

Department of Education
Non-Formula Programs

A.R.S. § 15-231

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	149.4	133.4	93.0 ^{1/}
Personal Services	459,600	346,700	335,100
Employee Related Expenditures	156,400	145,600	143,900
Professional and Outside Services	1,100	98,300	98,300
Travel - In State	1,000	2,500	2,500
Travel - Out of State	400	0	0
Other Operating Expenditures	451,400	225,300	225,200
Equipment	6,200	0	0
OPERATING SUBTOTAL	1,076,100	818,400	805,000
SPECIAL LINE ITEMS			
School Accountability and Improvement			
Achievement Testing	9,778,100	10,236,900	10,230,700 ^{2/}
AIMS Intervention; Dropout Prevention	5,499,200	1,621,300	0
School Accountability	3,881,100	2,349,500	0
Education Services			
Adult Education and GED	4,241,100	1,754,700	0
Chemical Abuse	642,700	269,700	0
Disabled Pupil Scholarships	2,049,100	0	0
Displaced Pupils Choice Grant Program	1,037,000	0	0
English Learner Administration	4,731,900	4,108,800	4,069,700 ^{3/}
Compensatory Instruction Fund Deposit	5,350,500	5,000,000	0
Arizona Structured English Immersion Fund	40,971,100	8,791,400	8,791,400
Extended School Year	500,000	206,800	0
Family Literacy	971,000	296,600	0
Gifted Support	3,056,000	1,329,200	0
School Safety Program	6,808,800	5,209,400	0
Small Pass-Through Programs	100,000	41,300	0
State Block Grant - Early Childhood Education	18,337,500	5,875,500	0
State Block Grant - Vocational Education	11,397,300	11,492,700	11,492,700
Teacher Certification	1,892,700	1,784,800	2,227,800 ^{4/}
Vocational Education Extended Year	190,900	300,000	0
PROGRAM TOTAL	122,512,100	61,487,000	37,617,300^{5/6/}
FUND SOURCES			
General Fund	114,665,500	52,569,300	28,685,300
<u>Other Appropriated Funds</u>			
Proposition 301 Fund	5,736,200	7,000,000	7,000,000
Teacher Certification Fund	2,110,400	1,917,700	1,932,000
SUBTOTAL - Other Appropriated Funds	7,846,600	8,917,700	8,932,000
SUBTOTAL - Appropriated Funds	122,512,100	61,487,000	37,617,300
Other Non-Appropriated Funds	15,434,600	14,900,200	14,900,200
Federal Funds	955,837,600	975,771,000	975,771,000
TOTAL - ALL SOURCES	1,093,784,300	1,052,158,200	1,028,288,500

COST CENTER DESCRIPTION — This cost center funds “non-formula” programs in the agency’s budget, which are programs that are not based on statutory funding formulas and that primarily service functions other than policy setting or agency administration. For FY 2011, those programs include 1) Achievement Testing, 2) English Learner Administration, 3) the Arizona Structured English Immersion Fund, 4) State Block Grant – Vocational Education, and 5) Teacher Certification.

Operating Budget

The budget includes \$805,000 and 7.5 FTE Positions for the operating budget in FY 2011. These amounts consist of:

	FY 2011
General Fund	\$671,100
Teacher Certification Fund	133,900

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(13,400) from the operating budget in FY 2011 for statewide adjustments. This amount consists of:

General Fund	(14,400)
Teacher Certification Fund	1,000

(Please see the General Provisions section.)

School Accountability and Improvement

Achievement Testing

The budget includes \$10,230,700 and 3 FTE Positions for Achievement Testing in FY 2011. These amounts consist of:

General Fund	3,230,700
Proposition 301 Fund	7,000,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(6,200) from the General Fund in FY 2011 for statewide adjustments.

Fund Shift

The budget includes an increase of \$2,329,800 from the Proposition 301 Fund and a corresponding General Fund decrease in FY 2011 for the Achievement Testing program. These amounts are in addition to the \$2,329,900 fund shift approved in the midyear FY 2010 revisions and result in a total 2-year fund shift of \$4,659,700. Total funding for the SLI was unchanged by this fund shift. Proposition 301 funding for the School Accountability program, however, was eliminated as a result of the shift (*see “School Accountability” narrative for more information.*)

This Special Line Item funds costs of developing, administering and scoring achievement tests required by A.R.S. § 15-741. That law requires “norm-referenced testing” of grades selected by the Superintendent of Public Instruction (currently Grades 2 and 9) and AIMS testing of at least 4 grades designated by the State Board of Education (currently Grades 3 through 8, Grade 10, and high school retakes). The Proposition 301 amount of \$7,000,000 for Achievement Testing is from the “up to \$7 million” allowable appropriation for School Accountability in A.R.S. § 42-5029(E7).

