### Department of Education

#### Operating Budget

<table>
<thead>
<tr>
<th>Full Time Equivalent Positions</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Services</td>
<td>4,219,400</td>
<td>4,554,800</td>
<td>4,554,800</td>
</tr>
<tr>
<td>Employee Related Expenditures</td>
<td>1,508,700</td>
<td>1,653,100</td>
<td>1,673,900</td>
</tr>
<tr>
<td>Professional and Outside Services</td>
<td>1,121,300</td>
<td>3,337,200</td>
<td>3,337,200</td>
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<tr>
<td>Travel - In State</td>
<td>21,000</td>
<td>16,800</td>
<td>16,800</td>
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<tr>
<td>Travel - Out of State</td>
<td>17,900</td>
<td>18,800</td>
<td>18,800</td>
</tr>
<tr>
<td>Other Operating Expenditures</td>
<td>5,181,800</td>
<td>4,893,500</td>
<td>4,952,000</td>
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<tr>
<td>Equipment</td>
<td>116,100</td>
<td>26,800</td>
<td>26,800</td>
</tr>
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</table>

**Operating Subtotal:**

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>12,186,200</td>
<td>14,501,000</td>
<td>14,580,300</td>
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</tbody>
</table>

#### Special Line Items

**Formula Programs**

<table>
<thead>
<tr>
<th>Program</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic State Aid</td>
<td>3,893,908,700</td>
<td>4,452,121,900</td>
<td>4,895,454,900</td>
</tr>
<tr>
<td>State Aid Supplement</td>
<td>50,000,000</td>
<td>50,000,000</td>
<td>50,000,000</td>
</tr>
<tr>
<td>Additional Teacher Salary Increase</td>
<td>32,250,300</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Results-Based Funding</td>
<td>39,106,500</td>
<td>38,600,000</td>
<td>68,600,000</td>
</tr>
<tr>
<td>Rural Assistance</td>
<td>2,600,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Special Education Fund</td>
<td>32,242,100</td>
<td>25,529,200</td>
<td>36,029,200</td>
</tr>
<tr>
<td>Other State Aid to Districts</td>
<td>201,900</td>
<td>983,900</td>
<td>983,900</td>
</tr>
<tr>
<td>Classroom Site Fund</td>
<td>511,829,000</td>
<td>574,995,000</td>
<td>602,511,600</td>
</tr>
<tr>
<td>Instructional Improvement Fund</td>
<td>27,337,800</td>
<td>45,000,000</td>
<td>45,000,000</td>
</tr>
</tbody>
</table>

**Property Tax Relief**

- Additional State Aid: 410,546,000
- Non-Formula Programs:
  - Accountability and Achievement Testing: 16,423,600
  - Adult Education: 4,504,100
  - Alternative Teacher Development Program: 500,000
  - American Civics Education Pilot Program: 0
  - Arizona Structured English Immersion Fund: 4,960,400
  - Broadband Expansion: 3,000,000
  - Code Writers Initiative Pilot Program: 0
  - College Credit by Examination Incentive Program: 3,822,200
  - Computer Science Pilot Program: 0
  - CTED Completion Grants: 1,000,000
  - CTED Soft Capital and Equipment: 1,000,000
  - Early Literacy: 8,000,000
  - Education Learning and Accountability System: 0
  - English Learner Administration: 6,519,000
  - Geographic Literacy: 100,000
  - Gifted Education: 0
  - Jobs for Arizona Graduates: 100,000
  - Mingus Unification Assistance: 0
  - School Safety Program: 11,947,600
  - State Block Grant for Vocational Education: 11,438,400
  - Teacher Certification: 2,101,500
  - Teacher Professional Development Pilot: 300,000
  - Tribal College Dual Enrollment Program Fund: 211,000
  - Yuma Elementary School Construction: 0

**Agency Total:**

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>5,088,136,300</td>
<td>5,701,583,500</td>
<td>6,247,542,200</td>
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</tbody>
</table>
FUND SOURCES

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ACTUAL</td>
<td>ESTIMATE</td>
<td>APPROVED</td>
</tr>
<tr>
<td>General Fund</td>
<td>4,201,507,900</td>
<td>4,687,820,500</td>
<td>5,200,184,900</td>
</tr>
<tr>
<td>Other Appropriated Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automation Projects Fund</td>
<td>3,000,000</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Budget Stabilization Fund</td>
<td>2,600,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Department of Education Empowerment Scholarship Account Fund</td>
<td>1,202,000</td>
<td>1,246,100</td>
<td>1,283,400</td>
</tr>
<tr>
<td>Department of Education Professional Development Revolving Fund</td>
<td>361,700</td>
<td>2,700,000</td>
<td>2,700,000</td>
</tr>
<tr>
<td>Permanent State School Fund</td>
<td>235,339,100</td>
<td>277,115,300</td>
<td>290,489,100</td>
</tr>
<tr>
<td>Proposition 301 Fund</td>
<td>7,000,000</td>
<td>7,000,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td>State School Trust Revenue Bond Debt Service Fund</td>
<td>0</td>
<td>6,833,400</td>
<td>0</td>
</tr>
<tr>
<td>State Web Portal Fund</td>
<td>0</td>
<td>500,000</td>
<td>0</td>
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<tr>
<td>Teacher Certification Fund</td>
<td>1,967,300</td>
<td>2,342,700</td>
<td>2,342,700</td>
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<tr>
<td>Tribal College Dual Enrollment Program Fund</td>
<td>211,000</td>
<td>250,000</td>
<td>250,000</td>
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<tr>
<td>SUBTOTAL - Other Appropriated Funds</td>
<td>251,681,100</td>
<td>297,987,500</td>
<td>304,065,200</td>
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<tr>
<td>SUBTOTAL - Appropriated Funds</td>
<td>4,453,189,000</td>
<td>4,985,808,000</td>
<td>5,504,250,100</td>
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<tr>
<td>Expenditure Authority Funds</td>
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<tr>
<td>Proposition 301</td>
<td>515,445,800</td>
<td>531,057,900</td>
<td>579,683,600</td>
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<tr>
<td>Proposition 301/Classroom Site Fund – Land Trust</td>
<td>92,163,700</td>
<td>103,425,500</td>
<td>103,550,100</td>
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<tr>
<td>Proposition 301/Classroom Site Fund – Carryforward</td>
<td>0</td>
<td>36,292,100</td>
<td>15,058,400</td>
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<tr>
<td>Tribal Gaming</td>
<td>27,337,800</td>
<td>45,000,000</td>
<td>45,000,000</td>
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<tr>
<td>SUBTOTAL - Expenditure Authority Funds</td>
<td>634,947,300</td>
<td>715,775,500</td>
<td>743,292,100</td>
</tr>
<tr>
<td>SUBTOTAL - Appropriated/Expenditure Authority Funds</td>
<td>5,088,136,300</td>
<td>5,701,583,500</td>
<td>6,247,542,200</td>
</tr>
<tr>
<td>Other Non-Appropriated Funds</td>
<td>16,505,100</td>
<td>16,582,800</td>
<td>16,582,800</td>
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<tr>
<td>Federal Funds</td>
<td>1,121,804,100</td>
<td>1,206,177,500</td>
<td>1,206,177,500</td>
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<tr>
<td>TOTAL - ALL SOURCES</td>
<td>6,226,445,500</td>
<td>6,924,343,800</td>
<td>7,470,302,500</td>
</tr>
</tbody>
</table>

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. ADE currently oversees 236 school districts, accommodation districts and Career Technological Education Districts and 440 charter schools that provide public education for students in grades K-12.

FOOTNOTES

1/ Includes 86.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2020.

2/ The operating lump sum appropriation includes $683,900 and 8.5 FTE Positions for average daily membership auditing and $200,000 and 2 FTE Positions for information technology security services. (General Appropriation Act footnote)

3/ The amount appropriated for the department’s operating budget includes $500,000 for technical assistance and state-level administration of the K-3 Reading program established pursuant to A.R.S. § 15-211. (General Appropriation Act footnote)

4/ Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 8, for the Failing Schools Tutoring Fund established by A.R.S. § 15-241, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 8. (General Appropriation Act footnote)

5/ Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 6, for character education matching grants pursuant to A.R.S. § 15-154.01, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 6. (General Appropriation Act footnote)

6/ Includes K-12 rollover appropriation of $930,727,700 from Laws 2018, Chapter 276.

7/ The above appropriation provides basic state support to school districts for maintenance and operations funding as provided by A.R.S. § 15-973 and includes an estimated $290,489,100 in expendable income derived from the Permanent State School Fund and from state trust lands pursuant to A.R.S. § 37-521B for FY 2020. (General Appropriation Act footnote)

8/ Monies derived from the Permanent State School Fund and any other non-state General Fund revenue source that is dedicated to fund Basic State Aid shall be spent, whenever possible, before spending state General Fund monies. (General Appropriation Act footnote)
Except as required by A.R.S. § 37-521, all monies received during the fiscal year from national forests, interest collected on deferred payments on the purchase of state lands, income from investing permanent state school funds as prescribed by the Enabling Act and the Constitution of Arizona and all monies received by the Superintendent of Public Instruction from whatever source, except monies received pursuant to A.R.S. § 15-237 and 15-531, when paid into the State Treasury are appropriated for apportionment to the various counties in accordance with law. An expenditure may not be made except as specifically authorized above. (General Appropriation Act footnote)

Any monies available to the Department of Education pursuant to A.R.S. § 42-5029E, paragraph 5, for the increased cost of Basic State Aid due to added school days in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 5. (General Appropriation Act footnote)

The Basic State Aid appropriation for FY 2020 includes a state General Fund increase of $164,700,000, which the Legislature and Governor intend to be used for teacher salary increases that are in addition to teacher salary increases provided for FY 2019. (General Appropriation Act footnote)

Laws 2018, Chapter 276 appropriated $164,700,000 in FY 2020 and $289,200,000 in FY 2021 from the General Fund for Basic State Aid.

