

**Department of Education**  
**Formula Programs**

A.R.S. § 15-231

	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	29.0	29.0	29.0 <sup>1/</sup>
Personal Services	1,272,200	1,428,000	1,428,000
Employee Related Expenditures	381,800	421,300	545,900
Professional and Outside Services	5,300	10,000	10,000
Travel - In State	0	22,300	22,300
Other Operating Expenditures	305,200	215,200	215,200
Equipment	11,200	0	0
<b>OPERATING SUBTOTAL</b>	<b>1,975,700</b>	<b>2,096,800</b>	<b>2,221,400</b>
<b>SPECIAL LINE ITEMS</b>			
Basic State Aid	3,496,161,100	3,185,553,600	3,886,587,700 <sup>2/3/4/5/6/</sup>
Additional State Aid	366,134,800	404,880,500	404,880,500
Special Education Fund	35,237,700	35,237,700	35,242,100
Other State Aid to Districts	700,500	983,900	983,900
<b>PROGRAM TOTAL</b>	<b>3,900,209,800</b>	<b>3,628,752,500</b>	<b>4,329,915,600<sup>7/8/</sup></b>
<b>FUND SOURCES</b>			
General Fund	3,854,989,100	3,583,531,800	4,283,440,100
<u>Other Appropriated Funds</u>			
Permanent State School Fund	45,220,700	45,220,700	46,475,500
SUBTOTAL - Other Appropriated Funds	45,220,700	45,220,700	46,475,500
<b>SUBTOTAL - Appropriated Funds</b>	<b>3,900,209,800</b>	<b>3,628,752,500</b>	<b>4,329,915,600</b>
Other Non-Appropriated Funds	622,001,800	491,816,400	458,190,400
<b>TOTAL - ALL SOURCES</b>	<b>4,522,211,600</b>	<b>4,120,568,900</b>	<b>4,788,106,000</b>

**COST CENTER DESCRIPTION** — This program funds the agency’s School Finance Unit, which processes formula funding payments to schools and monitors school district and charter school compliance with school budgeting laws. It also funds the formula programs themselves, the largest of which are Basic State Aid and Additional State Aid. Basic State Aid provides the state’s share of equalization assistance to school districts and charter schools based on a funding formula set in statute. Additional State Aid funds the “Homeowner’s Rebate” program, through which the state pays a portion of each homeowner’s school property taxes.

- <sup>1/</sup> Includes 1 FTE Position funded from Special Line Items in FY 2010 prior to the lump sum reductions.
- <sup>2/</sup> Laws 2008, Chapter 287 appropriation of \$603,513,900.
- <sup>3/</sup> Excludes a \$(472,114,000) reduction from Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11 that would be backfilled with federal stabilization funding authorized by the American Recovery and Reinvestment Act of 2009 (ARRA).
- <sup>4/</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 \$46,475,500 in expendable income derived from the Permanent State School Fund and from state trust lands pursuant to A.R.S. § 37-521B for FY 2010. (General Appropriation Act footnote)
- <sup>5/</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)
- <sup>6/</sup> 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 of Arizona 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)
- <sup>7/</sup> See agency summary for agencywide lump sum reductions and fund transfers.
- <sup>8/</sup> General Appropriation Act funds are appropriated as Operating Lump Sum with Special Line Items by Program. Special Education Fund monies are as appropriated by Laws 2009, 1<sup>st</sup> Regular Session, Chapter 12. All other monies are as appropriated by Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1.

**Table 1**

**FY 2010 Basic State Aid Summary**

	<u>General Fund</u>	<u>Permanent State School Fund</u>	<u>Prop 301 Sales Tax</u>	<u>Local Property Taxes</u>	<u>Total</u>
Basic State Aid from FY 2009	\$3,140,332,900 <sup>1/</sup>	\$45,220,700	\$ 86,280,500	\$1,915,549,700	\$5,187,383,800
Changes for FY 2010:					
Base Adjustment – Cash Balances	300,000,000				300,000,000
2% Inflator	102,093,100				102,093,100
Endowment Earnings		1,254,800			1,254,800
No Early Kindergarten Repeating	(11,200,000)				(11,200,000)
Vehicle License Tax Shift	(22,000,000) <sup>2/</sup>			0	(22,000,000)
Added Rollover Payment for FY 2010	<u>330,886,200</u> <sup>3/</sup>				<u>330,886,200</u>
<b>Total – Cost after Formula Changes</b>	<b>\$3,840,112,200</b> <sup>4/ 5/</sup>	<b>\$46,475,500</b> <sup>5/</sup>	<b>\$86,280,500</b>	<b>\$1,915,549,700</b>	<b>\$5,888,417,900</b>

<sup>1/</sup> Includes \$(123,198,000) in mid-year FY 2009 reductions from Laws 2009, 1<sup>st</sup> Special Session, Chapter 6 and a \$(300,000,000) reduction from Laws 2009, Chapter 5.

<sup>2/</sup> Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1 included a \$(22,000,000) General Fund reduction for this issue. SB 1025, 3<sup>rd</sup> Special Session included a related provision to offset the reduction with \$22,000,000 in local VLT monies, but that bill was vetoed by the Governor. As a result, the table shows no offsetting local revenue for this issue.

<sup>3/</sup> The total rollover payment for FY 2010 from Laws 2008, Chapter 287 is \$602,627,700, plus \$886,200 in related interest costs. Given the \$272,627,700 in rollover funding for FY 2009, this represents a net increase of \$330,886,200 for FY 2010.

<sup>4/</sup> Excludes a \$(472,114,000) reduction from Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11, which would be backfilled with federal stabilization funding authorized by the American Recovery and Reinvestment Act of 2009 (ARRA).

<sup>5/</sup> Represents appropriated Basic State Aid Funds. Proposition 301 monies for Basic State Aid are not appropriated.

