
Department of Education

February 9 & 10, 2016

Appropriations Committee Hearings

JLBC

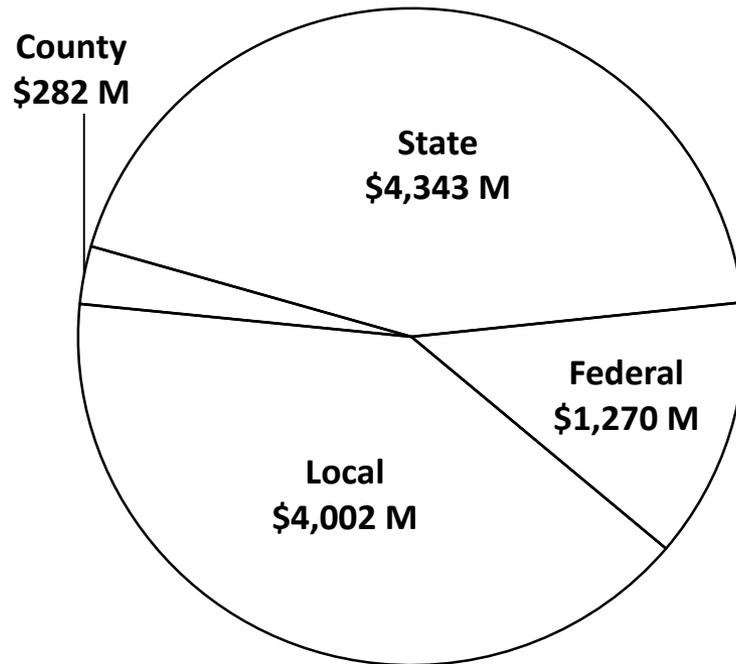
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- Total FY 2017 Baseline Funding with Passage of Prop 123

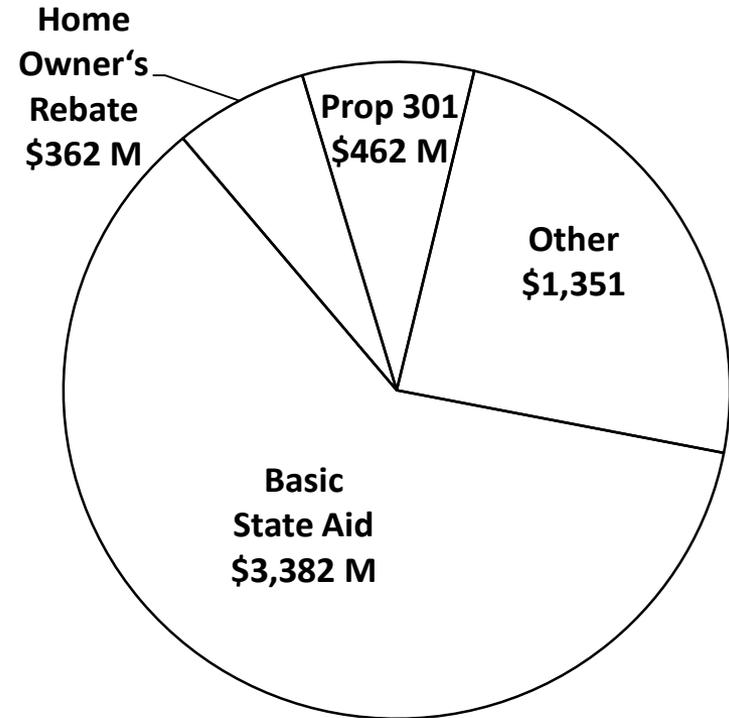
	<u>\$ in M</u>
General Fund	\$4,026.0
Permanent State School Fund	219.8
Proposition 301 Fund (appropriated)	7.0
Teacher Certification Fund & Other	<u>5.3</u>
Appropriated Funds	\$4,258.1
Federal Funds	\$1,175.4
Proposition 301 - Classroom Site Fund	435.3
Proposition 301 - Other	98.3
Instructional Improvement Fund (Gaming \$)	44.0
Other Non-Appropriated Funds	<u>16.0</u>
Total Resources	\$6,027.1