Estimated contract costs for achievement testing by year appear in *Table 1*. The state typically funds approximately 55% of annual testing costs and federal monies typically fund about 45% of those costs.

1/ Includes 58.5 GF and 27.0 OF FTE Positions funded from Special Line Items in FY 2011.
 2/ Before making any changes to the Achievement Testing program that will increase program costs, the State Board of Education shall report the estimated fiscal impact of those changes to the Joint Legislative Budget Committee. (General Appropriation Act footnote)
 3/ The appropriated amount is to be used by the Department of Education to provide English language acquisition services for the purposes of A.R.S. § 15-756.07 and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the Department of Education to school districts and charter schools for the purposes of Title 15, Chapter 7, Article 3.1, Arizona Revised Statutes. The Department of Education may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of A.R.S. § 15-756.07. Notwithstanding A.R.S. § 41-192, the Superintendent of Public Instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of *Flores v. State of Arizona*, No. CIV 92-596-TUC-RCC. (General Appropriation Act footnote)
 4/ Monies collected by the Department of Education for teacher certification fees, as authorized by A.R.S. § 15-531, paragraphs 1 and 2, shall be deposited in a Teacher Certification Fund for use in funding costs of the Teacher Certification program. (General Appropriation Act footnote)
 5/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Program.
 6/ See agency summary for agencywide lump sum reductions.

Table 1
Current Achievement Testing
Contract Cost by Year

<u>Fiscal Year</u>	<u>Contract Cost</u>
FY 2010	\$11,833,200
FY 2011	13,487,600
FY 2012	15,001,000
FY 2013	13,652,300
FY 2014	<u>14,243,100</u>
Total *	\$68,217,200

* The contract actually is a 1-year contract for FY 2010 with the option to renew for an additional 4 years at the prices shown.

AIMS Intervention; Dropout Prevention

The budget includes no funding for AIMS Intervention; Dropout Prevention in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(1,621,300) from the General Fund in FY 2011 for the AIMS Intervention; Dropout Prevention program. This decrease is in addition to a mid-year FY 2010 decrease of \$(1,621,400) that is continued for FY 2011 and eliminates all remaining program funding.

The program was authorized by A.R.S. § 15-809 and provided additional academic support for high school pupils considered most likely to drop out of school. Program funding was awarded on a competitive grant basis and 39 school districts, charter schools, and other entities (such as the YMCA) received program grants for FY 2009.

The K-12 Education BRB (Laws 2010, 7th Special Session, Chapter 8) notwithstanding for FY 2011 an annual performance audit requirement for the program in A.R.S. § 15-809C.

School Accountability

The budget includes no funding for School Accountability in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(19,700) from the General Fund and \$(2,329,800) and (31) FTE Positions from the Proposition 301 Fund in FY 2011 for the School Accountability program. These decreases are in addition to mid-year FY 2010 decreases of \$(19,700) from the General Fund and \$(2,329,900) from the Proposition 301 Fund that are continued for FY 2011 and eliminate all remaining program funding.

The purpose of the School Accountability program was to promote improved student achievement and school

accountability pursuant to A.R.S. § 15-241. Program funding was used primarily to cover costs of solution teams that are assigned to help underperforming schools pursuant to A.R.S. § 15-241P. Program funding also was used to fund analysis of student achievement testing data in order to determine the academic effectiveness of individual schools and to fund a portion of maintenance costs of the Student Accountability Information System (SAIS).

Education Services

Adult Education and GED

The budget includes no funding for the Adult Education and GED (General Education Development) Special Line Item in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(1,754,700) and (1.8) FTE Positions from the General Fund in FY 2011 for the Adult Education and GED program. This decrease is in addition to a mid-year FY 2010 decrease of \$(1,704,500) that is continued for FY 2011 and eliminates all remaining program funding.

