



HOUSE OF REPRESENTATIVES

HB 2707/SB 1538

K-12 education; budget reconciliation; 2016-2017.

Prime Sponsor: Representative Montenegro, LD 13/Senator Biggs, LD 12

DP Committee on Appropriations

DPA Caucus and COW

X As Transmitted to the Governor

OVERVIEW

HB 2707 makes statutory and session law changes related to K-12 education and the implementation of the Fiscal Year (FY) 2017 state budget.

PROVISIONS

School Funding

1. Removes the definition change scheduled to begin in FY 2017 of *student count* to the current year Average Daily Membership (ADM).
2. Defines *student count* for Base Support Level calculations as the ADM for the current year, except that for calculating the Base Support Level for school district rollover allocations and budget override amounts, the student count is the ADM of the prior year.
3. Repeals statute allowing school districts to adjust student counts for growth in the current year.

School Districts

4. Increases the Base Level by 0.99% for FY 2017 from \$3,426.74 to \$3,460.66 or from \$3,600 to \$3,635.64 if Proposition 123 is approved by the voters.
5. Increases the school district Transportation Support Level per route mile formula by 0.99%.
6. Continues to direct the Arizona Department of Education (ADE) to reduce the amount of Basic State Aid (BSA) by \$352,442,700 that otherwise would be apportioned to school districts for FY 2017 as District Additional Assistance (DAA) and requires school district budget limits to be reduced accordingly.
 - a. Directs ADE to reduce DAA for school districts that are not eligible to receive BSA funding by the amount that would be reduced if the district was eligible for BSA funding and reduce the school district's budget limits accordingly.
7. Continues to declare that it is the intent of the Governor and Legislature that school districts increase the total percentage of classroom spending over the previous year's percentages in the combined categories of instruction, student support and instructional support.
8. Continues to cap the sum of DAA reductions in FY 2017 for school districts with a student count of less than 1,100 at \$5 million.

Charter Schools

9. Removes the authority for a school district to sponsor a charter school and deletes all applicable statutes.

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10. Prohibits a charter school applicant from submitting an application to any person or entity other than those authorized to sponsor a charter school.
11. Removes the requirement for district sponsored charter schools that convert back to a district school to repay the total Charter Additional Assistance (CAA) received for all years the charter school was in operation, retroactive to June 30, 2016.
12. Prohibits FY 2015 students who attended district sponsored charter schools that converted in FY 2014 and are being counted as if they attended a school district school in FY 2016 from making the school district eligible for DAA growth funding.
13. Directs ADE, for FY 2017, to compute DAA for students attending district sponsored charter schools in FY 2016 as if the students had attended a school district school and adjust DAA student counts and budget limits accordingly, except that the adjustment does not make the school district eligible for DAA growth funding.
14. Contains a retroactive effective date for the previous two sections of June 30, 2015.
15. Enacts a delayed repeal of July 1, 2016, for session law prohibiting the ADM of district sponsored charter schools in FY 2015 onwards from being more than 20% of the ADM of all students attending district sponsored charter schools in the district in FY 2013.
16. Reduces the FY 2017 reduction to multi-site charter holders for Small School Weights from 67% to 33%.
17. Increases CAA by 0.99% to the following amounts:
 - a. For students in preschool programs for children with disabilities and grades K-8, from \$1,734.92 to \$1,752.10.
 - b. For students in grades 9-12, from \$2,022.02 to \$2,042.04.
18. Continues to require ADE to reduce the amount of CAA by \$18,656,000 that otherwise would be apportioned to charter schools for FY 2017 and requires budget limits to be reduced accordingly.
 - a. Directs the reduction to be made on a proportional basis based on the CAA funding that each charter school would have received without the prescribed reduction.

Joint Technical Education Districts (JTEDs)

19. Requires the annual JTED report to include for each district the percentage of students enrolled in the second year of each program and course relative to the number of students in the same cohort enrolled in the first year and the percentage of students who completed relative to the number who began the program.
20. Removes the ability for a student who has not graduated and was enrolled in a JTED on January 1, 2016, to continue to participate in the JTED program.
21. Permits a JTED student under 21 years old, including those who have graduated from high school or received a general equivalency diploma to:
 - a. During FY 2016, continue to participate in the JTED program and remain in the JTED's ADM through the end of FY 2016; and
 - b. On February 1, 2016, continue to participate in the JTED program and remain in the JTED's ADM until the student completes the JTED program or through the end of FY 2017, whichever is first.
22. Applies the previous provision retroactive to June 30, 2015.

