revenue: Legislative appropriations from the state General Fund.

Purpose of Fund: Pays for teacher training in methods of reading instruction, pursuant to A.R.S. § 15-704.

| | | |
|---|-------|-------|
| Funds Expended from the General Fund | 0 | 0 |
| Other Funds Expended | 0 | 3,000 |
| Year-End Fund Balance | 3,000 | 0 |

School Improvement Revenue Bond Debt Service (SFA5020/A.R.S. § 15-2084) Appropriated

Source of Revenue: Revenues from 0.6% increase in the state Transaction Privilege Tax, as approved under Proposition 301 in the 2000 General Election.

Purpose of Fund: To pay the debt service on \$832,865,000 in Proposition 301 revenue bonds and \$20,000,000 in Qualified Zone Academy Bond (QZAB) revenue bonds (see School Facilities Board). For FY 2005, the fund is also being used to provide the Hayden-Winkelman Unified School District with \$3,215,000 to pay off bonds, which it must repay by July 1, 2015 (Laws 2004, Chapter 278, Section 17).

| | | |
|---|---|-----------|
| Funds Expended from the General Fund | 0 | 3,215,000 |
| Year-End Fund Balance | 0 | 0 |

| SUMMARY OF FUNDS | FY 2004 Actual | FY 2005 Estimate |
|---|-------------------|-------------------------|
| Special Education (EDA1009/A.R.S. § 15-1182) | | Non-Appropriated |
| Source of Revenue: Legislative appropriations from the state General Fund. | | |
| Purpose of Fund: To provide voucher funding for students attending the Arizona State Schools for the Deaf and the Blind pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. | | |
| Funds Expended from the General Fund | 27,883,500 | 31,093,500 |
| Other Funds Expended | 0 | 2,085,500 |
| Year-End Fund Balance | 2,585,600 | 500,100 |
| Teacher Certification (EDA1003/A.R.S. § 15-531) | | Appropriated |
| Source of Revenue: Fees collected by the State Board of Education from teachers and other school personnel who apply for professional certification. | | |
| Purpose of Fund: To provide monies for operation of the department's Teacher Certification program. (The fund technically is a sub-account of the state General Fund, rather than a statutorily-created separate fund.) | | |
| Funds Expended | 1,505,100 | 1,675,300 |
| Year-End Fund Balance | 820,700 | 1,020,800 |
| Arizona Youth Farm Loan (EDA2136/A.R.S. § 15-1172) | | Non-Appropriated |
| Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation. | | |
| Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere. | | |
| Funds Expended | 35,000 | 35,000 |
| Year-End Fund Balance | 380,300 | 353,800 |

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