Laws 2015, 1st Special Session, Chapter 1 appropriated $50,000,000 annually for FY 2016 through FY 2020 and $75,000,000 annually for FY 2021 through FY 2025 from the General Fund for school districts and charter schools.

The Department of Education shall allocate the appropriated amount to school districts and charter schools on a pro rata basis using the weighted student count for the school district or charter school for the fiscal year pursuant to A.R.S. § 15-943, paragraph 2, subdivision (a) and increase the budget limits pursuant to A.R.S. § 15-947 accordingly. For the purposes of this subsection, the weighted student count for a school district that serves as the district of attendance for nonresident pupils shall be increased to include nonresident pupils who attend school in the school district. (Laws 2015, 1st Special Session, Chapter 1, Section 6 footnote)

Any monies available to the Department of Education for accountability purposes pursuant to A.R.S. § 42-5029E, paragraph 7, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 7. (General Appropriation Act footnote)

Laws 2018, Chapter 289 appropriated $500,000 from the General Fund for the American Civics Education Pilot Program.

Monies appropriated for career technical education district completion grants are intended to help fund program completion for students who complete at least 50% of a career technical education program before graduating from high school and who successfully complete the career technical education district program after graduating from high school. The Department of Education shall develop application procedures for the career technical education district completion grant program. The procedures shall award grant funding only after an eligible student has successfully completed a career technical education district program. (General Appropriation Act footnote)

If the appropriated amount is insufficient to fund all grant requests from career technical education districts, the Department of Education shall reduce grant amounts on a proportional basis in order to cap total statewide allocations at $1,000,000. (General Appropriation Act footnote)

The appropriated amount is exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations through FY 2021. (General Appropriation Act footnote)

The Department of Education shall distribute the appropriated amount to career technical education districts with fewer than 2,000 average daily membership pupils for soft capital and equipment expenses. The appropriated amount shall be allocated on a pro rata basis based on the average daily membership of eligible career technical education districts. (General Appropriation Act footnote)

The Department of Education shall use the appropriated amount 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)
The Department of Education shall use the appropriated amount to issue a grant to a statewide geographic alliance for strengthening geographic literacy in the state. (General Appropriation Act footnote)

The Department of Education shall use the appropriated amount to issue a grant to a nonprofit organization for a Jobs for Arizona Graduates program. (General Appropriation Act footnote)

The appropriation made in subsection A of this section is exempt from the provisions of A.R.S. § 35-190 relating to the lapsing of appropriations, until July 1, 2022. (General Appropriation Act footnote)

Any monies available to the Department of Education for school safety pursuant to A.R.S. § 42-5029E, paragraph 6, in excess of the expenditure authority amounts are allocated for the purposes of A.R.S. § 42-5029E, paragraph 6. (General Appropriation Act footnote)

The sum of $400,000 is appropriated from the state General Fund in each of FY 2020, FY 2021 and FY 2022 to the Superintendent of Public Instruction to provide scholarships or grants, or both, to qualified applicants to complete high-quality teacher professional development at a qualifying postsecondary institution. The Department of Education shall use $100,000 of each fiscal year appropriation to provide scholarships or grants, or both, to qualified applicants in counties with a population of less than 375,000 persons.

The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)

The sum of $800,000 is appropriated from the state General Fund in FY 2020 to the Superintendent of Public Instruction to distribute to an elementary school district that operates a school on a proving ground that is operated by the United States Army and that encompasses at least 1,000 square miles in this state.

The monies appropriated in subsection A of this section may be used only to demolish an existing or former school that is located on a proving ground operated by the United States Army or to construct a new replacement school on that same proving ground.

The monies appropriated in subsection A of this section may be spent only if the United States Department of Defense provides matching monies for this purpose in an amount that is equivalent to at least 80% of the total project cost.

Notwithstanding A.R.S. § 35-190, the appropriation made in subsection A of this section does not lapse until the purpose for which the appropriation is made is accomplished or abandoned unless the appropriation stands until October 1, 2029 without an expenditure or encumbrance. In addition, all monies remaining unexpended and unencumbered on October 1, 2029 revert to the state General Fund. (General Appropriation Act footnote)

In addition to any other appropriation made in FY 2021 and FY 2022, the sum of $5,000,000 is appropriated from the state General Fund in each of FY 2021 and FY 2022 to the Superintendent of Public Instruction for deposit in the Arizona Industry Credentials Incentive Fund established by A.R.S. § 15-249.15 for incentive payments to career technical education programs for each high school graduate who earns a select industry certification. The Superintendent of Public Instruction shall transfer $10,000 of the appropriated amount in each of FY 2021 and FY 2022 to the Office of Economic Opportunity to conduct an annual skill profile analysis.

The appropriations made in subsection A of this section are exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. (General Appropriation Act footnote)

In addition to any other appropriation made in FY 2022, the sum of $30,000,000 is appropriated from the state General Fund in FY 2022 to the Superintendent of Public Instruction for Basic State Aid to eliminate the K-12 rollover for school districts with a student count of less than 1,350 pupils. (General Appropriation Act footnote)

After review by the Joint Legislative Budget Committee, in FY 2020, the Department of Education may use a portion of its FY 2020 state General Fund appropriations for Basic State Aid, Additional State Aid or the Special Education Fund to fund a shortfall in funding for Basic State Aid, Additional State Aid or the Special Education Fund, if any, that occurred in FY 2019. (General Appropriation Act footnote)

The department shall provide an updated report on its budget status every 3 months for the first half of each fiscal year and every month thereafter to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees, the Director of the Joint Legislative Budget Committee and the Director of the Governor’s Office of Strategic Planning and Budgeting. Each report shall include, at a minimum, the department’s current funding surplus or shortfall projections for Basic State Aid and other major formula-based programs and is due 30 days after the end of the applicable reporting period. (General Appropriation Act footnote)

Within 15 days after each apportionment of state aid that occurs pursuant to A.R.S. § 15-973B, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)

General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
ADE’s FY 2020 General Fund spending increases by $512,364,400, or 10.9% above the revised FY 2019 appropriation. The budget includes funding changes for prior year base adjustments, current law formula adjustments, a non-formula change, the elimination of one-time funding, policy changes, and standard changes:

Prior Year Base Adjustments
- An increase of $2,059,900 for higher-than-budgeted Homeowner’s Rebate and 1% Cap costs for FY 2019 ("base adjustment").
- An increase of $6,883,400 to replace one-time Basic State Aid funding for FY 2019 from the State School Trust Revenue Bond Debt Service Fund.
- A decrease of $(9,008,000) for lower-than-budgeted enrollment growth for FY 2019.

The prior year base adjustments total to $(64,700).

Current Law Formula Adjustments
- An increase of $69,010,900 for 0.4% Average Daily Membership (ADM) growth (unweighted) in FY 2020 (0.7% weighted).
- An increase of $127,554,200 for a 2.0% inflator.
- A decrease of $(49,471,000) for local property tax growth due to new construction offset by Homeowner’s Rebate impact of $11,219,500.
- An increase of $2,700,000 for property tax statutory changes.
- A decrease of $(13,373,800) to offset higher available endowment earnings under Proposition 123.
- An increase of $1,547,500 for Empowerment Scholarship Accounts (ESAs).
- An increase of $8,000,000 to restore $(8,000,000) in Special Education Fund funding that was reduced on a one-time basis for FY 2019 due available fund balances.
- An increase of $2,500,000 for Special Education Fund base level increases for inflation and teacher pay raises.
- An increase of $164,700,000 for an additional 5% increase in the statewide average teacher salary.
- An increase of $67,774,700 to continue to restore currently suspended District Additional Assistance (DAA) and Charter Additional Assistance (CAA). An additional $67,774,700 in restoration funding appears below under "Policy Changes."

The current law formula adjustments total to $392,162,000.

Non-Formula Change
- An increase of $500,000 for a new American Civics Education Pilot Program established by Laws 2018, Chapter 289.

Eliminate One-Time Funding
- A decrease of $(1,000,000) to eliminate one-time funding for Gifted Education (restored below as a policy change, again on a one-time basis).

Policy Changes
- An increase of $67,774,700 (above the $67,774,700 listed above under formula adjustments) to accelerate the restoration of currently-suspended District Additional Assistance and Charter Additional Assistance funding.
- An increase of $30,000,000 to expand eligibility for Results-Based Funding to additional schools.
- An increase of $20,000,000 to expand the School Safety Program and allow it to fund school counselors and school social workers.
- A one-time increase of $1,000,000 to continue one-time funding for Gifted Education for an additional year.
- A one-time increase of $800,000 to fund replacement of an elementary school on a military proving ground near Yuma.
- An increase of $700,000 for revisions to the education funding formula for county juvenile detention centers.
- A one-time increase of $400,000 (repeated on a one-time basis for FY 2021 and FY 2022) for a high-quality teacher professional development pilot program.
- A one-time increase of $50,000 for consolidation-related expenses for the proposed Mingus Unified School District.

The policy changes total to $120,724,700.

