

ARIZONA STATE SENATE

47TH LEGISLATURE
FIRST REGULAR SESSION

MINUTES OF COMMITTEE ON APPROPRIATIONS

DATE: March 2, 2005

TIME: 1:30 p.m.

ROOM: SHR 109

CHAIRMAN: Senator Burns

VICE CHAIRMAN: Senator Huppenthal

ANALYST: Carolyn Atwater

**COMMITTEE
SECRETARY:** Melissa C. Upshaw

INTERN: Bill Boyd

ATTENDANCE

BILLS

Committee Members

| | <u>Pr</u> | <u>Ab</u> | <u>Ex</u> | <u>Bill Number</u> | <u>Disposition</u> |
|-----------------------------------|-----------|-----------|-----------|--------------------|--------------------|
| Senator Arzberger | X | | | | |
| Senator Cannell | X | | | | |
| Senator Garcia | X | | | | |
| Senator Giffords | X | | | | |
| Senator Gould | X | | | | |
| Senator Harper | X | | | | |
| Senator Johnson | X | | | | |
| Senator Martin | X | | | | |
| Senator Waring | X | | | | |
| Senator Huppenthal, Vice-Chairman | X | | | | |
| Senator Burns, Chairman | X | | | | |

PRESENTATIONS

Chairman Burns called the meeting to order at 1:42 p.m. and the attendance was noted.

BUDGET WORKSHOP

STATE BOARD FOR CHARTER SCHOOLS

Richard Stavneak, Director, Joint Legislative Budget Committee (JLBC), stated the JLBC baseline was left unchanged for the State Board for Charter Schools. JLBC recommended continuing the prohibition on State Board sponsorship. He explained that only the State Charter School Board sponsors charters as opposed to the Arizona Department of Education's State Board of Education, noting that both entities had sponsored charter schools until several years ago. The other difference the Executive seeks is \$300,000 for an accountability database system for the Charter School Board. This would help them address a 2003 audit finding in terms of developing a more formalized process of monitoring the charters.

Chairman Burns asked what would happen if this issue was delayed another year. Mr. Stavneak replied that charter schools are currently being monitored by the Board, and it is not that the database would be developed, but the Board will not have access to the database.

In response to Chairman Burns' inquiry, **Jake Corey, Senior Fiscal Analyst, JLBC**, said it is his understanding that the database would be a web enabled database for parents and interested parties to look up various information about charter schools. The State Board has argued this would be more efficient for outside parties interested in information about one or multiple charter schools.

Senator Garcia said he understood that accountability is an issue, and that this was a solution to make charter schools accountable. Mr. Corey replied that the Board of Charter Schools believes this accountability database would allow its own staff to access information more efficiently. That information would be available in one database.

Senator Garcia remarked that the \$300,000 investment now would allow the Board of Charter Schools to address the accountability issue.

Senator Huppenthal moved the Charter School's budget of \$10,000 for the accountability study. The motion CARRIED by a voice vote.

Senator Cannell proposed to take the Budget Stabilization Fund out of the Committee's budget discussions.

Chairman Burns and Senator Harper agreed with Senator Cannell's suggestion regarding leaving the Budget Stabilization debate until the end of the process.

Senator Cannell moved that the Committee not include the Budget Stabilization Fund in the budget at this point. The motion FAILED by a voice vote.

ARIZONA DEPARTMENT OF EDUCATION

Mr. Stavneak indicated that the \$136 million in total additional caseload requirements is similar to the Executive, but the Executive has \$15 million less than JLBC staff's estimates. Mr. Stavneak reviewed the key items of difference between JLBC and the Executive:

- \$2 million - Early Childhood Block Grant
- \$17 million - Full Day Kindergarten
- \$5 million - AIMS Tutoring Expenses
- \$334,000 - Student Accountability Information System (SAIS) at the Arizona Department of Education (ADE).

Mr. Stavneak noted that the Executive also deleted \$15 million for *Flores* grants.

Steve Schimpp, Assistant Director, JLBC, explained the Career Ladder program total cost is about \$64 million of which \$40 million comes from the state, and \$24 million from local taxpayers. Mr. Schimpp said the Committee's option is to phase out the program over an eight year period. This would phase out the state appropriation first, over a five year period, and the local money would phase out over the last three years. This would result in a state savings of about \$7.8 million in FY 2006.

In response to Chairman Burns' inquiry, Mr. Schimpp replied that Proposition 301 provided approximately \$300,000 in classroom site fund money. He said "freezing" the program would prohibit further growth in the program, which would possibly save about \$1 or \$2 million. The districts are currently allowed to increase their funding by 5.5 percent, and that percentage would be rationed down over eight years. Mr. Schimpp said another option is to have the districts calculate the amount individual teachers will be receiving, and as a particular teacher left, the district would have to report to the Legislature the amount that teacher received from Career Ladder. That amount would then be removed from the base. He said this would be an accurate amount.

