

Department of Education
Summary

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DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC
PROGRAM BUDGET			
Administration	5,648,900	8,645,500	6,130,500
Formula Programs	3,499,445,900	3,974,994,100	4,274,390,800
Non-Formula Programs	105,945,000	99,989,200	94,584,900
State Board of Education	552,500	757,600	757,700
AGENCY TOTAL	3,611,592,300	4,084,386,400	4,375,863,900
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	214.9	251.9	254.9
Personal Services	5,066,600	6,543,000	6,543,000
Employee Related Expenditures	1,390,400	1,909,700	1,908,000
Professional and Outside Services	674,000	349,000	349,000
Travel - In State	41,900	107,600	107,600
Travel - Out of State	3,900	0	0
Other Operating Expenditures	1,323,200	1,372,200	1,359,100
Equipment	229,700	90,000	90,000
OPERATING SUBTOTAL	8,729,700	10,371,500	10,356,700
Special Line Items (SLI)	3,602,862,600	4,074,014,900	4,365,507,200
AGENCY TOTAL	3,611,592,300	4,084,386,400	4,375,863,900
FUND SOURCES			
General Fund	3,555,287,500	4,028,165,600	4,321,312,700
<u>Other Appropriated Funds</u>			
Permanent State School Fund	50,295,000	45,220,700	45,220,700
Proposition 301 Fund	3,755,400	7,000,000	7,000,000
School Improvement Revenue Bond Debt Service Fund	318,100	1,865,400	0
Teacher Certification Fund	1,936,300	2,134,700	2,330,500
SUBTOTAL - Other Appropriated Funds	56,304,800	56,220,800	54,551,200
SUBTOTAL - Appropriated Funds	3,611,592,300	4,084,386,400	4,375,863,900
Other Non-Appropriated Funds	533,621,900	569,159,300	613,973,300
Federal Funds	862,323,700	829,023,400	829,023,400
TOTAL - ALL SOURCES	5,007,537,900	5,482,569,100	5,818,860,600

CHANGE IN FUNDING SUMMARY

	FY 2007 to FY 2008 JLBC	
	\$ Change	% Change
General Fund	293,147,100	7.3%
Other Appropriated Funds	(1,669,600)	(3.0%)
Total Appropriated Funds	291,477,500	7.1%
Non Appropriated Funds	44,814,000	3.2%
Total - All Sources	336,291,500	6.1%

AGENCY DESCRIPTION — The Department of Education is headed by the Superintendent of Public Instruction, an elected constitutional officer. For FY 2008 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.

CHANGES FROM FY 2007

FY 2008

Basic State Aid

Enrollment Growth @ 3.3%	GF	\$182,850,000
Net Assessed Value Growth @ 13.2%	GF	(203,444,500)
“Truth in Taxation”	GF	90,179,200
2% Inflator (Prop 301)	GF	83,931,500
Kindergarten Group B Weight	GF	80,000,000
JTED Fund Full Formula	GF	34,000,000
TAPBI Enrollment Growth	GF	<u>1,000,000</u>
	GF	\$268,516,200

Additional State Aid (“Homeowner’s Rebate”)

Net Assessed Value Growth @ 13.2%	GF	\$21,146,000
Business Property Tax	GF	<u>11,599,900</u>
	GF	\$32,745,900

Other

Teach America	GF	(2,000,000)
E-Learning	GF	(3,000,000)
Information Technology	GF	(2,500,000)
Physical Education Pilot	GF	(600,000)
Hayden-Winkelman	OF (1,865,400) GF	0
Teacher Certification	OF 195,100 GF	0
Standard Changes	OF <u>700</u> GF	<u>(15,000)</u>
	OF (1,669,600) GF	(8,115,000)

TOTAL OF \$(1,669,600) GF \$293,147,100

FORMAT — Varies by Program

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 Chairpersons 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. § 15-973B, 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

K-12 Rollover Payoff

Laws 2006, Chapter 353 appropriated \$191,000,000 from the state General Fund to the department in FY 2006 to pay off the K-12 Rollover, which initially deferred \$191,000,000 in Basic State Aid costs from FY 2003 to FY 2004 as a budget balancing measure. The department did not actually distribute the rollover payoff monies until the beginning of FY 2007 (they were non-lapsing through June 30, 2007), so the state accounting system reports the payoff as occurring during FY 2007 rather than FY 2006. The numbers table above reflects this expenditure as a FY 2006 expenditure in line with Chapter 353. The Statement of Statewide General Fund Revenues and Expenditures in the JLBC Summary volume reflects the rollover payoff as a one-time FY 2007 expense to conform with the state accounting system.

FY 2007 Supplemental

The Department of Education (ADE) currently projects a \$(9.7) million General Fund shortfall for FY 2007 based on revised FY 2006 student counts and very preliminary Average Daily Membership (ADM) growth estimates for FY 2007. (Basic State Aid costs for FY 2007 will be affected by ADM counts from both FY 2006 and FY 2007.) ADE's FY 2007 ADM growth estimates are not based on actual ADM data from the current school year, as they are not yet available. They therefore are subject to considerable further change once ADM counts for the first 100 days of the school year become available in February or March 2007. Pending receipt of this additional data, the JLBC Baseline does not include ADE supplemental funding.