Standard Changes
An increase of $42,400 for standard changes related to Employee Related Expenditures and agency operations funding.

As part of the budget’s 3-year spending plan, ADE General Fund costs are projected to increase by $326,162,500 in FY 2021 above FY 2020 and $255,858,000 in FY 2022 above FY 2021. (See Other Issues for more information.)

Operating Budget

The budget includes $14,580,300 and 74.9 FTE Positions in FY 2020 for the operating budget. These amounts consist of:
Department of Education Appropriations Report 2020

<table>
<thead>
<tr>
<th>FY 2020</th>
<th>Department of Education Empowerment Scholarship Account Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>8,895,400</td>
</tr>
<tr>
<td>Department of Education Empowerment Scholarship Account Fund</td>
<td>1,283,400</td>
</tr>
<tr>
<td>Department of Education Professional Development Revolving Fund</td>
<td>2,567,700</td>
</tr>
<tr>
<td>Teacher Certification Fund</td>
<td>133,800</td>
</tr>
<tr>
<td>Proposition 301 Expenditure Authority</td>
<td>1,700,000</td>
</tr>
</tbody>
</table>

FY 2020 adjustments are as follows:

**ESA Administration**

The budget includes no change in funding from the Department of Education Empowerment Scholarship Account Fund (DEESAF) in FY 2020 for administration of the Empowerment Scholarship Account (ESA) program authorized in A.R.S. § 15-2402. This would continue to provide the department with $1,283,400 in ESA administration funding for FY 2020, including funding for standard changes described below.

The DEESAF is funded with monies retained from Basic State Aid pursuant to A.R.S. § 15-2402C. That law allows ADE to retain for ESA program administration 5% of the sum of the base support level (BSL) and additional assistance prescribed in A.R.S. § 15-185 and A.R.S. § 15-943 for each ESA student, which for FY 2020 would be as much as $4,529,900 (an estimated $90,598,800 in ESA costs for FY 2020 X 5%).

A.R.S. § 15-2402C requires ADE to transfer 1/5th of the 5% to the State Treasurer to fund the latter’s costs for ESA fund processing. The actual expenditure, however, is subject to legislative appropriation. *(See State Treasurer budget for State Treasurer’s ESA administration funding.)*

*(See Empowerment Scholarship Accounts policy issue under Basic State Aid for more information regarding Empowerment Scholarship Account Administration.)*

**Proposition 301**

The budget includes no change in funding from Proposition 301 Expenditure Authority for the department’s operating budget for FY 2020. This will provide the department’s operating budget with $1,700,000 in Proposition 301 funding for FY 2020. The $1,700,000 total includes $1,500,000 for the Failing Schools Tutoring Fund and $200,000 for Character Education, as allocated by Proposition 301 (A.R.S. § 42-5029E).

**Statewide Adjustments**

The budget includes an increase of $79,300 in FY 2019 for statewide adjustments. This amount consists of:

| General Fund | 42,000 |

*(Please see the Agency Detail and Allocations section.)*

**Formula Programs**

**Basic State Aid**

The budget includes $4,895,454,900 in FY 2020 for Basic State Aid. This amount consists of:

| General Fund | 4,518,685,300 |
| Permanent State School Fund | 290,489,100 |
| Proposition 301 Expenditure Authority | 86,280,500 |

The $4,895,454,900 total does not include local property taxes that will help fund K-12 formula costs for FY 2020, as they are non-appropriated *(see Table 1).* In addition, it excludes separately-appropriated monies for the State Aid Supplement established by Proposition 123 and for programs such as Results-Based Funding, Early Literacy and the College Credit by Examination Incentive Program, as they are appropriated through separate line items apart from Basic State Aid.

*(See Other Issues for background information regarding the Basic State Aid formula.)*

FY 2020 adjustments are as follows:

**Base Adjustment - Replace One Time Funding**

The budget includes an increase of $6,883,400 from the General Fund and decrease of $(6,883,400) from the State School Trust Revenue Bond Debt Service Fund in FY 2020 to replace one-time funding from the State School Trust Revenue Bond Debt Service Fund that helped fund Basic State Aid costs in FY 2020 on a one-time basis. Section 112 of the General Appropriation Act appropriated $6,883,400 from the State School Trust Revenue Bond Debt Service Fund to Basic State Aid for FY 2019 to spend down monies that remained in the fund after all related bonds were retired. Those monies could only be spent on Basic State Aid pursuant to A.R.S. § 37-521B3.

**Base Adjustment - Enrollment Growth**

The budget includes a decrease of $(9,008,000) from the General Fund in FY 2020 for lower-than-budgeted enrollment growth from FY 2019. That slower growth reduces starting point costs for Basic State Aid by an estimated $(9,008,000) for FY 2020.
Table 1
FY 2020 Basic State Aid Formula Summary (estimated)

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Amount (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019 Appropriation (after ex-appropriations)</td>
<td>$4,081,892,700</td>
</tr>
<tr>
<td>Base Adjustment - Replace One-Time Funds</td>
<td>6,883,400</td>
</tr>
<tr>
<td>Base Adjustment - FY 2019 Enrollment Growth</td>
<td>(9,008,000)</td>
</tr>
<tr>
<td>Enrollment Growth @ 0.4% (unweighted)</td>
<td>69,010,900</td>
</tr>
<tr>
<td>2.0% Inflator</td>
<td>127,554,200</td>
</tr>
<tr>
<td>Property Taxes from New Construction</td>
<td>(49,471,100)</td>
</tr>
<tr>
<td>Property Tax - Statutory Changes</td>
<td>2,700,000</td>
</tr>
<tr>
<td>Endowment Earnings</td>
<td>(13,373,800)</td>
</tr>
<tr>
<td>Additional Assistance</td>
<td>135,549,400</td>
</tr>
<tr>
<td>Teacher Salary Increase</td>
<td>164,700,000</td>
</tr>
<tr>
<td>Empowerment Scholarship Accounts</td>
<td>1,547,500</td>
</tr>
<tr>
<td>Juvenile Detention Center Education</td>
<td>700,000</td>
</tr>
<tr>
<td>FY 2020 budget</td>
<td>$4,518,685,300</td>
</tr>
</tbody>
</table>

| Permanent State School Fund                 |               |
| FY 2019 Appropriation                       |               |
| Estimated FY 2020 Growth                    | $277,115,300   |
| FY 2020 budget                              | $290,489,100   |

| Prop 301 Sales Tax (no change)              |               |
|                                            | $86,280,500    |

| Local Property Taxes                       |               |
| FY 2019 Base - estimated                   | $2,547,395,100|
| Property Taxes from New Construction       | 49,471,000     |
| Non-State Aid Districts - 2% Inflator      | 8,928,800      |
| Non-State Aid Districts - DAA Increase     | 9,488,500      |
| Non-State Aid Districts - Teacher Salary Increase | 11,529,000 |
| Non-State Aid Districts - Enrollment Declines | (7,178,100)   |
| FY 2020 Estimated                          | $2,619,634,300|

| Grand Total (all sources)                  |               |
|                                           | $7,515,089,200|

1/ Actuals for FY 2013 through FY 2018 and estimates for FY 2019 are from ADE payment data as of June 2019. Numbers shown for FY 2014 and FY 2015 have been adjusted by JLBC Staff in an attempt to compensate for data anomalies caused by charter conversions for those fiscal years. Numbers for other years are current JLBC Staff estimates. Excludes students enrolled at the Arizona State Schools for the Deaf and the Blind (ASDB).

2/ Includes district-sponsored charter schools.

3/ Excludes district-sponsored charter schools.

Enrollment Growth
The budget includes an increase of $69,010,900 from the General Fund in FY 2020 for enrollment growth. This assumes that unweighted K-12 ADM will increase by approximately 0.4% in FY 2020 (see Table 2) and that weighted ADM will increase by approximately 0.8% (see Table 3).

The estimated increase of 11,625 weighted ADM for FY 2022 from Table 3 would increase Base Support Level (BSL) costs within the Basic State Aid formula by approximately $48,825,000 for FY 2020 (11,625 X $4,200 approximate average base level per pupil for FY 2020 = $48,825,000). BSL funding is computed based on weighted ADM counts. The statutory per pupil base level for FY 2020 is $4,150.43 but most school districts qualify for a 1.25% increase in that amount pursuant to A.R.S. § 15-952.

The estimated increase of 10,555 unweighted charter ADM for FY 2020 (estimated 211,604 unweighted charter ADM for FY 2020 from Table 2 minus corresponding 201,049 estimate for FY 2019 = 10,555) would increase Charter Additional Assistance (CAA) costs within Basic State Aid by approximately $20,054,500 for FY 2020 (10,555 X $1,900 approximate CAA average per pupil = $20,054,500). CAA funding is computed based on unweighted ADM counts.
Together the estimated $48,825,000 BSL increase and estimated $20,054,500 CAA increase for FY 2020 would account for $68,879,500 of the assumed $69,010,900 increase in state General Fund costs for enrollment growth under the Basic State Aid formula for FY 2020. The remaining $222,400 would be due to factors such as caseload changes for District Additional Assistance (DAA). Caseload changes typically have little impact on DAA costs, however, because school district unweighted ADM counts in the aggregate are relatively stable. (Both CAA and DAA funding are based on unweighted ADM counts.) Changes in DAA costs due to DAA restorations for FY 2020 are discussed separately below.