**Operating Budget**

The budget includes \$2,221,400 and 28 FTE Positions from the General Fund for the operating budget in FY 2010. These amounts fund the following adjustments:

**Statewide Health Insurance Adjustments**

The budget includes an increase of \$124,600 from the General Fund in FY 2010 for state employee health insurance statewide adjustments. *(Please see the General Provisions section.)*

**Basic State Aid**

The budget includes \$3,886,587,700 for Basic State Aid in FY 2010. This amount consists of:

	<b>FY 2010</b>
General Fund	\$3,840,112,200
Permanent State School Fund	46,475,500

FY 2010 adjustments are described in the “Major Changes to Basic State Aid” section below.

The \$3,886,587,700 total does not include \$86,280,500 in “additional school day” funding from Proposition 301 that will be allocated through Basic State Aid in FY 2010 because those monies are non-appropriated *(See Table 1)*. It also excludes local property tax monies that will help fund K-12 formula costs for FY 2010 (which also are non-appropriated) and a General Fund reduction of \$(472,114,000) that is contingent upon the receipt of federal “stimulus” monies from the American Recovery and Reinvestment Act of 2009 (ARRA) *(see “ARRA” narrative below for more information.)*

The \$3,886,587,700 appropriated total includes a net General Fund increase of \$699,779,300 and a \$1,254,800 increase from the Permanent State School Fund for FY 2010. Components of the General Fund decrease are described in detail after the overview of Arizona’s K-12 equalization funding formula that appears below.

Formula Overview

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) formula funding among school districts, enabling them all to spend approximately the same amount of formula 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 components: the Base Support Level (BSL), Transportation Support Level (TSL), Capital Outlay Revenue Limit (CORL), and Soft Capital. 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) in order to determine the amount of funding that is assumed to come from local sources under the formula. If this amount exceeds the district’s equalization base, it is not entitled to Basic State Aid. If, however, its “local share” funding does not exceed its equalization base, the district receives Basic State Aid funding 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 an Optional Performance Incentive Program pursuant to A.R.S. § 15-919.

Basic State Aid is also provided to charter schools, which are schools that 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 that of 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 BSL funding plus “Additional Assistance.” BSL funding for charter schools is determined under the same formula prescribed for traditional public schools, which is in A.R.S. § 15-943. Additional Assistance funding amounts are established in A.R.S. § 15-185B4 and for FY 2010 equal \$1,588.44 per pupil for Grades K-8 and \$1,851.30 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 taxes.

### **Major Changes to Basic State Aid**

The narrative below describes major changes to Basic State Aid funding for FY 2010 relative to the revised Basic State Aid appropriation for FY 2009 of \$3,185,553,600.

#### **Continue FY 2009 Mid-Session Reductions**

The budget includes no change from the General Fund in FY 2010 in order to continue FY 2009 mid-session budget reductions from Laws 2009, 1<sup>st</sup> Special Session, Chapter 1. Chapter 1 reduced Basic State Aid funding by \$(123,198,000) in FY 2009 through the following changes: 1) a \$(98,198,000) decrease in Base Support Level funding for school districts, 2) a \$(21,000,000) reduction in Soft Capital funding for school districts, and 3) a \$(4,000,000) reduction in Additional Assistance funding for charter schools. The Base Support Level and Soft Capital reductions are continued for FY 2010 through a permanent reduction in the per pupil “base level” amount defined in A.R.S. § 15-901B2 (*see “2% Inflation Adjustment”*

*narrative below for more information*). The \$(4,000,000) charter school Additional Assistance reduction is continued for FY 2010 through a permanent reduction in the charter school Additional Assistance per pupil funding amounts authorized in A.R.S. § 15-185B4 (*see also “2% Inflation Adjustment” narrative below for more information*).

On a related note, Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 (the K-12 BRB for FY 2010) establishes for FY 2010 a separate Revenue Control Limit calculation for purposes of overrides that does not reflect the \$(119,198,000) in school district formula reductions from the January 2009 Special Session.

#### **Base Adjustment - Cash Balances**

The budget includes an increase of \$300,000,000 from the General Fund in FY 2010 in order to restore a one-time funding reduction authorized by Laws 2009, Chapter 5 pertaining to school district cash balances. Chapter 5 reduced K-12 formula funding for FY 2009 by \$(300,000,000) and Laws 2009, Chapter 6 required school districts to use existing cash balances in order to offset this reduction. Chapter 6 also requires the department to apportion to school districts by the close of business on October 15, 2009, K-12 formula funding equal to the portion of the \$(300,000,000) reduction not covered by school district cash balances, plus 2% interest.

Chapter 6 did not appropriate monies to fund the difference, if any, between school district cash balances and the \$(300,000,000) reduction amount and the FY 2010 budget does not appropriate funding for this issue. It therefore is possible that the department will require supplemental funding in FY 2010 in order to cover any potential funding shortfall in FY 2010 for this issue.

On a related note, Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 amended Laws 2009, Chapter 6 in order to include rollover monies in the calculation of school district cash balances. It also changed from October 15 to November 2 (the first business day of November) the date on which ADE shall apportion monies to school districts to fund the portion of the \$300,000,000 reduction from Laws 2009, Chapter 6 not covered by school district cash balances.

#### **Base Adjustment - Caseload**

The budget includes no change from the General Fund in FY 2010 for a caseload-related base adjustment. Basic State Aid costs for FY 2010 are expected to decrease by \$(33,180,700) from the General Fund in FY 2010 due to lower than projected ADM growth in FY 2009. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1, however, does not incorporate a funding reduction for this issue. The lower ADM growth in FY 2009 permanently reduces the base number of students being funded through the K-12 equalization formula, which decreases starting point Basic State Aid costs for FY 2010.

## Enrollment Growth

The budget includes no change from the General Fund in FY 2010 for enrollment growth. This assumes that there will be no net routine enrollment growth for FY 2010. The assumed ADM count for FY 2010, however, includes an ADM reduction of (2,250) pupils (0.2%) for FY 2010 for a related policy issue that is described separately below (*see "No Early Kindergarten Repeating" policy issue for more information*) (Table 2).