The program funded immigrant education and adult basic education programs that received funding through the department pursuant to A.R.S. § 15-234. Funding was awarded on a competitive grant basis. For FY 2009, funding was allocated to 51 school districts, community colleges and local entities such as the “Camp Verde Adult Program.”

Chemical Abuse

The budget includes no funding for the Chemical Abuse Prevention Program in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(269,700) and (2.4) FTE Positions from the General Fund in FY 2011 for the Chemical Abuse program. This decrease is in addition to a mid-year FY 2010 decrease of \$(229,800) that is continued for FY 2011 and eliminates all remaining program funding.

The program funded chemical abuse prevention programs for students in Grades K-12 pursuant to A.R.S. § 15-712. Funds were awarded on a competitive grant basis to research-based programs that had proven to be effective or showed promise of being effective. For FY 2009, 130 entities (mostly school districts) received funding from this program.

Disabled Pupil Scholarships

The budget includes no funding from the General Fund for the Disabled Pupil Scholarships program in FY 2011. This amount is unchanged from FY 2010.

On March 26, 2009, the Arizona Supreme Court ruled that this program and the Disabled Pupils Choice Grant program (described below) were unconstitutional because they were said to violate a ban in the State Constitution on appropriating public monies for private or religious schools.

On a related note, Laws 2009, 2nd Special Session, Chapter 1, established a corporate income tax credit and an insurance premium tax credit beginning July 1, 2009 for contributions to a school tuition organization (STO) that provides scholarships or grants for disabled students or children in foster care homes. Chapter 1 caps the amount of total tax credits under this new program at \$5,000,000 per year.

The Disabled Pupil Scholarships program provided scholarships to pupils with disabilities to attend the public or non-public school of their choice pursuant to A.R.S. § 15-891, as established by Laws 2006, Chapter 340. The maximum scholarship amount equaled the amount of Base Support Level funding that the student otherwise would have generated under the Basic State Aid funding formula in A.R.S. § 15-943. This varied from roughly \$5,000 to \$25,000 per pupil depending on the special education Group B weight for which the pupil qualified. The department awarded \$240,200 in program vouchers for FY 2007, \$1,516,300 for FY 2008 and \$2,049,100 for FY 2009.

Displaced Pupils Choice Grant Program

The budget includes no funding from the General Fund for the Displaced Pupils Choice Grant Program in FY 2011. This amount is unchanged from FY 2010.

As noted above, the Arizona Supreme Court on March 26, 2009 ruled that this program and the Disabled Pupil Scholarships program (described above) were unconstitutional. As also noted above, however, Laws 2009, 2nd Special Session, Chapter 1, established a corporate income tax credit and an insurance premium tax credit beginning July 1, 2009 for contributions to a school tuition organization (STO) that provides scholarships or grants for children in foster care homes or disabled pupils, up to \$5,000,000 annually.

The Displaced Pupils Choice Grant program provided displaced pupils with grants to attend non-governmental schools pursuant to A.R.S. § 15-817.01, as established by Laws 2006, Chapter 358. Program grants were available only to pupils who had been placed in foster care at any time before they graduated from high school or obtained a GED. The maximum grant value was \$5,000 or the total

amount of tuition and fees charged by the grant school, whichever was less. The department awarded \$744,300 in program grants for FY 2008 and \$1,037,000 for FY 2009.

English Learner Administration

The budget includes \$4,069,700 and 24.5 FTE Positions from the General Fund for English Learner Programs in FY 2011. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(39,100) from the General Fund in FY 2011 for statewide adjustments.

The program was originally authorized by Laws 2006, Chapter 4, which provided an increase of \$14,610,000 from the General Fund in FY 2007 to address the Flores v. State of Arizona litigation. That increase included \$4,610,000 for English language acquisition services provided by the department and \$10,000,000 for compensatory instruction. Since FY 2008, compensatory instruction monies have been appropriated into a separate Compensatory Instruction Fund Deposit line item (*see "Compensatory Instruction Fund Deposit" narrative below*).

Chapter 4 included session law language stipulating how the \$4,610,000 amount was to be used and provided authorization for the department to spend an unspecified portion of those monies on legal services in connection with the Flores case. That session law language was later converted into a General Appropriation Act footnote, which remains in the budget for FY 2011.