Chairman Burns asked how the money would come back and how the savings would be realized. Mr. Schimpp said that it might be lagged by a year, unless they estimate it for the first year and assume that one-eighth of the teachers would drop out. JLBC would then make an estimated savings the first year and have districts report the number of teachers who dropped out through retirement or whatever from Career Ladder. In the second year, an adjustment could be made and moved forward accordingly.

Senator Cannell commented about the Career Ladder programs in his district and said he is aware of the Career Ladder program as being an effective program.

Senator Gould questioned why the Career Ladder program's expansion was not continued. Mr. Schimpp replied it was a budgetary decision made about a decade ago. In order for the program to be expanded above the current 28 districts there would have had to be money explicitly added to the budget and that was not done.

Chairman Burns said with regard to Senator Cannell's comments about putting all the schools on this program, he said he did not think there is enough money to do that. It is a merit program, which is supported by the Proposition, and this is isolated to a few schools. He does not have a problem with letting this program go away through attrition.

Mr. Schimpp briefly explained the Teacher Experience Index (TEI) gives districts more funding per pupil for more experienced teachers. He noted that approximately 100 out of the 230 districts in the state get more money because of TEI. If TEI is less than the average they are held harmless, they receive more money if the TEI is above the state average. He said the state currently pays about \$42 million for the TEI, and with this budget option, it would phase that out over eight years.

Senator Giffords said holding on to teachers, particularly in a blooming economy is important. She does not think the teachers should be “short changed” because she sees no compelling evidence that this program is not working.

Chairman Burns said the proposal is to phase out the program, not affect those people who are currently on it, but noted it would not be available for additional people to come on to the program.

Chairman Burns **RECESSED** the meeting to the sound of the gavel at 2:06 p.m.

Chairman Burns **RECONVENED** the meeting at 2:27 p.m.

Chairman Burns stated that there are a number of items that affect the Homeowner’s Rebate and he is not ready to take those up at this particular point in time.

Mr. Schimpp reviewed the Remaining 50% of Rapid Decline issue by explaining it is an adjustment to the formula that helps rapidly declining districts receive more funding that they otherwise would. The total cost of the program in the current year is about \$2.4 million, which is being funded at a 50 percent rate this year because of some language in the budget bill from last year. He said this budget option would take away that remaining 50 percent so that rapid decline program would not be funded at all for FY 2006. This would result in a state savings about \$2.5 million.

Chairman Burns said we are actually funding students that are not in the school. Mr. Schimpp said rapid decline districts get funded at an account higher than what they actually have.

Senator Waring asked how many districts are affected. Mr. Schimpp said ADE reviews what their account was last year, relative to their account two years ago, and if the difference is more than five percent, the district would receive rapid decline funding.

Senator Harper moved to reallocate \$2.4 million from the Rapid Decline back to the General Fund. The motion CARRIED by a voice vote.

Mr. Schimpp explained the Transportation Revenue Control Limit Funding (TRCL) issue. The K-12 formula currently funds districts on what is called the transportation support level (TSL); however, there is an additional formula that is allowed that is called the transportation revenue control limit (TRCL). If a district’s TRCL is higher than its TSL it can put the difference on to its local tax base. Mr. Schimpp said the TRCL is currently \$50 million higher than the TSL. The state funds the TSL through the formula, but the extra \$50 million above and beyond the TSL is funded through higher school property taxes. However, the state pays 35 percent of those higher property taxes for homeowners through the Homeowner’s Rebate program. If the Committee were to eliminate the \$50 million in triple funding, by saying TRCL is no longer allowed, then the state would default and save about \$12 million in the Homeowner’s Rebate funding.

Chairman Burns said the amount of money that now goes to offset homeowner property taxes would be reduced. Mr. Schimpp said that is correct because currently the \$54 million in TRCL funding is generated through local property taxes. Because the state subsidizes local property taxes through the Homeowner’s Rebate, the state would in fact automatically get a savings of about \$12 million if the TRCL were eliminated. A secondary effect of eliminating the TRCL, is that the state would save Homeowner’s Rebate funding.

In response to Senator Huppenthal's inquiry, Mr. Schimpp said it is actually \$54 million of which \$12 million is from the Homeowner's Rebate.

Senator Huppenthal said \$42 million comes from the local properties and \$12 million comes back through the state. Mr. Schimpp said this is correct. Currently, a TSL is about \$190 million General Fund monies.

Senator Huppenthal asked if the school districts are allowed to buy buses on top of the \$190 million and \$54 million. Mr. Schimpp said the school districts can bond for buses, noting that there is nothing in statute that states the TSL money can only be spent on gas, bus driver expenses, so forth, but that is essentially what happens.

Senator Huppenthal moved to reallocate \$11,811,900 from the Transportation Revenue Control Limit Funding back to the General Fund. The motion CARRIED by a voice vote.

