

# Department of Education

## Summary

JLBC: Steve Schimpp/Nick Klingerman/Leah Ruggieri

OSPB: Stacey Morley

DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
<b>PROGRAM BUDGET</b>			
Administration	5,203,400	6,000,300	5,467,500
Formula Programs	3,082,481,600	3,281,781,200	3,508,739,500
Non-Formula Programs	96,391,700	106,336,700	106,626,700
State Board of Education	587,000	625,700	625,700
<b>AGENCY TOTAL</b>	<b>3,184,663,700</b>	<b>3,394,743,900</b>	<b>3,621,459,400</b>

### OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	207.2	214.9	226.9
Personal Services	4,523,700	5,777,900	5,777,900
Employee Related Expenditures	1,182,300	1,550,700	1,527,400
Professional and Outside Services	278,800	898,900	366,100
Travel - In State	44,400	127,800	127,800
Travel - Out of State	2,000	0	0
Other Operating Expenditures	1,460,200	1,545,300	1,568,600
Equipment	86,000	0	0
<b>OPERATING SUBTOTAL</b>	<b>7,577,400</b>	<b>9,900,600</b>	<b>9,367,800</b>
Special Line Items (SLI)	3,177,086,300	3,384,843,300	3,612,091,600
<b>AGENCY TOTAL</b>	<b>3,184,663,700</b>	<b>3,394,743,900</b>	<b>3,621,459,400</b>

### FUND SOURCES

General Fund	3,130,204,100	3,342,529,300	3,567,247,100
<u>Other Appropriated Funds</u>			
Permanent State School Fund	46,509,100	43,223,000	45,220,700
Proposition 301 Fund	3,078,800	7,000,000	7,000,000
School Improvement Revenue Bond Debt Service Fund	3,215,000	0	0
Teacher Certification Fund	1,656,700	1,991,600	1,991,600
SUBTOTAL - Other Appropriated Funds	54,459,600	52,214,600	54,212,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,184,663,700</b>	<b>3,394,743,900</b>	<b>3,621,459,400</b>
Other Non-Appropriated Funds	424,004,300	551,025,800	536,556,700
Federal Funds	797,803,400	862,034,500	862,034,500
<b>TOTAL - ALL SOURCES</b>	<b>4,406,471,400</b>	<b>4,807,804,200</b>	<b>5,020,050,600</b>

### CHANGE IN FUNDING SUMMARY

	FY 2006 to FY 2007 JLBC	
	\$ Change	% Change
General Fund	224,717,800	6.7%
Other Appropriated Funds	1,997,700	3.8%
Total Appropriated Funds	226,715,500	6.7%
Non Appropriated Funds	(14,469,100)	(1.0%)
Total - All Sources	212,246,400	4.4%

**AGENCY DESCRIPTION** — The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 2007 it is anticipated that the department will oversee 237 school districts, accommodation districts and Joint Technological Education Districts and approximately 500 charter schools in their provision of public education from preschool through grade 12.

**RECOMMENDED CHANGES FROM FY 2006**

**FY 2007**

**Basic State Aid**

Enrollment Growth @ 3.25%	GF	\$165,822,700
Net Assessed Value Growth @ 10%	GF	(156,000,000)
2% Inflator (Prop 301)	GF	81,250,200
“Truth in Taxation”	GF	55,346,800
FY 2005 Base Adjustment	GF	46,000,000
TAPBI	GF	2,000,000
DJC	GF	336,800
Endowment Earnings	OF	<u>1,997,700</u>
	GF	<u>(1,997,700)</u>
	<b>OF</b>	<b>\$1,997,700</b>
	<b>GF</b>	<b>\$192,758,800</b>

**Additional State Aid (“Homeowner’s Rebate”)**

Net Assessed Value Growth @ 10%	GF	\$19,743,100
Business Property Tax	GF	12,829,400
FY 2005 Base Adjustment	GF	<u>(3,087,000)</u>
	<b>GF</b>	<b>\$29,485,500</b>

**Other**

Special Education Fund - Caseload	GF	\$1,439,200
Special Education Fund - 2% Inflator	GF	662,600
Other State Aid - Base Adjustment	GF	583,100
Other State Aid - Caseload	GF	31,400
Achievement Testing - Caseload	GF	290,000
Agency Information Factory	GF	<u>(532,800)</u>
	<b>GF</b>	<b>\$2,473,500</b>

**TOTAL**                      **OF \$1,997,700** **GF** **\$224,717,800**

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**JLBC RECOMMENDED FORMAT** — Varies by Program

**JLBC RECOMMENDED FOOTNOTES**

*Standard Footnotes*

The department shall provide an updated report on its budget status every 2 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 of Representatives Appropriations Committees, the Director of the Joint Legislative Budget Committee and the Director of the

Governor's Office of Strategic Planning and Budgeting. 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 and shall be due 30 days after the end of the applicable reporting period.