Chapter 4 also appropriated \$14,300,000 to the department in FY 2007 for an increase in the English Learner Group B weight. That funding was continued for FY 2008 in a new "Conditional English Learner Weight Funding" line item in the Formula Programs cost center. The FY 2007 funding reverted at the end of FY 2007, but the FY 2008 funding was subsequently reallocated to the Arizona Structured English Immersion Fund for FY 2009 by Laws 2008, Chapter 34, where it remains (at a reduced level) in the budget for FY 2011 (*see the Arizona Structured English Immersion Fund Special Line Item narrative below*).

The Flores v. State of Arizona lawsuit was filed in federal court in 1992 by parents of children enrolled in the Nogales Unified School District. The plaintiffs alleged that the civil rights of Limited English Proficient (LEP) students were violated because the state failed to fund adequate language and academic instructional programs for at-risk students. Litigation in the case has been ongoing since 1992. In June 2009, however, the U.S. Supreme Court reversed the most recent ruling from the federal Ninth Circuit Court of Appeals that had found that Arizona was not fully funding language acquisition programs for English learners. In its decision, the U.S.

Supreme Court remanded the case back to the District court with instructions for it to reconsider changes that have occurred since 2000 in how Arizona serves English learners. The timeline for final resolution in the case in District court is unknown at the time of this writing.

Compensatory Instruction Fund Deposit

The budget includes no funding for the Compensatory Instruction Fund in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2011 for the Compensatory Instruction Fund Deposit program. This decrease is in addition to a mid-year FY 2010 decrease of \$(5,000,000) that is continued for FY 2011 and eliminates all remaining program funding.

The program funded instructional programs for improving the English proficiency of English language learners that are in addition to normal classroom instruction. These programs included individual or small group instruction, extended day classes, summer school or intersession school, pursuant to A.R.S. § 15-756.11.

Arizona Structured English Immersion Fund

The budget includes \$8,791,400 from the General Fund for the Arizona Structured English Immersion Fund in FY 2011. This amount is unchanged from FY 2010.

The Arizona Structured English Immersion Fund was established by Laws 2006, Chapter 4 (A.R.S. § 15-756.04). Monies in the fund are distributed to school districts based on amounts that they requested and that were verified by the department pursuant to A.R.S. § 15-756.04C. Approximately 150 school districts and charter schools received allocations from the fund in FY 2009.

Extended School Year

The budget includes no funding from the General Fund for Extended School Year in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(206,800) from the General Fund in FY 2011 for the Extended School Year program. This decrease is in addition to a mid-year FY 2010 decrease of \$(206,800) that is continued for FY 2011 and eliminates all remaining program funding.

The program helped fund extended school year programs for pupils with disabilities pursuant to A.R.S. § 15-881.

Family Literacy

The budget includes no funding from the General Fund for Family Literacy in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(296,600) from the General Fund in FY 2011 for the Family Literacy program. This decrease is in addition to a mid-year FY 2010 decrease of \$(296,600) that is continued for FY 2011 and eliminates all remaining program funding.

Pursuant to A.R.S. § 15-191.01, the program sought to increase the basic academic and literacy skills of undereducated low-income parents and their preschool children. Program funding was awarded on a competitive grant basis. For FY 2009, 7 organizations (5 school districts and 2 community colleges) received grant funding from this program.

Gifted Support

The budget includes no funding from the General Fund for Gifted Support in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(1,329,200) and (1.1) FTE Positions from the General Fund in FY 2011 for the Gifted Support program. This decrease is in addition to a mid-year FY 2010 decrease of \$(1,286,700) that is continued for FY 2011 and eliminates all remaining program funding.

The program funded Gifted Education, which statute defines as consisting of “appropriated academic course offerings and services that are required to provide an educational program that is an integral part of the regular school day and that is commensurate with the academic abilities and potential of a gifted pupil” (A.R.S. § 15-779). Program funding was allocated under a formula established in A.R.S. § 15-779.03, which, if fully funded, would provide \$82 per pupil for 4% of a school district or charter school’s student count, or \$2,000, whichever is more.

School Safety Program

The budget includes no funding from the General Fund for the School Safety Program in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(5,209,400) and (2.9) FTE Positions from the General Fund in FY 2011 for the School Safety Program. This decrease eliminates all appropriated monies for the program. The program,

however, will continue to receive \$7,800,000 in Proposition 301 sales tax monies that are automatically appropriated to it each year pursuant to A.R.S. § 42-5029E6.

