

Department of Education

Non-Formula Programs

JLBC: Steve Schimpp/Jack Brown

OSP: Patrick Makin

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	149.4	133.4	133.4
Personal Services	459,600	383,100	383,100
Employee Related Expenditures	156,400	158,800	158,800
Professional and Outside Services	1,100	105,200	105,200
Travel - In State	1,000	3,200	3,200
Travel - Out of State	400	0	0
Other Operating Expenditures	451,400	238,800	238,800
Equipment	6,200	0	0
OPERATING SUBTOTAL	1,076,100	889,100	889,100
SPECIAL LINE ITEMS			
School Accountability and Improvement			
Achievement Testing	9,778,100	10,237,100	10,237,100
AIMS Intervention; Dropout Prevention	5,499,200	4,177,100	4,177,100
School Accountability	3,881,100	4,699,100	4,699,100
Education Services			
Adult Education and GED	4,241,100	3,459,300	3,459,300
Chemical Abuse	642,700	643,100	643,100
Disabled Pupil Scholarships	2,049,100	0	0
Displaced Pupils Choice Grant Program	1,037,000	0	0
English Learner Administration	4,731,900	4,110,300	4,110,300
Compensatory Instruction Fund Deposit	5,350,500	10,000,000	10,000,000
Arizona Structured English Immersion Fund	40,971,100	8,791,400	8,791,400
Extended School Year	500,000	413,600	413,600
Family Literacy	971,000	762,800	762,800
Gifted Support	3,056,000	2,616,000	2,616,000
School Safety Program	6,808,800	5,209,600	5,209,600
Small Pass-Through Programs	100,000	82,700	82,700
State Block Grant - Early Childhood Education	18,337,500	15,085,600	15,085,600
State Block Grant - Vocational Education	11,397,300	11,492,700	11,492,700
Teacher Certification	1,892,700	1,841,800	1,841,800
Vocational Education Extended Year	190,900	600,000	600,000
PROGRAM TOTAL	122,512,100	85,111,300	85,111,300
FUND SOURCES			
General Fund	114,665,500	76,066,500	76,066,500
<u>Other Appropriated Funds</u>			
Proposition 301 Fund	5,736,200	7,000,000	7,000,000
Teacher Certification Fund	2,110,400	2,044,800	2,044,800
SUBTOTAL - Other Appropriated Funds	7,846,600	9,044,800	9,044,800
SUBTOTAL - Appropriated Funds	122,512,100	85,111,300	85,111,300
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	1,075,782,500	1,075,782,500

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	0	0.0%
Total - All Sources	0	0.0%

COST CENTER DESCRIPTION — This cost center funds 3 “non-formula” programs in the agency’s budget: 1) School Accountability and Improvement, 2) Education Services and 3) Professional Development. The School Accountability and Improvement program funds the Student Assessment, Research and Evaluation and School Improvement and State Intervention subprograms. The Education Services program funds subprograms pertaining to Special Education, English Learners, Early Childhood Education, Title 1, Career and Technical Education, Adult Education, Best Practices, Student Nutrition, Family Literacy, Outreach Programs and Innovative Exemplary Programs. The Professional Development program funds subprograms pertaining to Highly Qualified Professionals and Standards Based Teaching and Learning.

Operating Budget

The Baseline includes \$889,100 and 7.5 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	\$686,100
Teacher Certification Fund	203,000

These amounts are unchanged from FY 2010.

School Accountability and Improvement

Achievement Testing

The Baseline includes \$10,237,100 and 3 FTE Positions for Achievement Testing in FY 2011. These amounts consist of:

General Fund	7,896,800
Proposition 301 Fund	2,340,300

These amounts are unchanged from FY 2010.