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- Total Resources Versus ADE Only



**Total Resources - \$9.9 B
(FY '15 Actuals)**



**ADE Only - \$5.6 B
(FY '15 Actuals)**

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- Prop 123 Would Provide \$306 M in FY 17

Prop 123 Funding Projections

Prop 123				
1	2	3	4	5
Fiscal Year	Base Level Increase	Estimated Cost of Reset	Additional Funds	Estimated Total Increase K-12
2016	173.26	248,829,400	50,000,000	298,829,400
2017	176.03	256,350,000	50,000,000	306,350,000
2018	178.85	264,098,000	50,000,000	314,098,000
2019	181.71	272,080,100	50,000,000	322,080,100
2020	184.62	280,303,400	50,000,000	330,303,400
2021	187.57	288,775,300	75,000,000	363,775,300
2022	190.57	297,503,300	75,000,000	372,503,300
2023	193.62	306,495,000	75,000,000	381,495,000
2024	196.72	315,758,500	75,000,000	390,758,500
2025	199.87	325,302,000	75,000,000	400,302,000
Total		2,855,495,000	625,000,000	3,480,495,000

Funding				
A	B	C	D	E
Fiscal Year	Land Trust 4.4% Increment	Additional Inflation	Additional General Fund	Estimated Total Increase K-12
2016	172,081,000	74,394,000	52,354,400	298,829,400
2017	172,444,700	75,584,300	58,321,000	306,350,000
2018	189,936,300	76,793,600	47,368,100	314,098,000
2019	206,008,000	78,022,300	38,049,800	322,080,100
2020	217,929,600	79,270,700	33,103,100	330,303,400
2021	226,484,700	80,539,000	56,751,600	363,775,300
2022	233,291,400	81,827,600	57,384,300	372,503,300
2023	239,723,900	83,136,800	58,634,300	381,495,000
2024	245,760,400	84,467,000	60,531,100	390,758,500
2025	251,526,400	85,818,500	62,957,100	400,302,000
Total	2,155,186,400	799,853,800	525,454,800	3,480,495,000

How does the budget address the potential failure of Prop 123?

JLBC Baseline K-12 Spending Estimates

- JLBC Adds \$84 M versus \$46 M for Executive for \$38 M Difference in FY 17

	GF \$ in M Above Prior Year *	
	<u>JLBC</u>	<u>Executive</u>
Student Growth (1.4% v. 1.55%)	84	91
Higher Average Cost Per Pupil	20	0
Full Inflation (1.15% v. 1.04%)	65	61
Property Tax New Construction (1.8% v. 1.75%)	(38)	(35)
Land Trust Growth	0	(16)
JTED Reductions	(30)	(30)
“Current Year” Funding	(31)	(40)
Property Tax Statutory Changes	26	26
Multi-Site Charter Small School Weights	(7)	(7)
Base Adjustment/District Charter Phase Out/misc	(5)	(4)
Total	84	46

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- Executive Assumes Lower Cost for Enrollment Growth and Higher Savings from Trust Lands and “Current Year Funding”

- ❑ Executive assumes lower per pupil costs than JLBC
 - JLBC adds \$104 M for 1.4% student growth and a growing proportion of charter and special education pupils
 - OSPB adds \$92 M for 1.55% growth
- ❑ JLBC uses more accurate Land Trust and Current Year Funding estimates
 - Land Trust = \$(16) M savings for Executive versus (\$0) for JLBC under more accurate data
 - Current Year funding = \$(40) M savings for Executive versus \$(31) M for JLBC based on recent ADE report

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- 1% Cap Could Cause \$20 M ADE Shortfall in '16

- ❑ 1% Cap Reforms Not Providing Budgeted Savings
 - FY 16 budget assumed \$(20.2) M savings from 1% cap funding changes (\$1 M limit per county)
 - DOR's allocations of 1% Cap funding to individual school districts for '16 do not reflect the \$(20.2) M in savings
 - DOR says the reform language is unclear
 - Statutory changes are needed to realize the budgeted savings
 - Neither Baseline nor Executive budget address this issue
- ❑ Demographic issues also could trigger a shortfall (more data needed)