**2.0% Inflation Adjustment**
The budget includes an increase of $127,554,200 from the General Fund in FY 2020 for a 2.0% inflation increase in the per pupil base level prescribed in A.R.S. § 15-901B2, the transportation funding levels prescribed in A.R.S. § 15-945A5 and the charter school Additional Assistance amounts prescribed in A.R.S. § 15-185B. The 2.0% inflation adjustment increases the base level by $79.20.

In addition, the budget increases the base level by an additional $111,16 to distribute $164,700,000 for additional teacher salary increases for FY 2020, as discussed separately below. This results in a total base level increase of $190.36 for FY 2020, which increases the base level to $4,150.43 for the budget year. A.R.S. § 15-901.01 (established by Proposition 301) requires the Legislature to increase the “base level or other components of the Revenue Control Limit” (RCL) by 2% or by the change in the GDP price deflator for the most recent prior calendar year, whichever is less. The FY 2020 adjustment of 2.0% equals the GDP price deflator for calendar year 2018. A.R.S. § 15-901.01 prohibits the Legislature from setting a base level that is lower than the FY 2002 base level of $2,687.32.

*(See the FY 2016 Appropriations Report for background information regarding the related Cave Creek, et. al. v Ducey lawsuit.)*

Section 7 of the K-12 BRB also deletes obsolete definitions of "base level" from A.R.S. § 15-901B2. That term is updated annually to reflect ongoing inflation adjustments.

**Property Taxes from New Construction**
The budget includes a decrease of $(49,471,000) from the General Fund in FY 2020 due to a projected 2.31% increase in statewide Net Assessed Value (NAV) from new construction in FY 2020. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) by an estimated $49,471,000 in FY 2020. It also will decrease state costs by $(49,471,000), since QTR and SETR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls ("existing property") currently is estimated to increase by 3.83% in FY 2020, resulting in a net 6.14% NAV increase for new construction and existing property combined for FY 2020.

The projected 3.83% NAV increase for existing property will not affect net QTR or SETR collections in FY 2020 because A.R.S. § 41-1276 (the “Truth in Taxation” or "TNT" law) requires the QTR and SETR to be adjusted each year to offset NAV changes for existing properties. As a result, the QTR will decrease to an estimated $3.79 (from $3.94 currently) and the SETR will decrease to an estimated $0.4566 (from $0.4741 currently) in FY 2020 to offset the estimated 3.83% NAV increase for existing property *(see Table 4).*

<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>FY 2019</th>
<th>FY 2020 Published</th>
<th>FY 2020 Corrected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying Tax Rate (QTR)</td>
<td>$1.9679</td>
<td>$1.9125</td>
<td>$1.8954</td>
</tr>
<tr>
<td>• High School districts and elementary districts located within a high school district</td>
<td>$3.9358</td>
<td>$3.8250</td>
<td>$3.7908</td>
</tr>
<tr>
<td>• Unified districts and elementary districts not located within a high school district</td>
<td>$0.4741</td>
<td>$0.4608</td>
<td>$0.4566</td>
</tr>
</tbody>
</table>

On a related note, Section 18 of the K-12 Education BRB updates the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2020 under that section. *(See Statutory Changes section for more information.)*

Proposition 117 from the November 2012 General Election, capped annual growth in property values at 5% starting in FY 2016. *(See the FY 2016 Appropriations Report for more information.)*

**Property Tax Statutory Changes**
The budget includes an increase of $2,700,000 from the General Fund in FY 2020 for property tax statutory changes. Laws 2017, Chapter 220 expands accelerated depreciation provisions in A.R.S. § 42-14403 beginning in FY 2020 to include qualifying broadband infrastructure property, such as cables, telecommunications equipment, and other property used in the electronic transmission of data. The reduction to statewide net assessed valuation under Chapter 220 will increase General Fund costs for state aid to school districts by an estimated $2,700,000 annually starting in FY 2020.
Endowment Earnings Growth

The budget includes a decrease of $13,373,800 from the General Fund and an increase of $13,373,800 from the Permanent State School Fund in FY 2020 for endowment earnings funding for Basic State Aid. The General Fund savings assumes that K-12 endowment earnings be Basic State Aid from the State Land Department and State Treasurer combined under Proposition 123 will equal $290,489,100 for FY 2020, which would be $13,373,800 more than the $277,115,300 total assumed for FY 2019 (see Table 5).

<table>
<thead>
<tr>
<th>Source</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original 2.5%</td>
<td>$72,263,000</td>
<td>$72,263,000</td>
<td>0</td>
</tr>
<tr>
<td>New 4.4%</td>
<td>204,852,300</td>
<td>218,226,100</td>
<td>13,373,800</td>
</tr>
<tr>
<td>Total</td>
<td>$277,115,300</td>
<td>$290,489,100</td>
<td>$13,373,800</td>
</tr>
</tbody>
</table>

A.R.S. § 37-521 caps the amount of K-12 endowment earnings that may be used for SFB debt service and Basic State Aid combined at the FY 2001 level of endowment earnings, which was $72,263,000. Starting in FY 2019, however, the entire $72,263,000 became available to fund Basic State Aid because the affected SFB bonds were paid off by the end of FY 2018. This increased by $24,903,500 the amount of K-12 Endowment Earnings available to fund Basic State Aid starting in FY 2019.

All endowment earnings above $72,263,000 go to the Classroom Site Fund established by A.R.S. § 15-977, except that Laws 2015, 1st Special Session, Chapter 1 appropriates for Basic State Aid any increase in State Treasurer land trust distributions from the new 4.4% distribution starting in FY 2016. (See the FY 2017 Appropriations Report for more information on the October 2015 Special Session and Proposition 123.) (See Other Issues for more information on Endowment Earnings.)

Rollover

The budget includes no change from the General Fund in FY 2020 for the K-12 rollover. This continues to defer through the General Appropriation Act $930,727,700 of current year (now FY 2020) state aid payments until the following fiscal year (now FY 2021).

Section 164 of the General Appropriation Act, however, appropriates $30,000,000 from the General Fund to the department for Basic State Aid for FY 2022 to eliminate the rollover for school districts with a student count of less than 1,350 pupils starting in FY 2022.

The FY 2020 rollover will affect only school districts with more than 600 students, as has been the policy since FY 2013. The budget continues to exempt small districts from the K-12 rollover in FY 2020, which continues it at the $930,727,700 level.


Additional Assistance

The budget includes an increase of $135,549,400 from the General Fund in FY 2020 for Additional Assistance. This amount provides “two years-worth” of DAA and CAA restoration monies for FY 2020 relative to the DAA and CAA restorations originally required by Sections 27 and 28 of the FY 2019 K-12 Education BRB. Those sections required only $67,774,700 of combined DAA and CAA restoration monies to be appropriated for FY 2020.

Because of this increase, the budget decreases the DAA and CAA suspensions to $(128,734,900) and $(6,814,400), respectively, for FY 2020. These are the levels that Sections 27 and 28 of the FY 2019 K-12 Education BRB originally required to be reached by FY 2021 rather than FY 2020. The budget therefore reaches those lower suspension levels one year earlier than was required by the FY 2019 budget.

Sections 27 and 28 of the FY 2020 K-12 Education BRB (which, coincidentally, are the same section numbers as addressed this issue for FY 2019 in the FY 2019 K-12 Education BRB) amend sections 27 and 28 of the FY 2019 K-12 Education BRB to require the now-lower suspension levels for FY 2020. They leave unchanged, however, the suspension levels that the FY 2019 K-12 Education BRB established for FY 2021 through FY 2023. As a result, the DAA and CAA suspension amounts established for FY 2021 will be identical to the now-revised suspension amounts for FY 2020 and no additional restoration funding will be required for that year (see Tables 6 and 7).

The FY 2020 K-12 Education BRB does not repeat language in Sections 27 and 28 of the FY 2019 K-12 Education BRB that already require the following through FY 2023: 1) eliminate DAA reductions for school districts with fewer than 1,100 students, and 2) require non-state aid districts
Table 6

DAA Suspensions & Restorations Through FY 2023 1/

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Prior Year Suspension</th>
<th>Prior Year Restoration</th>
<th>Current Year Suspension</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>(352,442,700)</td>
<td>94,972,800</td>
<td>(257,469,900)</td>
</tr>
<tr>
<td>2020</td>
<td>(257,469,900)</td>
<td>64,367,500</td>
<td>(193,102,400)</td>
</tr>
<tr>
<td>2021</td>
<td>(193,102,400)</td>
<td>128,735,000</td>
<td>(128,734,900)</td>
</tr>
<tr>
<td>2022</td>
<td>(128,734,900)</td>
<td>0</td>
<td>(128,734,900)</td>
</tr>
<tr>
<td>2023</td>
<td>(64,367,400)</td>
<td>64,367,400</td>
<td>0</td>
</tr>
</tbody>
</table>

1/ Excluding non-state aid districts.
2/ As originally mandated by Sections 27 & 28 of the FY 2019 K-12 Education BRB.
3/ As amended by Sections 27 and 28 of the FY 2020 K-12 Education BRB.