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 \$2,340,300 for Achievement Testing is from the “up to \$7 million” allowable appropriation for School Accountability in A.R.S. § 42-5029(E7). No additional Proposition 301 monies are available for achievement testing because the \$2,340,300 Proposition 301 amount for achievement

testing, plus the \$4,659,700 Proposition 301 Fund amount for School Accountability program in the Non-Formula Programs cost center, sum to the maximum allowable \$7,000,000 appropriation from Proposition 301.

The department awarded a new achievement testing contract in May 2009 to NCS Pearson, Incorporated. (The prior contract was with CTB/McGraw Hill.) Estimated contract costs by year appear in *Table 1*. The contract cost for FY 2011 (if renewed after FY 2010) is \$13,487,600 and the total 5-year cost (if renewed for all 4 years after FY 2010) is currently estimated at \$68,217,200. The total cost of the previous 5-year contract was \$54,619,300. Cost increases in the new contract are attributable for factors such as caseload growth, program changes, and inflation. As a temporary cost-saving measure, the new contract suspends the AIMS writing test for pupils in Grades 3, 4 and 8. It includes a science test for all 5 years of the contract, whereas, the prior contract did not administer a science test until FY 2008. The state typically funds approximately 55% of annual testing costs and federal monies typically fund about 45% of those costs.

<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.

On a related note, the FY 2010 K-12 Education BRB (Laws 2009, 3rd Special Session, Chapter 12) made the following changes to the Achievement Testing program: 1)

permanently required that any additional assessment for high school pupils are adopted in the future by the State Board of Education be designed to measure college and career readiness of pupils, and 2) repealed language in Laws 2008, Chapter 287, Section 65 that limited the length of any future contracts for achievement testing to 1 year.

AIMS Intervention; Dropout Prevention

The Baseline includes \$4,177,100 from the General Fund for AIMS Intervention; Dropout Prevention in FY 2011. This amount is unchanged from FY 2010.

The program is authorized by A.R.S. § 15-809 and seeks to provide additional academic support for high school pupils who are most likely to drop out of school. Program funding is 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 FY 2010 K-12 Education BRB (Laws 2009, 3rd Special Session, Chapter 12) notwithstanding for FY 2010 an annual reporting requirement for the program in A.R.S. § 15-809D. The Baseline would continue that suspension for FY 2011 (see “Statutory Changes” section in the Formula Programs cost center narrative).

School Accountability

The Baseline includes \$4,699,100 and 31 FTE Positions for School Accountability in FY 2011. This amount consists of:

General Fund	39,400
Proposition 301 Fund	4,659,700

These amounts are unchanged from FY 2010.

The purpose of the School Accountability program is to promote improved student achievement and school accountability pursuant to A.R.S. § 15-241. Program funding is 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 is 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 Baseline includes \$3,459,300 and 1.8 FTE Positions from the General Fund for the Adult Education and GED (General Education Development) Special Line Item in FY 2011. These amounts are unchanged from FY 2010.

The program funds immigrant education and adult basic education programs that receive funding through the department pursuant to A.R.S. § 15-234. Funding is 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 Baseline includes \$643,100 and 2.4 FTE Positions from the General Fund for the Chemical Abuse Prevention Program in FY 2011. These amounts are unchanged from FY 2010.

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

Disabled Pupil Scholarships

The Baseline 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 Baseline 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 Baseline includes \$4,110,300 and 24.5 FTE Positions from the General Fund for English Learner Programs in FY 2011. These amounts are unchanged from FY 2010.

The program consists primarily of programs and funding 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, the \$10,000,000 for compensatory instruction has been appropriated into its own separate line item (*please see 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 Baseline 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 in the Baseline 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 Baseline includes \$10,000,000 from the General Fund for a deposit into the Compensatory Instruction Fund in FY 2011. This amount is unchanged from FY 2010.

As noted above, this funding was originally appropriated by Laws 2006, Chapter 4. The FY 2007 Appropriations Report included the \$10,000,000 as part of the "English Learner Administration" line item, along with other non-formula appropriations from Chapter 4. Since FY 2008, the \$10,000,000 has been appropriated into this separate line item, which remains in the Baseline for FY 2011.