Within 15 days of each apportionment of state aid that occurs pursuant to A.R.S. § 15-973(B), the department shall provide the Joint Legislative Budget Committee Staff and the Governor's Office of Strategic Planning and Budgeting with an electronic spreadsheet or database copy of data included in the apor55-1 report for that apportionment for each school district and the char55-1 report for that apportionment for each charter school.

*Deletion of Prior Year Footnotes*

The JLBC recommends deleting the footnote requiring the department to compute Average Daily Membership (ADM) counts for the first 140 days of the 2005-2006 school year and report on how they differ from ADM counts through the first 100 days of the year.

**OTHER ISSUES**

In addition to the total recommended FY 2007 General Fund amount of \$3,567,247,100, \$29,610,000 from the General Fund is set aside for Flores litigation legislation. During the 2005 Legislative Session, the Legislature approved HB 2718 to address the Flores litigation on English Learner funding, but the Governor vetoed it. This issue will again be addressed in separate legislation outside of the General Appropriation Act for FY 2007. The \$29,610,000 set-aside total for FY 2007 is comparable to the funding amount approved in last year’s legislation.

The total recommended General Fund amount of \$3,567,247,100 for FY 2007 includes \$191,293,800 that will not appear in the General Appropriation Act for FY 2007 because it was already “advance appropriated” by Laws 2005, Chapter 329, Section 11. This funding is for the “K-12 Rollover.”

<b>SUMMARY OF FUNDS</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Estimate</b>
<b>Academic Contest Fund (EDA1006/A.R.S. § 15-1241)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund (expenditures are not displayed to avoid double counting of General Fund).		
<b>Purpose of Fund:</b> To pay for sending state level winners of academic contests and their chaperons to national contests.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	10,700	0

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
<b>Assistance for Education Fund</b> (EDA2420/A.R.S. § 15-973.01)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide additional funding support for public schools.		
<b>Funds Expended</b>	0	74,400
<b>Year-End Fund Balance</b>	117,100	82,700
<b>Certificate of Participation</b> (EDA5005/A.R.S. § 41-791.02)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
<b>Purpose of Fund:</b> To make COP lease-purchase payments on buildings under such agreements.		
<b>Funds Expended</b>	600,000	0
<b>Year-End Fund Balance</b>	0	0
<b>Charter Schools Stimulus</b> (EDA1007/A.R.S. § 15-188)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the State General Fund.		
<b>Purpose of Fund:</b> To encourage the establishment of charter schools by assisting with charter school start-up costs.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,600	3,600
<b>Classroom Site Fund</b> (EDA2471/A.R.S. § 15-977)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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%).		
<b>Funds Expended</b>	296,182,500	391,792,000
<b>Year-End Fund Balance</b>	40,438,900	0
<b>Education Commodity Fund</b> (EDA4210/A.R.S. § 15-1152)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees from school districts participating in the federal Food Commodities Program.		
<b>Purpose of Fund:</b> To pay for costs of administering the federal Food Commodities Program.		
<b>Funds Expended</b>	131,200	90,000
<b>Year-End Fund Balance</b>	137,900	136,600
<b>Education Donations Fund</b> (EDA2025/A.R.S. § 35-142)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants received by the department from foundations or other private sector donors.		
<b>Purpose of Fund:</b> To help pay for conferences, programs or other activities that are sponsored by donor organizations.		
<b>Funds Expended</b>	71,200	1,815,300
<b>Year-End Fund Balance</b>	1,278,700	63,400
<b>English Learner Classroom Personnel Bonus</b> (EDA2485/A.R.S. § 15-943.04)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriation from Laws 2001, Chapter 9, 2nd Special Session (the "Flores" bill) (expenditures are not displayed to avoid double counting of General Fund).		
<b>Purpose of Fund:</b> To provide bonuses to classroom personnel based on the number of English Learners who become proficient in English.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,670,000	0