Table 7

CAA Suspensions & Restorations Through FY 2023

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Prior Year Suspension</th>
<th>Prior Year Restoration</th>
<th>Current Year Suspension</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>(18,656,000)</td>
<td>5,027,200</td>
<td>(13,628,800)</td>
</tr>
<tr>
<td>2020</td>
<td>(13,628,800)</td>
<td>3,407,200</td>
<td>(10,221,600)</td>
</tr>
<tr>
<td>2020</td>
<td>(13,628,800)</td>
<td>6,814,400</td>
<td>(6,814,400)</td>
</tr>
<tr>
<td>2021</td>
<td>(10,221,600)</td>
<td>3,407,200</td>
<td>(6,814,400)</td>
</tr>
<tr>
<td>2021</td>
<td>(6,814,400)</td>
<td>0</td>
<td>(6,814,400)</td>
</tr>
<tr>
<td>2022</td>
<td>(6,814,400)</td>
<td>3,407,200</td>
<td>(3,407,200)</td>
</tr>
<tr>
<td>2023</td>
<td>(3,407,200)</td>
<td>3,407,200</td>
<td>0</td>
</tr>
</tbody>
</table>

1/ As originally mandated by Sections 27 & 28 of the FY 2019 K-12 Education BRB.
2/ As amended by Sections 27 and 28 of the FY 2020 K-12 Education BRB.

School districts will receive an estimated $307,463,700 of DAA funding in FY 2020 under the budget. If fully funded, they instead would receive an estimated $407,963,600. DAA is authorized by A.R.S. § 15-185B4, which establishes DAA per pupil funding amounts that historically have been adjusted for inflation each year in the K-12 Education BRB. The FY 2020 K-12 Education BRB increases the CAA statutory amounts (if fully funded) by 2.0% for inflation to $1,843.14 per pupil for Grades K-8 and $2,148.15 per pupil for Grades 9-12 for FY 2020.

DAA suspensions began at $(144,000,000) for FY 2010 but increased to $(352,442,700) for FY 2016 where they remained through FY 2018. CAA suspensions began at $(10,000,000) for FY 2011 but increased to $(18,656,000) for FY 2016 where they likewise remained through FY 2018.

Teacher Salary Increases

The budget includes an increase of $164,700,000 from the General Fund in FY 2020 for teacher salary increases. It will be allocated to schools through an additional $111.16 base level increase for FY 2020 which is the estimated increase needed to allocate the $164,700,000. Monies from the additional base level increase for teacher salaries are intended to increase average teacher salaries by an additional 5% for FY 2020 above the 10% increase budgeted for FY 2018 and FY 2019 combined.

The FY 2019 General Appropriation Act appropriated funding in FY 2020 and FY 2021 to provide additional base level increases for teacher pay raises in those years. That funding is intended to provide a cumulative 20% increase in average teacher salaries by FY 2021. (See Table 8 and "Additional Funding" section below for more information on the teacher salary increase budgeted for FY 2020. See the FY 2019 Appropriations Report for additional information regarding the FY 2019 teacher salary increase.)

The $164,700,000 amount required for teacher salary increases for FY 2020 does not appear in the FY 2020 General Appropriation Act because it has already been appropriated by Laws 2018, Chapter 276, as described above.

Original 2.12%

The $306,017,700 appropriation for teacher salary increases for FY 2019 included $65,419,100 from the General Fund for the 2.12% teacher salary increase originally enacted by the FY 2018 budget. That budget appropriated $34,000,000 to a separate "Additional Teacher Salary Increase" line item for a 1.06% teacher salary increase for FY 2018. It also included language stating that the Legislature and Governor intended to
provide funding for an additional 1.06% teacher pay raise in FY 2019 for a total 2-year increase of 2.12%. Based on updated data, the FY 2019 budget assumed that the cumulative cost of the original 2.12% teacher pay raise would be $65,419,100 in FY 2019.

The FY 2019 budget funded the $65,419,100 through the base level for FY 2019, along with the other teacher pay raise monies shown in Table 8. Those monies collectively funded the additional $210.50 base level increase for teacher pay raises for FY 2019.

Table 8

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original 2.12% Increase</td>
<td>$65,419,100</td>
</tr>
<tr>
<td>Additional Funding</td>
<td>176,200,000</td>
</tr>
<tr>
<td>&quot;Bridge to Prop 301&quot;</td>
<td>64,100,000</td>
</tr>
<tr>
<td>ADC &amp; DJC Increase</td>
<td>298,600</td>
</tr>
<tr>
<td>Total - FY 2019 1/</td>
<td>$306,017,700</td>
</tr>
<tr>
<td>Additional Increase - FY 2020</td>
<td>164,700,000</td>
</tr>
<tr>
<td>Total - FY 2020 2/</td>
<td>$470,717,700</td>
</tr>
<tr>
<td>Additional Increase - FY 2021 3/</td>
<td>174,500,000</td>
</tr>
<tr>
<td>Total - FY 2021</td>
<td>$645,217,700</td>
</tr>
</tbody>
</table>

1/ Excludes amounts self-funded by non-state aid school districts, which will add approximately 7% to totals shown, except for funding to ADC & DJC.
2/ Excludes funding for teacher pay raises at the Arizona State Schools for the Deaf and the Blind (ASDB), which is allocated through the Special Education Fund, rather than Basic State Aid. That funding is estimated at $1,386,400 for FY 2019, $2,079,600 for FY 2020 and $2,772,800 for FY 2021.
3/ Includes $50,000,000 available from the Classroom Site Fund in FY 2021 due to the retirement of debt service payments on School Facilities Board Proposition 301 bonds in FY 2020.

Additional Funding

The $306,017,700 appropriation for teacher salary increases for FY 2019 also included an increase of $176,200,000 from the General Fund in FY 2019 to help fund the $210.50 base level increase for teacher pay raises for FY 2019.

In addition, Sections 136 and 137 of the FY 2019 General Appropriation Act appropriated $164,700,000 in FY 2020 and $289,200,000 in FY 2021 for additional teacher pay raises in those years. The $289,200,000 amount represents an increase of $124,500,000 above the FY 2020 amount, not including an additional $50,000,000 available from the Classroom Site Fund. The total increase for FY 2021 therefore is $174,500,000 ($124,500,000 + $50,000,000). (See Table 8 and Bridge to Proposition 301 narrative below for more information.)

Those monies are intended to fund a cumulative 20% increase in average teacher salaries by FY 2021. The base level increase required for FY 2021 to allocate the $174,500,000 for additional teacher pay raises that year will be calculated during the spring of 2020 based on student counts and other formula funding factors available at that time. It will be calculated using the same methods used to compute the $210.50 and $111.16 base level increase for teacher pay raises for FY 2019 and FY 2020, respectively. (See Background section below for more information.)

"Bridge to Proposition 301"

The $306,017,700 appropriation for teacher salary increases for FY 2019 also included an increase of $64,100,000 from the General Fund in FY 2019 for "Bridge to Proposition 301." These recurring one-time monies are funding $64,100,000 of base level increases until FY 2022, when an equivalent amount can be obtained from the Classroom Site Fund pursuant to Laws 2018, Chapter 74.

Chapter 74 renews the current 0.6 cent Proposition 301 sales tax through June 30, 2041 and will redirect to the Classroom Site Fund $64,100,000 of 0.6 cent sales tax monies starting in FY 2022. The redirected monies historically have been used to pay debt service on School Facilities Board bonds authorized by Proposition 301. Those bonds will be paid off by the end of FY 2020.

Only about $50,000,000 of the $64,100,000 will be available to fund teacher pay raises in FY 2021 because Universities and Community Colleges will be entitled to receive a portion of the newly-available $64,100,000 for that year only, since Chapter 74 will not take effect until FY 2022. In addition, a portion of the $64,100,000 will need to fund pay raises for non-state aid districts in FY 2021 only. The latter will occur because the pay raise portion of the $64,100,000 for FY 2021 will come from the Classroom Site Fund, rather than the Basic State Aid. Only the latter formula generates local savings from non-state aid districts.

ADC and DJC Increase

The $306,017,700 appropriation for teacher salary increases for FY 2019 included an increase of $298,600 from the General Fund in FY 2019 for teacher salary increases at the Department of Corrections (ADC) and Department of Juvenile Corrections (DJC). ADC and DJC receive Basic State Aid funding under formulas prescribed by A.R.S. § 15-1372 (DOC) and A.R.S. § 15-1371 (DJC).
$210.50 base level increase for teacher salary increases for FY 2019 increased their formula funding collectively by an estimated $298,600 for FY 2019. The $111.16 base level increase for teacher salary increases for FY 2020 is expected to increase their collective formula funding by approximately $149,300 for FY 2020.

**ASDB Increase**

The FY 2019 budget also provided an increase of $1,386,400 from the General Fund for teacher pay raises at the Arizona State Schools for the Deaf and the Blind (ASDB) for FY 2019. That funding was appropriated to the Special Education Fund rather than Basic State Aid, however, because ASDB’s formula costs are funded through the Special Education Fund rather than Basic State Aid. The $1,386,400 amount therefore does not appear in Table 8. (See narrative for Special Education Fund for more information).

The $111.16 base level increase for teacher salary increases for FY 2020 is expected to increase ASDB’s formula funding for FY 2020 by approximately $693,200.

**Background – See the FY 2019 Appropriations Report for additional background.**

**Empowerment Scholarship Accounts**

The budget includes an increase of $1,547,500 from the General Fund in FY 2020 for Basic State Aid costs related to Empowerment Scholarship Accounts (ESAs) authorized by A.R.S. § 15-2402. This assumes an increase of 1,458 ESAs for FY 2020, which was the increase reported for FY 2018. It also assumes that 44% of new ESAs under trend line growth would go to students who qualify for high cost special education Group B weights based on FY 2018 data.

The $1,547,500 estimate additionally assumes different per pupil costs or savings for different categories of ESA students based on formula modeling. The state fiscal impact of a new ESA varies depending on a student’s grade level, whether they have special needs and whether they would be in a school district, charter school or private school apart from the program.