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- Executive Policy Issues Would Increase ADE's Baseline Spending by \$9.7 M

<u>Policy Issue</u>	<u>\$ (millions)</u>
Data System Operating Costs	3.2
Data System Development Costs	1.9
Achievement Testing	4.6
Total	9.7

Excludes funding increases to new Governor's Office of Education (GOE)

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- Executive Provides \$3.2 M for Data System Operating Costs

- ❑ Provides ongoing Maintenance and Operation (M&O) funding for the Education Learning and Accountability System (ELAS)
- ❑ Includes \$0.5 M for ELAS Program Support Office
 - Interfaces with districts & charters, maintains financial accountability, oversees contracts, manages software development
- ❑ Includes \$2.7 M for ELAS Operating Costs
 - Operates and maintains ELAS, including network operations and monitoring, system security, data reconciliation, hardware maintenance, support center, and software license renewals
- ❑ Not clear how ADE historically has “backfilled” information technology M&O with funding from other areas and whether those backfills could continue

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- Executive Provides \$7.3 M for Data System Development

- ❑ FY 16 budget included \$7 M for data system development
 - \$5.4 M GF
 - \$1.6 M OF from \$6 per FTSE fee (CC's and U's)
- ❑ Executive provides \$7.3 M for FY 17
 - \$7.3 M GF (\$1.9 M increase)
 - No \$6 per FTSE fee (\$1.6 M decrease)
 - \$0.3 M net increase to ADOA
- ❑ Baseline does not continue the \$7 M of one-time funding
- ❑ ELAS has received \$45.7 M in total funding through FY 16

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- Executive Provides \$4.6 M More for Achievement Testing

- ❑ Matches ADE budget request (see table below)
- ❑ Carry-forward funds are expected to be available to fund the \$4.6 M

Item	\$ (millions)
Replace One-Time Carryforward	2.6
Revise English Learner Test (AZELLA)	1.0
Test Security	0.7
Develop AzMERIT Alternative Exams	0.2
Program Operations	0.2
AzMERIT Testing	(0.1)
Information Technology Support	<u>0.1</u>
Total	4.6

(See page 197 of FY 2017 Baseline Book for Achievement Testing totals.)

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- Executive Provides \$37 M for New Governor's Office of Education (GOE)

- ❑ \$30 M for new JTED grant program
 - For competitive grants to JTEDs that prepare students for jobs in high need industries. \$10 M to be allocated annually for next 3 years.
- ❑ \$6.0 M for new College Prep Incentive Pilot Program
 - For 2 year pilot to encourage more participation in college prep exams
 - Governor's Office would determine distribution formula
- ❑ \$500K for GOE administration
- ❑ \$100K for Executive Leadership Academy to train principals

(Executive also transfers Access Our Best Public Schools Funding to GOE.)

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- ELAS (AzEDS) Could Count Students Differently Than SAIS

- ❑ ADE plans to switch over to the new student data reporting system (AzEDS) for FY 17
- ❑ AzEDS could count students differently than SAIS, resulting in changes in funded enrollment starting in FY 17
- ❑ ADE is analyzing the potential differences

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- “Current Year Funding” Law Could Be Revised to Eliminate Indirect Impacts

- Policy intent was to fund Base Support Level (BSL) portion of formula using current year ADM counts (versus prior year through FY 16)
- Would eliminate one-year “grace period” on school district ADM losses
- ADE says the enacted language also would indirectly affect:
 - Eligibility for small school budget exemptions (A.R.S. § 15-949)
 - District allocations from the Classroom Site Fund, Instructional Improvement Fund, the K-12 rollover and lump sum reductions
 - District Additional Assistance (DAA) allocations
 - Calculations for school district overrides, high school tuition amounts for elementary-only districts; “minimum QTR” payments, and tax rate setting
- Revised language could eliminate the indirect impacts

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- Website links

- ❑ JLBC Baseline –
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- ❑ Executive Budget –
[Department of Education](#)