**Table 2**

**Average Daily Membership (ADM)  
Students by Academic Year**

Districts (including Charters) <sup>1/</sup>	State		Total	Change	% Change
	Charters	Total			
2006	914,653	83,568	998,221	27,236	2.8%
2007	936,497	87,904	1,024,401	26,180	2.6%
2008	951,685	93,100	1,044,785	20,384	2.0%
2009 <sup>2/</sup>	946,934	101,120	1,048,054	3,269	0.3%
2010 <sup>3/</sup>	945,396	100,408	1,045,804	(2,250)	(0.2)%

<sup>1/</sup> Includes 682 charter school ADM for FY 2007 (actual), and an estimated 568 for FY 2008, 482 for FY 2009 and 386 for FY 2010.  
<sup>2/</sup> Estimated.  
<sup>3/</sup> Assumes no net change for routine enrollment growth, but a reduction of (2,250) ADM for a new prohibition on "early Kindergarten repeaters."

## 2% Inflation Adjustment

The budget includes an increase of \$102,093,100 from the General Fund in FY 2010 for a 2% inflation increase in the per pupil base level prescribed in A.R.S. § 15-901B2. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 2, increases the base level in A.R.S. § 15-901B2 by 2%, which would result in a FY 2010 base level of \$3,267.72 for FY 2010. This amount is \$65.83 above the revised FY 2009 base level of \$3,201.89. The latter base level reflects \$(119,198,000) in mid-year funding reductions for school districts for FY 2009 pursuant to Laws 2009, 1<sup>st</sup> Special Session, Chapter 6. The \$(119,198,000) amount included a \$(98,198,000) session law reduction in base level funding and a \$(21,000,000) session law reduction in Soft Capital funding for FY 2009 (*see "Continue FY 2009 Mid-Session Reduction" policy issue above for more information*). For FY 2010, however, the entire \$(119,198,000) amount is being permanently continued through a base level reduction only (none through Soft Capital).

Laws 2009, 3<sup>rd</sup> Special Session, Chapter 2 also increases by 2% the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school "Additional Assistance" amounts prescribed in A.R.S. § 15-185B4. This will provide \$1.89 or \$2.32 per route mile in FY 2010, depending on average per pupil route miles for a district pursuant to A.R.S. § 15-945A5. It also will fund charter school additional assistance in FY 2010 at \$1,588.44 per pupil for Kindergarten through grade 8 and \$1,851.30 per pupil for high school students. The total estimated cost of the 2% increase for transportation and charter school Additional Assistance funding for FY 2010 is \$8,212,100. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1,

however, does not include a funding increase for these issues.

The charter school Additional Assistance amounts of \$1,588.44 per pupil for Kindergarten through grade 8 and \$1,851.30 per pupil for high school students from Chapter 2 also reflect charter school funding adjustments from Laws 2009, 1<sup>st</sup> Special Session, Chapter 6 (*see "Continue FY 2009 Mid-Session Reductions" policy issue above for more information*). Chapter 6 reduced charter school Additional Assistance funding for FY 2009 by \$(4,000,000) statewide as a mid-year budget reduction measure. It also reduced school district funding by \$(119,198,000), which did not affect charter schools for FY 2009, but would affect them for FY 2010 without an offsetting increase in charter school Additional Assistance funding. This is because the \$(119,198,000) school district decrease is being continued in FY 2010 through a permanent reduction in the base level in A.R.S. § 15-901B2 and that base level also affects charter schools. As a result, the FY 2010 charter school Additional Assistance amounts of \$1,588.44 per pupil for Kindergarten through grade 8 and \$1,851.30 per pupil for high school students incorporate an increase of approximately 8.3% in order to offset the Chapter 6-related per pupil base level reductions from FY 2009.

On a related note, Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 would have reduced charter school Additional Assistance funding from the General Fund by \$(5,000,000) statewide in FY 2010 below the revised FY 2009 level on a session law basis. The Governor line-item vetoed this provision.

## Net Assessed Value Growth

The budget includes no change from the General Fund in FY 2010 for a reduction in Basic State Aid costs due to Net Assessed Value (NAV) growth. Basic State Aid costs are expected to decrease by approximately \$(182,397,200) in FY 2010 due to NAV growth. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1, however, does not include a funding reduction for this issue.

The estimated \$(182,397,200) decrease assumes that the combined Net Assessed Value (NAV) of all properties statewide will grow by 10.8% for FY 2010. Growth in statewide NAV increases "local share" funding for Basic State Aid because the K-12 "Qualifying Tax Rate" (QTR) generates more local funding when property values rise. This reduces the amount of K-12 equalization formula funding that must be provided by the state General Fund.

The assumed 10.8% NAV growth rate for FY 2010 is higher than might be expected during a slowing economy primarily because 1) FY 2010 NAVs will be based on property values from January 2008 (prior to much of the current economic slowdown), and 2) caps on NAV growth for homes in the State Constitution are deferring the impact of past housing price increases. Regarding the

latter issue, the State Constitution caps annual NAV growth for homes at 10%, or at 25% of the difference between a home’s primary and secondary NAV, whichever is less. This has the effect of spreading out over a period of years the NAV impact of rapid increase in home prices, such as occurred in Arizona prior to calendar year 2007.

The estimated \$(182,397,200) amount does not include offsets for higher “Truth in Taxation” and Additional State Aid costs that occur when statewide NAV values increase. Those increases partially offset state savings due to NAV growth and are discussed separately below.

**Truth in Taxation**

The budget includes no change from the General Fund in FY 2010 for Truth in Taxation (TNT) pursuant to A.R.S. § 41-1276. Basic State Aid costs are expected to increase by approximately \$110,790,200 in FY 2010 because of TNT. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1, however, does not include a funding increase for this issue.

The TNT law requires a lowering of the K-12 QTR each year in order to offset growth in local property values. This increases Basic State Aid costs because it reduces the amount of “local share” monies that are generated by the QTR and the state must make up the difference.