The budget assumes no incremental ESA growth in FY 2020 from the ESA expansion bill from the 2017 Legislative Session (Laws 2017, Chapter 139), since voters did not allow it to take effect by passing Proposition 305 in November 2018 pursuant to A.R.S. § 19-101. (See the FY 2018 Appropriations Report for more information on Chapter 139.)

The estimated $90,598,800 cost for ESAs for FY 2020 represents the projected total amount of ESA allocations for the year rather than the net General Fund impact of the program after related Basic State Aid savings are deducted. The latter amount depends in part on where individual ESA recipients would have attended school apart from the program, which is unknown.

**Background – Eligible students can use ESA monies to attend private school or fund other educational expenses, such as textbooks and tutoring. ESAs are funded primarily with Basic State Aid monies that a school district or charter school otherwise would have received for a student if they had remained in public school.**

The program is open to Arizona resident students who meet at least one of the requirements listed below in addition to being either a full-time Arizona public school student in the prior year, a previous ESA participant, the child of a resident member of the armed forces who is on active duty or was killed in the line of duty, or an incoming kindergartner or disabled preschooler:

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**Overall Estimated ESA Costs for FY 2020**

The overall cost of ESAs is projected to increase by $16,598,800 in FY 2020, growing from an estimated $74,000,000 in FY 2019 to $90,598,800 in FY 2020 (see Table 9). Except for the assumed $1,547,500 increase for caseload growth described above, this higher estimated cost is expected to be offset by reductions in regular Basic State Aid costs for ESA students who otherwise would be attending public schools.

**Table 9**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Program Enrollment</th>
<th>Total Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012</td>
<td>144</td>
<td>$1,576,000</td>
</tr>
<tr>
<td>FY 2013</td>
<td>302</td>
<td>$5,209,200</td>
</tr>
<tr>
<td>FY 2014</td>
<td>761</td>
<td>$10,200,000</td>
</tr>
<tr>
<td>FY 2015</td>
<td>1,311</td>
<td>$17,733,700</td>
</tr>
<tr>
<td>FY 2016</td>
<td>2,175</td>
<td>$28,590,800</td>
</tr>
<tr>
<td>FY 2017</td>
<td>3,360</td>
<td>$44,517,700</td>
</tr>
<tr>
<td>FY 2018</td>
<td>5,042</td>
<td>$58,711,200</td>
</tr>
<tr>
<td>FY 2019 (est)</td>
<td>6,500</td>
<td>$74,000,000</td>
</tr>
<tr>
<td>FY 2020 (est)</td>
<td>7,958</td>
<td>$90,598,800</td>
</tr>
</tbody>
</table>

1/ Figures shown for FY 2012 through FY 2018 are from ADE as of December 2018. Estimates for FY 2019 and FY 2020 are from the JLBC Staff. “Total Awards” represent estimated ESA allocations rather than the net General Fund impact of the program after related Basic State Aid savings are deducted. The latter amount depends in part on where individual ESA recipients would have attended school apart from the program, which is unknown.
• A child with a disability.
• A child who is a ward of the juvenile court and who achieved permanency through adoption.
• A child who is the sibling of a current ESA recipient.
• A child who in the prior year attended a school with a letter grade of D or F pursuant to A.R.S. § 15-241, which evaluates schools primarily based on their students' AzMERIT test scores.
• An incoming Kindergartner who resides within the boundaries of a school with a letter rating of D or F.
• The child of a resident member of the armed forces who is on active duty or was killed in the line of duty.
• A previous ESA participant.
• A child who received or was eligible to receive a Displaced or Disabled School Tuition Organization (STO) scholarship in the prior year and who attended a public school full-time for at least 90 days or one full semester in the prior year.
• A child who resides on an Arizona Indian reservation.
• A child of a parent who is legally blind, deaf or hard of hearing.

(See the FY 2015 Appropriations Report for historical information on changes in program eligibility.)

A.R.S. § 15-2402C authorizes the department to retain for ESA administration an amount equal to 5% of the sum of the base support level (BSL) and additional assistance prescribed in A.R.S. § 15-185 and A.R.S. § 15-943 for each ESA student. It is required to transfer 1/5th of that amount to the State Treasurer, leaving it with a net 4% for ESA administration. (See the ESA Administration policy issue in the agency’s Operating Budget narrative for more information.)

Any of the department’s retained monies for ESA administration that are not appropriated or spent are carried forward in the Department of Education Empowerment Scholarship Account Fund to the next fiscal year. At the end of FY 2018 the fund had a carry-forward balance of $4,195,500.

Juvenile Detention Center Education
The budget includes an increase of $700,000 from the General Fund in FY 2020 to fund formula changes for juvenile detention center education programs pursuant to A.R.S. § 15-913. The K-12 Education BRB amends that statute to increase its formula funding "base amount" to $100,000 per county versus $20,000 currently and its formula funding "variable" amount to $25 per student per day versus $15 currently. The K-12 Education BRB also requires any excess monies in a county’s Detention Center Education Fund to be used to supplement classroom spending.

Additional School Days
The budget includes no change from Proposition 301 Expenditure Authority in FY 2020 for Additional School Days pursuant to A.R.S. § 42-5029ES. This provides the department with $86,280,500 in Proposition 301 funding for Additional School Days for FY 2020.

Prior to FY 2019, Proposition 301 monies for Additional School Days were included in the department’s non-appropriated funds totals in prior years. The FY 2019 budget, however, displays them and other non-appropriated monies that the department receives from Proposition 301 and Indian gaming as “Expenditure Authority” funds for greater transparency. The budget continues this practice for FY 2020.

This change does not affect the department’s access to funding from Proposition 301 or Indian gaming, as it may spend whatever funding is available to it from them (see, for example, the footnote for the School Safety Program line item in the Footnotes section).

State Aid Supplement
The budget includes $50,000,000 from the General Fund in FY 2020 for State Aid Supplement funding. This amount is unchanged from FY 2019.

Laws 2015, 1st Special Session, Chapter 1 appropriated $50,000,000 from the General Fund in FY 2016 for State Aid Supplement funding. It also advances appropriated $50,000,000 annually for FY 2017 through FY 2020 and $75,000,000 annually for FY 2021 through FY 2025 for State Aid Supplement funding. (See the FY 2017 Appropriations Report for more information regarding Proposition 123.)

Chapter 1 included a footnote instructing the department to allocate the State Aid Supplement monies for FY 2016 to school districts and charter schools on a pro rata basis using the weighted student count for the school district or charter school for the fiscal year pursuant to A.R.S. § 15-943(2a) and to increase budget limits accordingly. The footnote also stipulates that a school district’s weighted student count is to include non-resident students who attend school in the district. It further stipulates that a school district may budget its State Aid Supplement funding in either its Maintenance and Operation (M&O) or Unrestricted Capital Outlay Fund. These footnote provisions also were enacted into law in advance for FY 2017 through FY 2025 by Laws 2015, 1st Special
Session, Chapter 1. They therefore do not appear in the FY 2020 General Appropriation Act.

In addition, the State Aid Supplement amounts for FY 2016 through FY 2025 do not appear in the General Appropriation Acts for those years, since they already were advance appropriated by Chapter 1.

### Results-Based Funding

The budget includes $68,600,000 from the General Fund in FY 2020 for Results-Based Funding. FY 2020 adjustments are as follows:

**Expanded Eligibility**

The budget includes an increase of $30,000,000 from the General Fund in FY 2020 for expanded eligibility. As session law, the K-12 Education BRB (Section 25) expands program eligibility for FY 2020 for schools with free and reduced-price lunch (FRPL) eligibility rates of less than 60% to schools with spring 2018 AzMERIT test results in the top 13% versus top 10% for FY 2019. For schools with FRPL eligibility rates of 60% or more it expands program eligibility in FY 2020 to schools with spring 2018 AzMERIT test results in the top 27% versus top 10% in FY 2019. These changes are expected to increase program costs by approximately $30,000,000 for FY 2020.

As session law, the K-12 Education BRB also establishes per-pupil funding levels of $225 for qualifying schools with less than 60% FRPL eligibility and for schools with 60% or higher FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with 60% or higher FRPL eligibility. Qualifying schools with 60% or higher FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or higher FRPL eligibility will receive $400 per pupil.

In addition, the K-12 Education BRB as session law provides alternative schools with $400 per pupil if their reported spring 2018 AzMERIT scores for both math and English language arts and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of all schools with 60% or higher free or reduced-price lunch eligibility rates. In prior years alternative schools instead received $400 per student if they were assigned the equivalent of a letter grade of “A” in 2014.

These various session law changes notwithstanding, for FY 2020 only, language in A.R.S. § 15-249.08 that otherwise would have made schools eligible for program funding in FY 2020 if they had "a letter designation of A pursuant to A.R.S. § 15-241.”

The K-12 Education BRB amends A.R.S. § 15-249.08 (the program's authorizing statute) to also make the following permanent law changes to the program: 1) exclude from its FRPL eligibility rate calculations for individual schools any student who is not eligible to be included in the school’s student count for Basic State Aid, 2) clarify allowable uses for program monies, and 3) establish annual reporting requirements for the program.

Section 106 of the FY 2019 General Appropriation Act allowed the Superintendent of Public Instruction to transfer up to $1,600,000 of the state General Fund appropriation for Basic State Aid for FY 2018 to this program, if needed, without JLBC review, to address an anticipated funding shortfall for the program for FY 2018. A.R.S. § 15-901.03 otherwise would have required JLBC review of the transfer. The budget maintains similar language for FY 2020 to provide flexibility for FY 2019 in case the program again experienced a funding shortfall for FY 2019. A funding shortfall was not anticipated for FY 2019, however, as the department estimated as of December 2018 that the program would cost $38,304,200 for FY 2019, which would have been less than its FY 2019 appropriation of $38,600,000.