Mr. Schimpp explained the Vocational Education Extended Year Program option is grant monies that ADE awards to the ten Joint Technology Education Districts (JTED) to allow them to offer summer school classes. This option would zero out that funding.

Chairman Burns asked if this is the one where the districts get together and fund the tech schools. Mr. Schimpp said yes, but this is not their basic state aid funding which has been the main focus of contention. This is a separate source of money they can use for summer school or after school classes.

Discussion was held on the vocational technology program.

Mr. Schimpp responded to questions from the members. He informed the members that he would look into the number of students being funded by this program because JLBC does not know the amount per pupil.

Senator Giffords remarked that she had visited a high school in Sierra Vista, which is geared toward a vocational educational program. The skills that the program is giving students will allow them to graduate and step into high paying jobs that are fairly technical. She stated that she would like to see the Committee keep the funding there.

Chairman Burns informed the members that this would not take away all of the funding to schools. This item is a subsidy for summer programs. Mr. Schimpp clarified that the program would still get their basic state aid.

Senator Gould moved to reallocate the Vocational Education Extended Year Program money back to the General Fund. The motion CARRIED by a voice vote. DIVISION was called by Senator Giffords. By a show of hands, the motion CARRIED with 6 ayes and 4 nays.

Mr. Schimpp explained the issue on Replace Desegregation "Soft Cap" with "Hard Cap." For FY 2002, 2003 and 2004, there was a "hard cap" on desegregation expenditures and so they were capped at \$200 million statewide, which was the level from FY 2002. However, for FY 2005, a decision was made to allow that funding to increase to compensate for enrollment growth and inflation at the 19 districts that had desegregation funding. JLBC estimates that for FY 2005

desegregation funding is going to go up by about \$5 million statewide and a million of that is being covered by the Homeowner's Rebate. Mr. Schimpp said the FY 2006 baseline budget assumes that the "soft cap" would continue. If the Committee were to exercise this option, the "hard cap" would go back on desegregation, and there would be no more increases of any sort allowed. The districts would forego what otherwise would be an increase in desegregation funding of \$5 million, which in turn would result in an increase of about \$1 million in the Homeowner's Rebate.

In response to Senator Gould, Mr. Schimpp explained the "hard cap" freezes in absolute dollar terms, the amount of desegregation money that the districts statewide can spend. The "soft cap" allows districts to take this year's number and for purposes of next year, grow it by for example, three percent if they have one percent enrollment growth and two percent inflation. The "soft cap" allows growth for inflation where the "hard cap" allows no growth at all.

Senator Harper moved that the Committee adopt the "Hard Cap" instead of the "Soft Cap" on desegregation. The motion CARRIED by a voice vote. DIVISION was called by Senator Giffords. By a show of hands, the motion CARRIED with 6 ayes and 4 nays.

Senator Giffords addressed her concerns regarding issues within ADE; Early Childhood Block Grant, All Day Kindergarten, AIMS Intervention, and the SAIS support program.

Senator Giffords moved to retain the funding of \$2 million for the Early Childhood Block Grant.

Senator Harper stated he was opposed to Senator Gifford's motion.

The motion FAILED by voice vote. DIVISION was called by Senator Giffords. By a show of hands, the motion FAILED with five nays and four ayes.

Senator Giffords moved the funding of \$17 million for All Day Kindergarten including \$150,000 General Fund for 2 FTEs.

Chairman Burns stated his opposition to the motion. He said he thinks this issue will enter into the discussions as they moved forward in this budget.

Senator Huppenthal moved a substitute motion that the Committee include the increase in the general education funding from 2 to 2.75 percent.

Senator Huppenthal explained that this would increase the overall funding at education by over \$30 million and it would allow the school districts themselves to determine what programs they are going to start up.

Senator Harper moved a substitute motion that the percentage be 2.5 percent in the amount of \$20 million. The motion CARRIED by a voice vote. DIVISION was called by Senator Giffords. By a show of hands, the motion CARRIED with 6 ayes and 5 nays.

Senator Giffords moved to retain the \$5 million funding for the AIMS Intervention tutoring program. The motion FAILED by a voice vote.

Senator Giffords moved to retain the \$334,000 funding for 4 FTE positions for the SAIS support program.

Chairman Burns said a considerable amount of money has been put into this program over a number of years, and they do not have what would be considered a good strong reporting system.

Senator Garcia said it was his understanding of ADE's explanation that this was money to help the smaller school districts deal with the reporting issue because the larger school districts have the information technology staff, and this would be providing the technical support to the smaller school districts.

Senator Giffords' motion FAILED by a voice vote.

Senator Harper moved that the Committee adopt the option on Line 231 for Teacher Experience Index through Attrition and reallocate the \$5 million back to the General Fund. Without objection, Senator Harper withdrew his motion.

There being no further business, the meeting was adjourned at 2:55 p.m.

Respectfully submitted,

Melissa C. Upshaw
Committee Secretary

(Tapes and attachments on file in the Secretary of Senate's Office/Resource Center, Room 115).