As of February 15, 2009, the JLBC reported that the FY 2010 QTR would be \$1.37 or \$2.75 (depending on the type of district and rounded to the nearest penny) per \$100 of NAV (see Table 3). SB 1025, 3<sup>rd</sup> Special Session (the Revenue BRB for FY 2010) would have officially established these amounts as the QTR rates for FY 2010. The Governor vetoed this bill. Current law, however, still automatically authorizes the \$1.37 and \$2.75 rates for FY 2010.

SB 1025 also would have permanently repealed the State Equalization Assistance Property Tax in A.R.S. § 15-994 (see “State Equalization Tax Rate” policy issue below for more information). That tax was suspended for FY 2007 through FY 2009 by Section 23 of Laws 2006, Chapter 254. When in effect, it also is adjusted annually for TNT.

<b>Tax Rate</b>	<b>Estimated TNT Tax Rates</b>	
	<b>FY 2009</b>	<b>FY 2010</b>
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.4622	\$1.3726
• Unified districts and elementary districts not located within a high school district	\$2.9244	\$2.7452
• State Equalization Tax Rate (SETR)	(suspended)	\$0.3306

**Endowment Earnings**

The budget includes an increase of \$1,254,800 from the Permanent State School Fund in FY 2010 for Basic State Aid. This change is due to lower debt service costs for FY 2010 for State School Trust Revenue Bonds and Qualified Zone Academy Bonds (QZABs) issued by the School Facilities Board (SFB) in past years in order to

fund deficiencies correction in public schools. Debt service costs on those bonds is funded with monies from the Permanent State School Fund pursuant to A.R.S. § 37-521B1. The SFB projects that combined debt service costs for State School Trust Revenue Bonds and QZABs will equal \$25,787,500 in FY 2010, which would be \$(1,254,800) less than corresponding costs for FY 2009. This is expected to increase the amount of land trust monies that are available to fund Basic State Aid in FY 2010 by \$1,254,800, to a total of \$46,475,500. It also is expected to reduce Basic State Aid costs from the General Fund by \$(1,254,800). Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1, however, does not include a General Fund funding reduction for this issue.

Endowment Earnings consist of interest on securities held in the Permanent State School Fund, receipts from leases of state lands and interest paid to the State Land Department by buyers of state trust land who purchase land on an installment basis. “Principal” on those purchases is not considered expendable and is instead deposited into the Permanent State School Fund for investment by the State Treasurer.

**Soft Capital Reduction**

The budget includes no change from the General Fund in FY 2010 for Soft Capital funding authorized by A.R.S. § 15-962. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 would have reduced General Fund funding for Soft Capital by \$(175,000,000) for FY 2010. The Governor line-item vetoed this provision.

On a related note, Chapter 12 repealed a provision in Laws 2009, 3<sup>rd</sup> Special Session, Chapter 2 (from the July 6<sup>th</sup> budget agreement) that would have essentially restored Soft Capital funding after October 1, 2009. This repeal has no practical impact, however, since the line-item veto described above already restores Soft Capital funding for FY 2010.

HB 2648, 1<sup>st</sup> Regular Session (as transmitted to the Governor on June 30, 2009) also would have reduced Soft Capital funding by \$(175,000,000) for FY 2010. The Governor likewise vetoed that bill.

As noted above in the “Continue FY 2009 Mid-Session Reductions” narrative, Laws 2009, 1<sup>st</sup> Special Session, Chapter 6 reduced Soft Capital funding statewide by \$(21,000,000) for FY 2009 as a mid-year budget reduction measure. That reduction is being continued for FY 2010 through an adjustment to the base level amount in A.R.S. § 15-901B2, rather than through Soft Capital funding.

**TAPBI**

The budget includes no change from the General Fund in FY 2010 for Basic State Aid costs for the Technology Assisted Project Based Instruction Program (TAPBI) authorized by A.R.S. § 15-808. Section 27 of the Education Omnibus bill for FY 2010 (Laws 2009, Chapter

95) provides Basic Support Level (BSL) funding for full-time TAPBI pupils at 95% of what they otherwise would receive and BSL funding for part-time TAPBI students at 85% of what they otherwise would receive, starting in FY 2010. Prior to this change, full and part-time TAPBI pupils both received the same level of BSL funding as corresponding non-TAPBI pupils. The estimated state savings for this change for FY 2010 is \$(10,000,000). Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1, however, does not include a funding reduction for this issue.

In addition to the changes described above, Chapter 95 changes the name of the TAPBI program to “Arizona Online Instruction” (AOI) and removes a cap on the number of AOI sites. Currently only 7 school districts and 7 charter schools are authorized to participate in the program. Chapter 95 requires new school district AOI sites to be approved by the State Board of Education and new charter AOI sites to be approved by the State Board for Charter Schools.

Chapter 95 also makes the following changes to the TAPBI program: 1) as permanent law, beginning July 1, 2010, requires the State Board of Education and State Board for Charter Schools to develop annual reporting mechanisms for schools that participate in TAPBI; 2) as session law, stipulates TAPBI reporting requirements through July 31, 2010; 3) as permanent law, limits the TAPBI program to in-state students only; and 4) as permanent law, requires TAPBI programs to proctor the administration of required state standardized tests.

### **Career Ladder Suspension**

The budget includes no change from the General Fund in FY 2010 for the Career Ladder program. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 establishes a maximum base level increase for Career Ladder districts of 5.0% rather than 5.5% (the current law level) for FY 2010 and limits the program to teachers who participated in it during FY 2009. This will result in an estimated General Fund savings of \$(3,868,100) for FY 2010. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1, however, does not include a funding reduction for this issue.

On a related note, Chapter 12 repealed a provision in Laws 2009, 3<sup>rd</sup> Special Session, Chapter 2 (from the July 6<sup>th</sup> budget agreement) that essentially would have restored full funding for Career Ladder programs for FY 2010 after October 1, 2009. This repeal has no practical impact, however, since Chapter 12 also includes the provision described above to fund Career Ladder at a reduced level for FY 2010.