**Background** – The program provides additional funding to individual schools under a formula prescribed in A.R.S. § 15-249.08. That law also establishes the Results-Based Funding Fund, which consists of legislative appropriations and is administered by the department. Monies in the fund are continuously appropriated. (See the FY 2018 Appropriations Report for additional information on program requirements.)

### Special Education Fund

The budget includes $36,029,200 and 2 FTE Positions from the General Fund in FY 2020 for the Special Education Fund Special Line Item. FY 2020 adjustments are as follows:

**Funding Restoration**

The budget includes an increase of $8,000,000 from the General Fund in FY 2020 to restore funding reduced on a one-time basis for FY 2019 due to the availability carry-forward monies in the Special Education Fund (SEF) established by A.R.S. § 15-1202. The SEF had $8,688,200 in one-time carry-forward monies at the end of FY 2018.

**Base Adjustment**

The budget includes an increase of $804,200 from the General Fund in FY 2020 for a base adjustment due to higher-than-budgeted costs for special education vouchers for FY 2019. The latter are due to base level increases for inflation and teacher pay raises for FY 2019.
that were not reflected in the FY 2019 budget. Those unbudgeted costs are expected to be funded with remaining carry-forward monies in FY 2019 but will require additional ongoing funding starting in FY 2020.

**Base Level Increases**
The budget includes an increase of $1,695,800 from the General Fund in FY 2020 for additional base level increases for teacher pay raises and inflation for FY 2020. The per pupil base level in the Basic State Aid formula, which also drives special education voucher costs, is increasing by $70.20 (2%) for inflation and by an additional $111.16 for teacher pay raises in FY 2020. Those base level increases will increase program costs by an estimated $1,695,800 for FY 2020. *(See 2% Inflation Adjustment and Teacher Salary Increase narrative under Basic State Aid for more information.)*

**Caseload and Revenue Changes**
The budget includes an increase of $48,625,700 from Proposition 301 Expenditure Authority for estimated caseload and revenue changes for the CSF for FY 2020. This and other CSF expenditure authority changes for FY 2020 assume a CSF per pupil amount of $434 for FY 2020 (versus $423 for FY 2019), as determined by the JLBC Staff pursuant to A.R.S. § 15-977G1. That law requires the JLBC Staff to determine the per pupil amount for each fiscal year by March 30 of the prior fiscal year.

**Carry-Forward Changes**
The budget includes a decrease of $(21,233,700) from Proposition 301/CSF - Carry-Forward Balance Expenditure Authority for estimated changes in CSF carry-forward balances for FY 2020.

**Background** - The CSF is established by A.R.S. § 15-977 and provides additional funding to public schools from Proposition 301 and K-12 endowment earnings. Prior to FY 2019, CSF monies were included in the department’s non-appropriated funds totals in prior years. The budget, however, now displays them and other non-appropriated monies that the department receives from Proposition 301 and Indian gaming as “Expenditure Authority” funds for greater transparency.

This change does not affect the department’s access to funding from Proposition 301 or Indian gaming, as a General Appropriation Act footnote allows the department to spend whatever funding is available to it from them *(see, for example, the footnote for the School Safety Program line item in the Footnotes section).*

**Instructional Improvement Fund**
The budget includes $45,000,000 from the Tribal Gaming Expenditure Authority in FY 2020 for the Instructional Improvement Fund. This amount is unchanged from FY 2019.

Prior to FY 2019, Tribal Gaming monies were included in the department’s non-appropriated fund totals. The budget, however, continues to display them and other non-appropriated monies that the department receives from Proposition 301 as “Expenditure Authority” funds for greater transparency.
This change does not affect the department’s access to funding from Proposition 301 or Indian gaming, as a General Appropriation Act footnote allows the department to spend whatever funding is available to it from them (see, for example, the footnote for the School Safety Program line item in the Footnotes section).

The Instructional Improvement Fund (IIF) is established by A.R.S. § 15-979 and receives shared revenues from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. IIF monies are distributed to school districts, charter schools and the Arizona State Schools for the Deaf and the Blind based on their student counts.

**Property Tax Relief**

### Additional State Aid

The budget includes $426,944,900 from the General Fund in FY 2020 for Additional State Aid. FY 2020 adjustments are as follows:

**Prior Year Base Adjustment**

The budget includes an increase of $2,059,900 from the General Fund in FY 2020 to reflect higher-than-budgeted costs for Additional State Aid for FY 2019. The FY 2019 budget assumed that Additional State Aid would cost $413,665,500 for FY 2019 for the Homeowner’s Rebate and 1% Cap combined. The actual combined cost, however, was $415,725,400 ($2,059,900 more), as reported by the Arizona Department of Revenue (DOR) in October 2018 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2020 therefore were $2,059,900 more than the FY 2019 appropriation.

**New Homes**

The budget includes an increase of $11,219,500 from the General Fund in FY 2020 for increased Additional State Aid costs associated with new home construction. The $11,219,500 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2020 and that the Homeowner’s Rebate percentage will remain at 47.19% for FY 2020. The latter would not change for FY 2020 under current law.

On a related note, the K-12 Education BRB amends A.R.S. § 15-972B to reflect the current 47.19% Homeowner’s Rebate percentage, which was established by DOR for FY 2017 and subsequent years pursuant to Laws 2011, 2nd Special Session, Chapter 1, Section 127 but was not reflected in statute.

**Background** – The Additional State Aid program funds the Homeowner’s Rebate and any portion of a homeowner’s primary property taxes for all taxing jurisdictions combined (not just schools) that exceeds 1% of the full cash value of their home (the “1% Cap”).

The Homeowner’s Rebate is authorized by A.R.S. § 15-972 and pays 47.19% of each homeowner’s QTR taxes, up to a maximum of $600 per parcel. The “1% cap” pertains to Article IX, Section 18 of the State Constitution, which caps Class 3 primary property taxes at no more than 1% of a home’s full cash value and was added to the State Constitution in 1980. It applies any time a homeowner’s net combined primary property tax rate for all taxing jurisdictions combined exceeds $10 per $100 of NAV even after the Homeowner’s Rebate is applied.

The 1% cap historically has been implemented by having the state backfill any primary property tax costs for homeowners that exceed the 1% cap, rather than by requiring all taxing jurisdictions in an area (such as cities, counties, school districts and community colleges) to coordinate their respective primary property tax rates to keep their combined primary rate below $10 per $100 of NAV. Related language in the State Constitution, however, does not specify a mechanism for enforcing the 1% cap.

The FY 2019 Revenue BRB required school district desegregation programs to be funded with secondary rather than primary property taxes starting in FY 2019. This reduced 1% cap costs by an estimated $(18,952,700) in FY 2019 because the 1% cap does not apply to secondary property taxes. Primary property taxes for desegregation programs accounted for the majority of 1% cap costs prior to FY 2019.

### Non-Formula Programs

#### Accountability and Achievement Testing

The budget includes $16,422,500 and 24.4 FTE Positions in FY 2020 for Accountability and Achievement Testing. These amounts consist of:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>9,422,500</td>
</tr>
<tr>
<td>Proposition 301 Fund (Appropriated)</td>
<td>7,000,000</td>
</tr>
</tbody>
</table>

These amounts are unchanged from FY 2019.

Program costs for FY 2020 will be affected by the first-time implementation of state contracts for Menu of Assessments (MOA) testing. That testing is authorized by A.R.S. § 15-741.02 which has allowed school districts and...
charter schools to administer MOA tests rather than the "standard" statewide assessment (AzMERIT) to their high school students starting in FY 2019. For FY 2019 MOA tests were funding locally, by a private foundation, with monies from the Commission for Postsecondary Education, or with unspent monies from the College Credit by Examination Incentive Program. Starting in FY 2020, however, the state will pay for MOA tests directly through contracts with test vendors.

On March 25, 2019 the State Board of Education (SBE) approved contracts for high school MOA testing for FY 2020 with 3 test vendors. Per pupil costs under those contracts are summarized in Table 10. Total state costs for MOA testing for FY 2020 are unknown, however, because the number of high school pupils who will take the optional MOA tests for FY 2020 is highly uncertain.

A.R.S. § 15-741.02 originally required MOA tests to be made available also to pupils in Grade 3-8 beginning in FY 2020. Laws 2019, Chapter 86 extends that deadline to no later than the 2023-2024 school year.

MOA exams must be approved by the State Board of Education (SBE) pursuant to A.R.S. § 15-741.02A. For FY 2019 the SBE approved for MOA testing all tests approved by the Arizona Board of Regents (ABOR) for the College Credit by Examination Incentive Program (CCEIP) authorized by A.R.S § 15-249.06. This included Advanced Placement, International Baccalaureate, Cambridge International, ACT, SAT, and Grand Canyon Diploma qualifying exams.

A total of 55 schools participated in MOA testing for FY 2019. Of that total, 44 chose the ACT and 11 chose the SAT. None of the other SBE-approved tests was selected by schools for MOA testing for FY 2019.

For FY 2020, only the 3 tests listed in Table 10 have been approved by the SBE for MOA testing.

The SBE recently approved a 5-year plan for K-12 assessments which is summarized in Table 11.