The program funds instructional programs for improving the English proficiency of English language learners that are in addition to normal classroom instruction. These programs may include 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 Baseline 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 FY 2010 budget originally appropriated \$41,300,100 for this program, which included \$8,791,400 from Laws 2009, Chapter 12 (HB 2643) (from June 30, 2009) and \$32,508,700 from Laws 2009, 3rd Special Session, Chapter 1 (from July 6, 2009). Laws 2009, 4th Special Session, Chapter 1 (from November 23, 2009), however, repealed

the July 6 appropriation, leaving the program with a total appropriation of \$8,791,400 for FY 2010. The \$8,791,400 amount equals ADE's expected program cost for 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 Baseline includes \$413,600 from the General Fund for Extended School Year in FY 2011. This amount is unchanged from FY 2010. The program helps fund extended school year programs for pupils with disabilities, as required by A.R.S. § 15-881.

Family Literacy

The Baseline includes \$762,800 from the General Fund for Family Literacy in FY 2011. This amount is unchanged from FY 2010.

Pursuant to A.R.S. § 15-191.01, the program seeks to increase the basic academic and literacy skills of undereducated low-income parents and their preschool children. Program funding is 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 Baseline includes \$2,616,000 and 1.1 FTE Positions from the General Fund for Gifted Support in FY 2011. These amounts are unchanged from FY 2010.

The program funds 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 is allocated under a formula established in A.R.S. § 15-779.03, which provides \$82 per pupil for 4% of a school district or charter school's student count, or \$2,000, whichever is more, subject to funding availability.

School Safety Program

The Baseline includes \$5,209,600 and 2.9 FTE Positions from the General Fund for the School Safety Program in FY 2011. These amounts are unchanged from FY 2010.

The program places peace officers and juvenile probation officers in schools pursuant to A.R.S. § 15-154. In addition to the approved General Fund appropriation, the program will receive \$7,800,000 in Proposition 301 sales tax monies that are automatically appropriated each year by A.R.S. § 42-5029E6. Program funding from both sources is allocated on a competitive grant basis and for FY 2009 was received by 74 school districts.

Small Pass-Through Programs

The Baseline includes \$82,700 from the General Fund for Small Pass-Through Programs in FY 2011. This amount is unchanged from FY 2010.

The included amount is to be allocated for the Academic Contest Fund and Economic Academic Council. Prior to FY 2009, this program also funded a number of other small pass-through programs. The department eliminated funding for those programs in FY 2009 as part of its lump sum reduction for that year. (See "Deletion of Prior Year Footnotes" section for more information.)

State Block Grant for Early Childhood Education

The Baseline includes \$15,085,600 and 1.2 FTE Positions from the General Fund for the State Block Grant for Early Childhood Education in FY 2011. These amounts are unchanged from FY 2010.

The program provides 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 are allocated to individual school districts and charter schools based on the percentage of their respective pupils who are eligible for free or reduced price lunches under the federal school nutrition program.

State Block Grant for Vocational Education

The Baseline 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 programs. Program funding is allocated based partly on the number of students enrolled in Career and Technical Education programs at each school district or charter school and partly on their respective job placement rates for those programs.

Teacher Certification

The Baseline includes \$1,841,800 and 27 FTE Positions from the Teacher Certification Fund for Teacher Certification in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes \$600,000 from the General Fund for Vocational Education Extended Year in FY 2011. This amount is unchanged from FY 2010.

This funding is 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.

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FORMAT — Operating Lump Sum with Special Line Items by Program

FOOTNOTES

Standard Footnotes

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.

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 A.R.S. Title 15, Chapter 7, Article 3.1. 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.

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.

Deletion of Prior Year Footnotes

The Baseline would delete the footnote that allocates funding from the Small Pass-Through Programs Special Line Item to various entities, since only 2 entities (the Academic Contest Fund and Economic Academic Council) continue to receive funding from the program.