HB 2648, 3<sup>rd</sup> Special Session (as transmitted to the Governor on June 30, 2009) also would have established a maximum base level increase for Career Ladder districts of 5.0% rather than 5.5% for FY 2010. The Governor vetoed that bill.

### **No Early Kindergarten Repeating**

The budget includes a decrease of \$(11,200,000) from the General Fund in FY 2010 for a new prohibition on Basic State Aid funding for pupils who enter Kindergarten early and then repeat Kindergarten the following year. This change is pursuant to Laws 2009, 3<sup>rd</sup> Special Session, Chapter 2, which amends A.R.S. § 15-821 in order to prohibit Basic State Aid funding in the second year of Kindergarten for a child who turns 5 years old after September 1<sup>st</sup> of the year that they initially enter Kindergarten. Chapter 2 notwithstanding this change, however, on a session law basis for FY 2010 for pupils who were enrolled in a Kindergarten program before the effective date of the Act. Chapter 2 also permits a school district or charter school to charge tuition in the second year of Kindergarten for a pupil who is ineligible for Basic State Aid funding pursuant to this change. The budget assumes a savings of \$(11,200,000) for this issue for FY 2010 based on FY 2009 data on early Kindergarten repeaters. This change is assumed to reduce the statewide ADM count by approximately (2,250) students for FY 2010 (*see Table 2*).

### **VLT Shift**

The budget includes a decrease of \$(22,000,000) from the General Fund in FY 2010 for shifting a portion of Basic State Aid costs to city Vehicle License Tax (VLT) revenues. The Governor, however, vetoed a related provision in the Revenue BRB for FY 2010 (SB 1025, 3<sup>rd</sup> Special Session), that would have redirected \$22,000,000 in city Vehicle License Tax revenues to school districts in FY 2010 in order to offset this reduction in state funding. (The Revenue BRB was vetoed in its entirety.) As a result, state costs for Basic State Aid costs for FY 2010 will be \$22,000,000 higher than was assumed in Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1. This is not expected to result in a funding shortfall for the program, however, since the department is expected to have surplus funding for the year under its current FY 2010 appropriation. (*See “General Appropriation Act” narrative in the agency summary section for more information.*)

### **FY 2009 Rollover**

The budget includes an increase of \$330,886,200 from the General Fund in FY 2010 in order to fund a deferred Basic State Aid payment from FY 2009 and related interest costs. Laws 2008, Chapter 287 deferred until July 1, 2009 (the first day of FY 2010) \$602,627,700 in Basic State Aid and Additional State Aid funding that otherwise would have been distributed by the department to school districts and charter schools on May 15 and June 15, 2009. It also appropriated \$603,513,900 from the General Fund in FY 2010 to make the deferred payments and fund related interest costs. Of the \$603,513,900 amount, \$330,886,200 represents the increase above FY 2009, since the FY 2009 budget already included \$272,627,700 for a deferred payment from FY 2008. [Note: For FY 2008, the department erroneously rolled over the entire June 2008 payment to school districts, rather than the budgeted

amount of \$272,627,700. As a result, the actual FY 2008 rollover was \$48,511,500 higher than budgeted. The \$330,886,200 rollover increase for FY 2010 that is cited above does not reflect an adjustment for this issue.]

Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 continues to defer \$602,627,700 in Basic State Aid and Additional State Aid funding for FY 2010 until FY 2011. In addition, Chapter 12 enacts the following related provisions: 1) appropriates \$602,627,700 in FY 2011 for the deferred Basic State Aid payments and \$886,200 for related interest costs in FY 2011, 2) allows the State Board of Education to make the rollover payment no later than August 29, 2010, and 3) continues to require school districts to include in the FY 2010 revenue estimates that they use for computing their FY 2010 tax rates the rollover monies that they will receive for FY 2010 in July FY 2010.

As a result of current rollovers, the base budget for the program will include a total deferred obligation of \$602,627,700 going into FY 2011. That obligation will not be paid off until a 13<sup>th</sup> payment of \$272,627,700 (for the FY 2008 rollover) and an additional 14<sup>th</sup> payment of \$330,000,000 (for the additional FY 2009 rollover) are provided in a future year in addition to 12 “regular” payments for that year.

#### **Joint Technological Education Districts**

The budget includes no change in funding from the General Fund in FY 2010 for Basic State Aid costs for Joint Technological Education Districts (JTEDs). Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 funds Basic State Aid costs for JTEDs for FY 2010 at 91% of the full formula amount, which is estimated to provide JTEDs with approximately \$75,000,000 in Basic State Aid funding for the year (unchanged from FY 2009). This unchanged funding level nonetheless is expected to allow 2 new JTEDs to begin operating in FY 2010 without an increase in total state funding due to projected 10.8% growth in the local property tax base for JTEDs statewide for FY 2010. This growth will increase the amount of local property taxes generated in support of JTEDs for FY 2010 and will reduce statewide Basic State Aid costs for JTEDs accordingly. The 2 new JTEDs for FY 2010 are comprised of school districts from La Paz, Mohave and Yavapai Counties. The K-12 Education BRB also, as session law, continues to “hold harmless” a JTED if the 91% adjustment factor cited above otherwise would cause it to receive less state aid in FY 2010 than in FY 2009, apart from reductions due to changes in student counts, property values and other technical factors.

#### **Rapid Decline**

The budget provides no change in funding from the General Fund in FY 2010 for Rapid Decline. This continues to provide no funding for the program, which was suspended through session law for FY 2009. (For FY 2005 through FY 2008, Rapid Decline was funded at 50% through session law provisions enacted for those

years.) Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 permanently eliminates funding for the program by repealing its authorizing statute (A.R.S. § 15-942). The Rapid Decline formula temporarily buffered funding losses that otherwise would have occurred when a district lost more than 5% of its ADM count in a given year.