The program places peace officers and juvenile probation officers in schools pursuant to A.R.S. § 15-154. Program funding is allocated on a competitive grant basis and for FY 2009 was received by 74 school districts.

Small Pass-Through Programs

The budget includes no funding from the General Fund for Small Pass-Through Programs in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(41,300) from the General Fund in FY 2011 for the Small Pass-Through program. This decrease is in addition to a mid-year FY 2010 decrease of \$(41,400) that is continued for FY 2011 and eliminates all remaining program funding.

Program funding for FY 2010 was allocated to the Academic Contest Fund and Economic Academic Council. Prior to FY 2009, this program also funded a number of other small pass-through programs.

State Block Grant for Early Childhood Education

The budget includes no funding from the General Fund for the State Block Grant for Early Childhood Education in FY 2011. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(5,875,500) and (1.2) FTE Positions from the General Fund in FY 2011 for the State Block Grant for Early Childhood Education program. This decrease is in addition to a mid-year FY 2010 decrease of \$(5,838,900) that is continued for FY 2011 and eliminates all remaining program funding.

The program provided block grants to school districts and charter schools for efforts aimed at improving the academic achievement of pupils in preschool through Grade 3 pursuant to A.R.S. § 15-1251. Program monies were allocated to individual school districts and charter schools based on the percentage of their respective pupils who were eligible for free or reduced price lunches under the federal school nutrition program.

State Block Grant for Vocational Education

The budget includes \$11,492,700 and 31 FTE Positions from the General Fund for the State Block Grant for Vocational Education in FY 2011. These amounts are unchanged from FY 2010.

The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. Program funding is allocated based partly on the number of students enrolled in CTE programs at each school district or charter school and partly on their respective job placement rates for those programs.

CTE programs currently also receive approximately \$25.9 million in federal funding annually pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006. Those monies are subject to a federal “maintenance of effort” (MOE) provision that requires a state to continue to spend at least as much on CTE in a given fiscal year as it did in the prior fiscal year in order to remain eligible for Perkins funding. Otherwise the state loses all of its Perkins funding in the subsequent fiscal year. (Under limited circumstances, a state potentially can receive a waiver to reduce its CTE expenditures by no more than 5% for one year only without violating MOE.) The Perkins Act also requires states to allocate 15% of their Perkins monies each year to community colleges.

Teacher Certification

The budget includes \$2,227,800 and 27 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	429,700
Teacher Certification Fund	1,798,100

These amounts fund the following adjustments:

Create Fund

The budget includes an increase of \$429,700 from the General Fund in FY 2011 to provide temporary start up funding for the newly-created Teacher Certification Fund. Prior to FY 2011, monies received from teachers and other certification applicants pursuant to A.R.S. § 15-531 were deposited into a subaccount of the General Fund rather than into a separate Teacher Certification Fund. Laws 2010, Chapter 306, however, establishes the Teacher Certification Fund in A.R.S. § 15-248.02 and appropriates \$429,700 to it from the General Fund in FY 2011 as a temporary intra-year loan in order to fund early year program expenses (since the new fund will not have a beginning balance going into FY 2011). Chapter 306 requires the department to transfer \$429,700 back to the General Fund by June 30, 2011 (after the program has had 12 months to accumulate fees paid by teachers and other certification applicants). As a result, the net amount available for actual program costs for FY 2011 will be \$1,784,800 (the \$2,214,500 total appropriation minus \$429,700 required transfer).

Statewide Adjustments

The budget includes an increase of \$13,300 from the Teacher Certification Fund in FY 2011 for statewide adjustments. (*Please see the General Provisions section.*)

The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

Vocational Education Extended Year

The budget includes no funding from the General Fund in FY 2011 for Vocational Education Extended Year. This amount funds the following adjustments:

Eliminate Funding

The budget includes a decrease of \$(300,000) from the General Fund in FY 2011 for the Vocational Education Extended Year program. This decrease is in addition to a mid-year FY 2010 decrease of \$(300,000) that is continued for FY 2011 and, therefore, eliminates all remaining program funding.

This funding was used to enable students to attend an extended year or summer school program in a joint technological education district pursuant to A.R.S. § 15-783.02.

5th Special Session Reduction

Please see the agency summary for agencywide lump sum reductions.

Fund Transfers

The budget includes transfers from this agency's funds to the General Fund. *(Please see the Fund Transfers section at the back of this report for more details.)*