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
<b>Extraordinary Special Education Needs (EDA2483/A.R.S. § 15-774)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> To provide grants for extraordinary special education costs.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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 2005, 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.		
<b>Purpose of Fund:</b> To fund tutoring for students who have not yet passed portions of the high school AIMS test or who attend "failing" schools, pursuant to A.R.S. § 15-241.		
<b>Funds Expended</b>	382,500	2,806,300
<b>Year-End Fund Balance</b>	5,613,300	4,307,000
<b>Federal Funds (EDA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes that authorize the Federal grants.		
<b>Funds Expended</b>	797,803,400	862,034,500
<b>Year-End Fund Balance</b>	5,185,400	2,790,400
<b>Full-Day Kindergarten Fund (EDA2507/Laws 2004, Ch. 278)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the State General Fund (expenditures are not displayed to avoid double counting of General Fund).		
<b>Purpose of Fund:</b> To provide eligible schools with funding for full-day kindergarten.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,340,500	2,340,500
<b>Golden Rule Special Plate Fund (No Fund Number/A.R.S. § 41-133)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for Golden Rule license plates.		
<b>Purpose of Fund:</b> To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
<b>Funds Expended</b>	3,838,600	4,951,800
<b>Year-End Fund Balance</b>	25,900	53,100
<b>Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> Clearing fund for Proposition 202 revenues that are dedicated to public schools.		
<b>Funds Expended</b>	32,876,400	34,477,600
<b>Year-End Fund Balance</b>	35,400	0

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
<b>Internal Services Fund</b> (EDA4209/A.R.S. § 35-142)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
<b>Purpose of Fund:</b> Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
<b>Funds Expended</b>	12,472,600	5,823,700
<b>Year-End Fund Balance</b>	2,977,600	2,851,300
<b>Permanent State School Fund</b> (EDA3138/A.R.S. § 37-521)		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> To support common schools. In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated 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.)		
<b>Funds Expended</b>	46,509,100	43,223,000
<b>Year-End Fund Balance</b>	7,497,400	7,497,400
<b>Production Revolving Fund</b> (EDA4211/A.R.S. § 15-237)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Print shop collections from in-house and interagency publishing.		
<b>Purpose of Fund:</b> Revolving fund for revenues and expenditures from the agency print shop.		
<b>Funds Expended</b>	1,336,800	2,020,300
<b>Year-End Fund Balance</b>	965,600	130,800
<b>Proposition 301 Fund</b> (EDA1014/A.R.S. § 42-5029.E7) (EDA 1004, 1015, 1016 & 1017/A.R.S. § 42-5029.E5&6)		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> Sales tax revenue from Proposition 301 from the November 2000 General Election. The appropriated portion of the fund receives "up to \$7 million" monies appropriated by the Legislature pursuant to A.R.S. § 42-5029.E7. The non-appropriated portion receives monies automatically appropriated by Proposition 301 for additional school days, School Safety and Character Education, plus any unspent "up to \$7 million" monies from the prior year.		
<b>Purpose of Fund:</b> Appropriated monies pay for school accountability functions required by Proposition 301. Non-Appropriated monies pay for additional school days, School Safety and Character Education.		
<b>Appropriated Funds Expended</b>	3,078,800	7,000,000
<b>Non-Appropriated Funds Expended</b>	76,112,500	107,139,400
<b>Year-End Fund Balance</b>	13,383,800	524,900
<b>Research Based Reading Instruction and Reading Instruction Training</b> (EDA2413/Laws 2002, Chapter 295)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund (expenditures are not displayed to avoid double counting of General Fund).		
<b>Purpose of Fund:</b> Pays for teacher training in methods of reading instruction, pursuant to A.R.S. § 15-704.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,000	0

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
<b>School Improvement Revenue Bond Debt Service Fund</b> (SFA5020/A.R.S. § 15-2084)		<b>Appropriated</b>
<b>Source of Revenue:</b> Revenues from 0.6% increase in the state Transaction Privilege Tax, as approved under Proposition 301 in the 2000 General Election.		
<b>Purpose of Fund:</b> 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 only, 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).		
<b>Funds Expended</b>	3,215,000	0
<b>Year-End Fund Balance</b>	0	0
<b>Special Education Fund</b> (EDA1009/A.R.S. § 15-1182)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund (expenditures are not displayed to avoid double counting of General Fund).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,000,000	500,600
<b>Teacher Certification Fund</b> (EDA1003/A.R.S. § 15-531)		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected by the State Board of Education from teachers and other school personnel who apply for professional certification.		
<b>Purpose of Fund:</b> 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.)		
<b>Funds Expended</b>	1,656,700	1,991,600
<b>Year-End Fund Balance</b>	270,500	244,900
<b>Arizona Youth Farm Loan Fund</b> (EDA2136/A.R.S. § 15-1172)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	35,000
<b>Year-End Fund Balance</b>	389,600	363,600