#### **ARRA**

The budget includes no change from the General Fund in FY 2010 for a decrease of \$(472,114,000) that is conditional upon the state’s receipt of education stabilization fund monies from the American Recovery and Reinvestment Act of 2009 (ARRA). (*See Budget Highlights section at the front section of this book for more information.*) Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11 stipulates that if the state receives federal assistance from the federal education stabilization fund established by ARRA, the FY 2010 Basic State Aid and Additional State Aid General Fund appropriation is reduced by \$(472,114,000). Chapter 11 further stipulates that:

- 1) It is the intent of the Legislature that in FY 2010 \$472,114,000 in federal education stabilization fund monies will be disbursed to school districts and not-for-profit charter schools to offset the \$(472,114,000) reduction in state funding.
- 2) As soon as possible after the effective date of the act, ADE shall reduce scheduled Basic State Aid and Additional State Aid payments to school districts for FY 2010 by \$(472,114,000). [Note: The Governor line-item vetoed the phrase “for FY 2010” pertaining to this provision.”]
- 3) The federal “backfill monies” shall not impact the Revenue Control Limit (RCL) of any school district.
- 4) The reduction does not affect for-profit charter schools, which are ineligible for federal “backfill” monies.
- 5) The sum of Basic State Aid, Additional State Aid, and federal “backfill” monies that school districts and non-for-profit charter schools receive for FY 2010 shall not exceed the amount of funding that they are entitled to receive under the Basic State Aid and Additional State Aid funding formulas for FY 2010, or the amount that they would receive under the state’s application for federal education stabilization fund monies.

On a related note, Laws 2009, Chapter 12, Section 50, would have required a reduction of \$(222,114,000) rather than \$(472,114,000) from the General Fund in FY 2010 for this issue. The Governor line item vetoed that provision.

#### **State Equalization Tax Rate**

The budget provides no change in funding from the General Fund in FY 2010 for restoration of the state equalization tax rate (SETR) authorized in A.R.S. § 15-994. The Revenue BRB for FY 2010 (SB 1025, 3<sup>rd</sup> Special Session) would have permanently repealed the SETR in FY 2010, but the Governor vetoed that bill. As a

result, local property taxes will generate approximately \$250,000,000 in additional revenue to help fund K-12 formula costs in FY 2010 and state costs will decrease by the same amount. (Net formula funding to school districts will not change.) The budget does not include a \$(250,000,000) state savings for this issue. The state offset will occur automatically under the Basic State Aid formula, however, so the \$(250,000,000) state savings will be realized through an increase in the amount of unused monies that will revert to the General Fund for FY 2010.

The SETR was suspended for FY 2007 through FY 2009 by Laws 2006, Chapter 254, Section 23.

### ***Additional State Aid***

The budget includes \$404,880,500 from the General Fund for Additional State Aid in FY 2010. This amount is unchanged from FY 2009.

#### **Net Assessed Value Growth**

The budget includes no change from the General Fund in FY 2010 for changes in Net Assessed Value (NAV) growth. NAV growth for FY 2010 is expected to increase General Fund costs for Additional State Aid by \$25,921,200 in FY 2010. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1, however, does not include a funding increase for this issue.

The \$25,921,200 estimate assumes that statewide NAV in FY 2010 will grow by 10.8% for all classes of property combined (6.6% for existing property and 4.2% for new construction). It also assumes 9.5% growth for Class III properties (owner occupied homes, both new and existing) and that average school district tax rates will decrease by (7.7)% apart from changes due to Excess Utilities that are described separately below.

The \$25,921,200 estimate also includes costs associated with a reduction in the assessment ratio for business property in FY 2010 pursuant to Laws 2005, Chapter 302, as amended by Laws 2007, Chapter 258. Chapter 258 reduces the assessment ratio for Class I properties (commercial and industrial) from 23% in FY 2009 to 22% in FY 2010 (and ultimately to 20% by FY 2012). It also increases the Homeowner's Rebate from 38% of a homeowner's primary property taxes for schools in FY 2009 to 39% in FY 2010 (and 40% by FY 2011). In addition, Chapter 258 increases the current Homeowner's Rebate cap from \$560 per home in FY 2009 to \$580 in FY 2010 (and \$600 by FY 2011). Chapters 302 and 258 did not advance appropriate monies to pay for future increases in Homeowner's Rebate costs resulting from their implementation. The 10.8% NAV growth rate assumed for FY 2011, however, reflects all anticipated NAV changes for the year, including the effects of Chapters 301 and 258.

#### **Excess Utilities**

The budget includes no change from the General Fund in FY 2010 for a reduction in Additional State Aid costs due to the elimination of local property taxes for Excess Utilities. Proposition 301 from the November 2000 General Election stipulated that authority for school districts to fund Excess Utilities with local property taxes expired after FY 2009. Those taxes qualified for Homeowner's Rebate funding, so their elimination in FY 2010 will permanently reduce Homeowner's Rebate costs starting that year. A decrease of \$(14,300,000) from the General Fund is expected for this issue in FY 2010. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1, however, does not include a funding decrease for this issue.

On a related note, Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 suspends through session law a new formula for funding "actual utilities" starting in FY 2010 that was established in permanent law (A.R.S. § 15-910.04) by the K-12 Education BRB for FY 2009 (Laws 2009, Chapter 247). That new formula, if not suspended, would have funded "actual utilities" costs through Basic State Aid, rather than through local property taxes, and would have increased Basic State Aid costs for FY 2010 by approximately \$80,000,000. As session law, Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 also suspends a reporting requirement for Excess Utilities for FY 2010.

Chapter 12 also repealed a provision in Laws 2009, 3<sup>rd</sup> Special Session, Chapter 2 (from the July 6<sup>th</sup> budget agreement) that essentially would have restored full funding for "actual utilities" for FY 2010 after October 1, 2009. This repeal has no practical impact, however, since Chapter 12 also includes the provision described above to suspend the new "actual utilities" formula for FY 2010.

#### **Desegregation Programs**

The budget includes no change from the General Fund in FY 2010 for Homeowner's Rebate costs attributable to desegregation programs. A decrease of \$(797,900) from the General Fund in FY 2010 is anticipated for this issue due to a new "hard cap" on school district desegregation budgets established by Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 1, however, does not include a savings for this issue.

Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 permanently caps school district budgets for desegregation programs at the FY 2009 level starting in FY 2010. Apart from this "hard cap," local property taxes for desegregation-related programs would have increased by an estimated \$6,200,000 in FY 2010 and the state would have funded an estimated \$797,900 of that increase through the Homeowner's Rebate. That \$797,900 increase was included in the JLBC Baseline for FY 2010, which assumed that a "soft cap" on desegregation budgets would continue for FY 2010. (For FY 2005 through FY 2009, a "soft cap" allowed desegregation expenditures to increase annually for enrollment growth and inflation on a session law basis.) The new "hard cap" therefore will result in a

state savings of \$(797,900) for FY 2010 relative to baseline spending. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11, however, does not include a funding reduction for this issue.

Chapter 12 also repealed a provision in Laws 2009, 3<sup>rd</sup> Special Session, Chapter 2 (from the July 6<sup>th</sup> budget agreement) that essentially would have uncapped desegregation spending for FY 2010. This repeal has no practical impact, however, since Chapter 12 also includes the provision described above that permanently caps desegregation spending at the FY 2009 level starting in FY 2010.

On a related note, Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12 also included a provision to permanently eliminate Homeowner's Rebate funding for desegregation programs, Transportation Revenue Control Limit (TRCL) funding, and Career Ladder funding, which would have resulted in an additional estimated General Fund savings of \$(48,317,800) for FY 2010. The Governor line-item vetoed those provisions.

*Background* – Additional State Aid is authorized by A.R.S. § 15-972, which for FY 2010 will require the state to pay 39% of each homeowner's school district primary property taxes, up to a maximum of \$580 per parcel. The program also pays for any portion of a homeowner's primary property taxes for all taxing jurisdictions combined (not just schools) that exceeds 1% of the full cash value of their home. This second feature is referred to as the "1% cap" and is required by Article IX, Section 18 of the State Constitution, which limits Class 3 primary property taxes to no more than 1% of a home's full cash value. All Class III properties are eligible for both "homeowner's rebate" and "1% cap" funding.

### ***Special Education Fund***

The budget includes \$35,242,100 and 1 FTE Position from the General Fund for the Special Education Fund Special Line Item in FY 2010. These amounts fund the following adjustments:

#### **Statewide Health Insurance Adjustments**

The budget includes an increase of \$4,400 from the General Fund in FY 2010 for state employee health insurance statewide adjustments.

An adjustment for enrollment growth is not included for the program in FY 2010, as caseloads for special education vouchers are projected to remain unchanged in FY 2010.

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, Department of Economic Security (DES), Department of Health Services (DHS), or the Administrative Office of the Courts) [A.R.S. § 15-1182].

### ***Other State Aid to Districts***

The budget includes \$983,900 from the General Fund for Other State Aid to Districts in FY 2010. This amount is unchanged from FY 2009.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE).

Certificates of Educational Convenience (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 that is licensed and supervised by DES or 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.

The ASDCSE 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.

### ***Lump Sum Reduction and Fund Transfers***

*Please see agency summary for agencywide lump sum reductions and fund transfers.*

### ***Additional Legislation***

#### ***Revenue Budget Reconciliation Bill***

In addition to provisions described elsewhere, SB 1025, 3<sup>rd</sup> Special Session (the Revenue BRB for FY 2010), as permanent law, would have required a 16% assessment ratio to be used for secondary property tax purposes on Class 1 property for all voter-approved overrides and bond elections authorized after December 31, 2011. This provision would have applied to school districts, community college districts, cities, towns and counties, but exclude special taxing districts. SB 1025 would have provided that the approved bonded indebtedness does not apply in computing the constitutional debt limitations for these jurisdictions. The Governor vetoed this bill.

### ***K-12 Education Budget Reconciliation Bill***

In addition to provisions described elsewhere, the K-12 Education Budget Reconciliation Bill for FY 2010 (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 12) includes the items listed below.

#### Apportionment Schedule

- 1) As permanent law, amend the Basic State Aid and Additional State Aid “apportionment” schedule in A.R.S. § 15-973 in order to make 1 payment per month (instead of skipping August and November and making double payments in April and May under prior law) and making each payment on the 1<sup>st</sup> business day of the subsequent month (instead of on the 15<sup>th</sup> of the current month under prior law). For June, the new schedule will make a payment on the first business day of the month (for May) and on the last day of the month in order to avoid rolling the June payment each year into the next fiscal year.
- 2) As permanent law, amend the state aid payment schedule for charter schools in A.R.S. § 15-185B5 in order to match the new schedule for school districts. (Current law provides charters with 12 equal monthly payments on the 15<sup>th</sup> of each month with no skipped or double payments.)
- 3) As session law, require ADE to apportion the newly-required August state aid payment for FY 2010 across scheduled payments that will occur after the effective date of the act. (Otherwise the newly-mandated August payment would not be made.)

#### Overrides

- 4) As permanent law, permit all school districts to budget for a 15% M&O override, or for a 10% M&O override and a 5% special program override. (Currently all districts may budget for a 10% M&O override, but only districts with K-3 pupils may budget for an additional 5% K-3 override.)
- 5) As permanent law, prescribe ballot language for the newly authorized override elections.
- 6) As session law, allow a school district governing board to cancel an override election previously scheduled for November 2009 no later than August 15, 2009.
- 7) As session law, allow school districts to conduct an override election in March 2010 for either 1) a 15% M&O override that would replace any previously approved M&O and K-3 overrides, 2) an additional 5% M&O or special program override if the voters authorized a 10% M&O override in November 2009, or 3) a 17% override for a common school district if an M&O override and K-3 override were still in effect on the effective date of the act.
- 8) As permanent law, limit capital overrides to 10% of a school district’s Revenue Control Limit (RCL).