SUMMARY OF FUNDS	FY 2006	FY 2007
	Actual	Estimate
Academic Contest Fund (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. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	10,700	10,700

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Assistance for Education Fund (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	75,000
Year-End Fund Balance	155,100	114,100
Certificate of Participation (EDA5005/A.R.S. § 41-791.02)		Non-Appropriated
Source of Revenue: Rental and tenant improvement charges to agencies occupying buildings under Certificate of Participation (COP) lease-purchase agreements.		
Purpose of Fund: To make COP lease-purchase payments on buildings under such agreements.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools.		
Funds Expended	0	0
Year-End Fund Balance	24,400	36,400
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	0	0
Year-End Fund Balance	0	0
Classroom Site Fund (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	402,224,600	406,900,600
Year-End Fund Balance	350,000	0
Displaced Pupils Choice Grant Fund (EDA2533/A.R.S. § 15-817.06)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide qualifying displaced pupils with grants to be applied toward tuition and fees charged by nongovernmental schools. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
e-Learning Fund (EDA1020/A.R.S. § 15-1044)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund the e-learning pilot program established by Laws 2006, Chapter 375. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Education Commodity Fund (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	132,300	67,300
Year-End Fund Balance	112,500	135,200
Education Donations Fund (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	1,077,200	1,237,000
Year-End Fund Balance	1,180,600	1,189,600
English Learner Classroom Personnel Bonus (EDA2485/A.R.S. § 15-943.04)		Non-Appropriated
Source of Revenue: General Fund appropriation from Laws 2001, Chapter 9, 2nd Special Session.		
Purpose of Fund: To provide bonuses to classroom personnel based on the number of English Learners who become proficient in English. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	335,800	335,800
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 Fund (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. Unspent prior year appropriations are being carried forward and eventually will be spent.		
Purpose of Fund: 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. Laws 2006, Chapter 266 also allows ADE to use monies from the fund to purchase materials designed to help students meet the Arizona Academic Standards and pass the AIMS test in order to graduate from high school.		
Funds Expended	882,500	1,500,000
Year-End Fund Balance	6,231,600	6,231,600
Federal Funds (EDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	862,323,700	829,023,400
Year-End Fund Balance	2,141,400	72,600
Full-Day Kindergarten Fund (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. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	78,400	77,000

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Golden Rule Special Plate Fund (No Fund Number/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	0	0
Year-End Fund Balance	0	0
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	3,823,900	4,448,200
Year-End Fund Balance	1,100,300	971,200
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	3,584,700	4,322,400
Year-End Fund Balance	746,900	577,100
Instructional Improvement Fund (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	22,476,700	45,000,000
Year-End Fund Balance	20,086,700	19,950,100
Internal Services Fund (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	1,627,600	2,464,300
Year-End Fund Balance	1,451,300	521,000
Permanent State School Fund (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 "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.)		
Purpose of Fund: To support common schools.		
Funds Expended	50,295,000	45,220,700
Year-End Fund Balance	2,371,700	2,371,700

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Production Revolving Fund (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	1,281,100	1,630,300
Year-End Fund Balance	791,100	336,900
Proposition 301 Fund (EDA1014/A.R.S. § 42-5029.E7) (EDA 1004, 1015, 1016 & 1017/A.R.S. § 42-5029.E5&6)		Partially-Appropriated
Source of Revenue: 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.		
Purpose of Fund: Appropriated monies pay for school accountability functions required by Proposition 301. Non-Appropriated monies pay for additional school days, School Safety and Character Education.		
Appropriated Funds Expended	3,755,400	7,000,000
Non-Appropriated Funds Expended	96,511,300	101,479,200
Year-End Fund Balance	17,317,900	10,118,900
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. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,000	3,000
Arizona Scholarships for Pupils With Disabilities Program Fund (EDA2534/A.R.S. § 15-891.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide disabled pupils with scholarships to attend the public or non-public school of their choice. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
School Improvement Revenue Bond Debt Service Fund (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 budget pages). For FY 2006, the fund was also provided Colorado City Unified with \$318,100 to pay existing warrants (the district's Basic State Aid will be reduced over a 5-year period starting in FY 2007 to repay that amount). For FY 2007, the fund also provided \$1,865,400 to Hayden-Winkelman Unified to repay existing bonds (the district is required to repay that amount with interest over a 3-year period starting in FY 2008).		
Funds Expended	318,100	1,865,400
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Special Education Fund (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. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	8,061,100	8,061,100
Statewide Compensatory Instruction Fund (EDA1018/A.R.S. § 15-756.11)		Non-Appropriated
Source of Revenue: Legislative appropriations from the State General Fund.		
Purpose of Fund: To supplement existing instruction for English Language Learners. Supplemental instruction may include individual or small group instruction, extended day classes, summer school or intersession school. Expenditures are not displayed to avoid double counting of General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Structured English Immersion Fund (EDA1002/A.R.S. § 15-756.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund additional instructional costs of English Language Learners.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Teacher Certification Fund (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	1,936,300	2,134,700
Year-End Fund Balance	789,500	1,397,700
Arizona Youth Farm Loan Fund (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	0	35,000
Year-End Fund Balance	394,400	374,100