23. Continues to fund JTEDs with a student count of more than 2,000 at 95.5% of what would otherwise be provided by law for FY 2017 and requires ADE to reduce budget limits accordingly.
 - a. Directs the reduction to be computed as if the Base Support Level portion of the equalization formula funding for FY 2017 was based on the prior year ADM.

School Emergency Pilot Program

24. Continues to designate \$100,000 for the School Emergency Readiness Pilot Program from the FY 2017 GF appropriation to ADE for the School Safety Program and establishes the same programmatic requirements for FY 2017 as previously enacted with updated report dates.

K-6 Technology-Based Language Development and Literacy Intervention Pilot Program

25. Extends the K-6 Technology-Based Language Development and Literacy Intervention Pilot Program reporting and termination dates by two years.
26. Modifies the FY 2015 appropriation for the K-6 Technology-Based Language Development and Literacy Intervention Pilot Program to go to the Superintendent of Public Instruction (SPI) rather than SBE and appropriates \$246,800 in FY 2016 to the SPI.
 - a. Exempts the FY 2015 appropriations from lapsing through FY 2017 and the FY 2016 from lapsing through FY 2018.

Code Writers Initiative Pilot Program

27. Appropriates, as one-time funding, \$500,000 in FY 2017 from the State Web Portal Fund to ADE to provide competitive grants for participation in the Code Writers Initiative Pilot Program.
28. Directs the American Indian Advisory Council in ADE to evaluate grant applications and make award recommendations to ADE.
29. Requires ADE to maximize available funding by awarding grants to participations who will secure gifts, grants and donations from other sources.
30. Establishes requirements for grantees in the Code Writers Initiative Pilot Program.
31. Requires ADE to summarize submitted reports and submit summaries by December 1, 2017 and 2018 to the President of the Senate, Speaker of the House of Representatives, Director of the Joint Legislative Budget Committee (JLBC) and Secretary of State.
32. Exempts the appropriation from lapsing and sunsets the program on July 1, 2019.

College Credit by Examination Incentive Pilot Program

33. Establishes the College Credit by Examination Incentive Pilot Program in ADE to provide incentive bonuses to teachers, school districts and charter schools for students who obtain a passing score on qualifying college credit examinations while in high school.
34. Requires the Arizona Board of Regents (ABOR) to maintain a list of qualifying examinations from ABOR universities and scores and provide the list to ADE and JLBC by September 1 each year for review.
35. Directs ADE to pay an incentive bonus beginning in FY 2018 to public high schools for students who pass a qualifying examination in the previous year of:
 - a. \$450 per student for students enrolled in schools with a 50% or higher free or reduced price lunch population; and

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- b. \$300 per student for students enrolled in a school with less than a 50% free or reduced price lunch population.
- 36. Directs bonuses to be proportionally reduced if the statewide sum of bonuses exceeds the appropriations.
- 37. Requires at least 50% of the bonus to be distributed to the associated classroom teacher in addition to regular wages, compensation or other bonuses and directs the remainder to be used for teacher professional development, instructional support or materials.
 - a. Instructs bonus monies to be separately accounted for in the annual financial report.
- 38. Prohibits incentive bonuses from being subject to collective bargaining.
- 39. Requires ADE to report by December 15, 2018 and by December 15 each year after, to the President of the Senate, Speaker of the House of Representatives and the Governor on specified information.
- 40. Excludes incentive bonuses from being compensation for Arizona State Retirement System purposes.
- 41. Sunsets the program on July 1, 2026.

Miscellaneous

- 42. Increases the maximum annual amount of unclaimed lottery prize money that may be transferred to the Tribal College Dual Enrollment Program Fund from \$160,000 to \$250,000.
- 43. Requires ADE to submit a copy of annual desegregation reports to the Secretary of State.
- 44. Declares the intent of the Legislature to fund district-sponsored charter schools that operated in FY 2016 at approximately the same amount of incremental monies in FY 2017 as the previous year.
- 45. Permits school districts to pay for new facilities projects that were approved by the School Facilities Board (SFB) if the full appropriation is unavailable in the FY following approval and be reimbursed when the remaining appropriations are made available.
 - a. Limits this option to monies appropriated to SFB for new school facilities during FY 2017 and 2018.
- 46. Makes technical and conforming changes.