#### Class B Bonds

- 9) As permanent law, allow a school district to spend Class B bond proceeds for furniture, equipment and

technology if their useful life exceeds the duration of the bonds issued and require such bonds to mature within 5 years.

- 10) As permanent law, require school districts to issue bonds within 10 years of the date of approval by voters, versus 6 years under current law.
- 11) As session law, permit Cave Creek Unified to use remaining bond proceeds from November 2000 election.

#### Employment Status

- 12) As permanent law, permit each school district to establish its own deadline for notifying teachers of their employment status for the upcoming school year.
- 13) As permanent law, eliminate the requirement that a school district must notify its certificated teachers by May 15 of the prior year in order to implement a general salary reduction in the current year and delete statutory language that currently prohibits a governing board from reducing the salary of a certificated teacher who has been employed by the school district for more than 3 years unless the reduction is part of a general salary reduction and is applied equitably among all such teachers.
- 14) As permanent law, prohibit school districts and charter schools from adopting policies that provide employment retention priority for teachers based on tenure or seniority and delete statutory language that currently requires school districts to rehire certificated teachers who are dismissed for reasons of economy or efficiency in the order of their original employment.
- 15) As permanent law, prohibit school district employment contracts from including compensated days for professional association activities and stipulate that this does not include field trips or compensated leave time taken for any personal or professional purpose.

#### School District Requirements

- 16) As permanent law, permit a school district or charter school to convert to a biennial audit cycle if its previous annual audit did not contain any negative findings, to the extent permitted by federal law.
- 17) As permanent law, permit school districts and charter schools to advertise on their websites and athletic facilities, but permit them to refuse advertising.
- 18) As permanent law, permit school districts to hire as superintendent or business manager a person without certification from the State Board of Education.
- 19) As permanent law, add superintendents who are non-certificated to the list of persons who must be fingerprinted as a condition of employment.
- 20) As permanent law, permit schools with less than 4,000 ADM to do their own accounting, if qualified and approved.
- 21) As permanent law, reduce public school regulations regarding Intergovernmental Agreements (IGAs) (such as exempting IGAs and contracts between school districts from competitive bidding); due

process for certificated teachers (such as reducing the number of days that a teacher has to correct inadequate classroom performance and reducing the number of days notice that a school district must give prior to dismissing a teacher or suspending them without pay); procurement practices and construction services; budgets, audits and reporting; school property; bullying, harassment, intimidation, and pupil disciplinary proceedings; and miscellaneous other items.

- 22) As permanent law, change the overexpenditure threshold at which a district must revise its budget at a public meeting to 1% of the relative budget limit or \$100,000, whichever is less (currently at flat rate of \$1,000).
- 23) As permanent law, repeal the "Local Education Accountability Program," which allows individual schools within a school district to receive direct funding associated with teacher salaries, average daily membership and transportation, rather than being funded for those items through their school district.
- 24) As session law, allow school districts to revise their budgets before November 1, 2009 in order to conform to the enacted FY 2010 budget.
- 25) As permanent law, prohibit a school district from increasing its primary property tax rate if 1) at least half of the residential property in the district has a total combined primary property tax rate that exceeds the 1% cap in the State Constitution, and 2) the school district's current primary property tax rate exceeds 150% of the K-12 Qualifying Tax Rate (QTR).

#### Early Graduation

- 26) As permanent law, limit the Early Graduation program to students who graduate 1 year early. (Current law also allows participation by students who graduate 1 semester early.)
- 27) As session law, suspend new funding for the Early Graduation program for 1 year, but continue to fund existing students (including students who graduated 1 semester early) with available fund balances.
- 28) As session law, authorize the Commission for Postsecondary Education to seek private, corporate and Federal Funds in FY 2010 to help fund the program.

#### Achievement Testing

- 29) As permanent law, prohibit the State Board of Education from requiring high school pupils to meet or exceed standards in subjects other than reading, writing and mathematics in order to graduate from high school.
- 30) As permanent law, require that any additional assessment for high school pupils that are adopted by the State Board of Education after the effective date of the act be designed to measure college and career readiness of pupils.
- 31) As session law, establish a task force on assessment to measure college and career readiness.

- 32) As session law, repeal session law language that currently limits AIMS contracts to 1 year.

#### Kindergarten

- 33) As session law, allow school districts and charter schools to charge tuition for full day kindergarten (FDK) in FY 2010 if they decide not to provide free FDK in FY 2010 due to funding reductions prescribed by the act.
- 34) As permanent law, require every school that offers Full Day Kindergarten (FDK) to also provide meaningful half-day instruction if there is sufficient demand for 1 full-size class.

#### GPLET

- 35) As permanent law, require county assessors to place assessed value on Government Property Lease Excise Tax (GPLET) properties and report those values to ADE.
- 36) As permanent law, require governmental entities to provide county assessors with a complete list of development agreements between it and its prime lessees for GPLET properties, plus related information.
- 37) As permanent law, instruct ADE to include the assessed valuation of properties subject to the Government Property Lease Excise Tax (GPLET) in the tax base that it uses when computing local share funding under the K-12 Basic State Aid formula.

#### Audits and Reports

- 38) As permanent law, continue to authorize the department or the Auditor General to conduct financial, compliance or ADM audits of school districts and charter schools, plus program audits for the Auditor General only.
- 39) As session law, suspend the annual AIMS Intervention and Dropout Prevention performance audit for FY 2010.
- 40) As session law, suspend the biennial Special Education Cost Study for FY 2010 and FY 2011.

#### Miscellaneous

- 41) As session law, allow a county school superintendent to suspend a transportation school district if there has been a student count of less than 100 pupils between the ages of 6 and 21 for 3 months during the school year.
- 42) As permanent law, require Classroom Site Fund per pupil funding calculations to factor in prior year shortfalls or surpluses.
- 43) As permanent law, cap ADM per pupil at 1.0 unless otherwise specified in law and apportion the 1.0 ADM based on the percentage of total time that a student is enrolled in or in attendance at the school district, charter school or Technology Assisted Project Based Instruction Program.