The 5-year assessment plan requires a renamed AzMERIT ("AzM2") test to continue to be administered in FY 2020 and FY 2021. After FY 2021 the AzM2 test would be replaced with a new single statewide assessment that would continue to exist in parallel with MOA exams.

MOA exams currently exist only for high school pupils. The 5-year plan indicates that it is uncertain whether they also will be offered for pupils in Grades 3-8 starting in FY 2022.

The 5-year plan requires all 10th Graders to take AzM2 tests in Math and English Language Arts (ELA) during FY 2020 and FY 2021. After FY 2021 high school students (not just 10th Graders) instead would be required to take a "Nationally Recognized College Entrance Assessment" (currently only the ACT and SAT meet that description) which students would take in the 9th or 10th Grade and 11th Grade or different (MOA) Nationally Recognized College Entrance Assessment administered in 9th or 10th and 11th Grade.

Prior to FY 2019, high school students took AzMERIT Math and ELA tests 3 times rather than once. For FY 2019, AzMERIT testing was made optional for high school students if they instead took a MOA exam. The U.S.

<table>
<thead>
<tr>
<th>Table 10</th>
<th>Approved MOA Contracts for FY 2020 1/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vendor</td>
<td>Cost/Student</td>
</tr>
<tr>
<td>ACT</td>
<td>$39</td>
</tr>
<tr>
<td>Cambridge</td>
<td>$135</td>
</tr>
<tr>
<td>Pearson</td>
<td>$22-$39</td>
</tr>
</tbody>
</table>

1/ MOA testing is optional but all high school students must take AzMERIT Math and English Language Arts tests as 10th Graders.

The 5-year assessment plan requires a renamed AzMERIT ("AzM2") test to continue to be administered in FY 2020 and FY 2021. After FY 2021 the AzM2 test would be replaced with a new single statewide assessment that would continue to exist in parallel with MOA exams.

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<table>
<thead>
<tr>
<th>Table 11</th>
<th>5-Year Assessment Plan 3/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year</td>
<td>Grades 3 – 8</td>
</tr>
<tr>
<td>2019</td>
<td>AzMERIT</td>
</tr>
<tr>
<td>2020</td>
<td>AzM2 2/</td>
</tr>
<tr>
<td>2021</td>
<td>AzM2 2/</td>
</tr>
<tr>
<td>2022 - 2024</td>
<td>New Single Statewide Assessment (NSSA) 2/</td>
</tr>
</tbody>
</table>

1/ Starting in FY 2020.  
2/ Previously called AzMERIT.  
3/ Possibly with optional "menu of assessments" exam for Grades 3-8.
Department of Education, however, informed ADE in April 2019 that making AzMERIT optional for high school students violated federal testing requirements. The SBE 5-year plan therefore re-establishes mandatory AzMERIT testing for high school pupils, but for 10th Graders only.

**Background** – AzMERIT tests were administered to Arizona public school students for the first time during the spring of 2015. ADE indicates that the test will cost approximately $16,100,000 in FY 2019 and estimates that it will cost approximately $12,900,000 in FY 2020 (see Table 12).

The Achievement Testing program, however, includes components other than AzMERIT and MOA tests. It also includes AIMS Science Tests, AZELLA testing for English Learners, alternative exams for special needs students, information technology support and program administration. ADE estimates the cost of these other functions plus AzMERIT and the MOA combined at $31,200,000 in FY 2019 and $29,700,000 for FY 2020 (see Table 12).

The budget continues an existing General Appropriation Act footnote that requires JLBC review of any changes to the Achievement Testing program that will increase program costs. It also continues a footnote added in FY 2019 stipulating that any monies available to the department for accountability pursuant to A.R.S. § 42-5029E7 in excess of Expenditure Authority amounts are allocated for use pursuant to A.R.S. § 42-5029E7 (see footnotes for this program in agency summary table).

This line item funds costs of developing, administering and scoring achievement tests required by A.R.S. § 15-741. 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. § 42-5029E7.

(See English Learner Administration line item for more information about AZELLA testing.)

(See Other Issues in FY 2016 Appropriations Report for more information regarding AzMERIT testing.)

### Table 12

<table>
<thead>
<tr>
<th>Estimated Achievement Testing Costs and Available Funding (ADE estimates) ($ in Millions)</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estimated Costs</strong> 1/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AzMERIT</td>
<td>16.1</td>
<td>12.9</td>
</tr>
<tr>
<td>AIMS Science Testing</td>
<td>1.6</td>
<td>2.2</td>
</tr>
<tr>
<td>AZELLA 2/</td>
<td>7.1</td>
<td>7.0</td>
</tr>
<tr>
<td>Alternative Special Needs Exam (MSAA)</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Information Technology Support</td>
<td>1.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Staff and Administration</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Menu of Assessments 3/</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Alternative English Learner Assessment</td>
<td>N/A</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31.2</strong></td>
<td><strong>29.7</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Estimated Available Funding 4/</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$14.3</td>
<td>$14.3</td>
</tr>
<tr>
<td>Proposition 301 - School Accountability 5/</td>
<td>13.2</td>
<td>13.2</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31.5</strong></td>
<td><strong>31.5</strong></td>
</tr>
</tbody>
</table>

1/ ADE estimates as of December 2019 (updated for AzMERIT only in June 2019). FY 2020 estimates are preliminary.

2/ Arizona English Language Learner Assessment funded through the English Learner Administration line item.

3/ Cost for FY 2020 currently unknown. ADE’s FY 2019 estimate is being used as a placeholder.

4/ Estimates assume that $6.2 million of School Accountability carry-forward monies from Proposition 301 will be available to help fund the program in both FY 2019 and FY 2020. Surplus School Accountability monies can be carried forward to subsequent years.

5/ Includes carry-forward monies.

### Adult Education

The budget includes $4,634,400 and 3 FTE Positions in FY 2020 for Adult Education. These amounts consist of:

| General Fund | 4,502,100 |
| Department of Education Professional Development Revolving Fund | 132,300 |

These amounts are unchanged from FY 2019.

The program provides instruction in the following areas to adult learners who are at least 16 years of age: 1) English language acquisition; 2) adult basic education, including GED preparation; 3) adult secondary education; 4) civics; and 5) basic computer literacy skills. Program monies are distributed through a competitive grant process. In FY 2019, 23 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs.

The program also received $13,443,100 in federal funding in FY 2019. Its federal monies are subject to non-supplanting and maintenance-of-effort requirements stipulated in federal law.

### Alternative Teacher Development Program

The budget includes $500,000 from the General Fund in FY 2020 for an Alternative Teacher Development Program. This amount is unchanged from FY 2019.

The program is authorized by A.R.S. § 15-552, which requires the establishment of an alternative teacher development program for accelerating the placement of highly qualified individuals into low income schools.
Monies in the line item are distributed to the Teach for America program.

**American Civics Education Pilot Program**

The budget includes $500,000 from the General Fund in FY 2020 for an American Civics Education Pilot Program. FY 2020 adjustments are as follows:

**New Program**

The budget includes an increase of $500,000 from the General Fund in FY 2020 for a new American Civics Education Pilot Program.

Laws 2018, Chapter 289 established the American Civics Education Fund (ACEF) in session law and advance appropriated $500,000 to it for FY 2020 for an American Civics Education Pilot Program. Chapter 289 requires the department to develop a 5-year pilot program to begin in FY 2020 for American Civics Education in Grades 9-12 to enhance the focus on American Civics Education for schools selected to participate in the pilot program.

Chapter 289 established the ACEF in session law as an appropriated fund which would have required the Legislature to appropriate monies out of ACEF even though it already appropriated monies into it in Chapter 289. The K-12 Education BRB makes the ACEF a non-appropriated fund so that the Legislature will no longer have to appropriate monies both into and out of it (see Statutory Changes section).

Program funding for FY 2020 does not appear in the FY 2020 General Appropriation Act, since it was already appropriated by Chapter 289.

**Arizona Structured English Immersion Fund**

The budget includes $4,960,400 from the General Fund in FY 2020 for the Arizona Structured English Immersion Fund. This amount is unchanged from FY 2019.

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 and charter schools based on amounts that they request pursuant to A.R.S. § 15-756.04C. The department distributed $4,452,700 to public schools from the fund in FY 2018.

**Broadband Expansion**

The budget includes no funding from the Automation Projects Fund in FY 2020 for Broadband Expansion. This amount is unchanged from FY 2019. (See "Other Issues" section for more information.)

**Code Writers Initiative Pilot Program**

The budget provides no funding from the State Web Portal Fund in FY 2020 for a Code Writers Initiative Pilot Program. FY 2020 adjustments are as follows:

**Eliminate One-Time Funding**

The budget includes a decrease of $(500,000) from the State Web Portal Fund in FY 2020 to eliminate one-time funding. Laws 2018, Chapter 290 appropriated $500,000 in one-time funding from the Web Portal Fund in FY 2019 for a Code Writers Initiative Pilot Program. The program also received a one-time appropriation of $500,000 for FY 2017. (See the FY 2019 Appropriations Report for more information.)

**College Credit by Examination Incentive Program**

The budget includes $5,000,000 from the General Fund in FY 2020 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2019.

The CCEIP provides incentive bonuses to teachers, school districts and charter schools for students who obtain a passing score on a qualifying examination for college credit while in high school pursuant to A.R.S. § 15-249.06. The bonus is $450 per passing score for a student who is enrolled in a school district or charter school where at least 50% of students are eligible for free or reduced-price lunches under the Federal School Lunch program; otherwise, it is $300 per passing score. Bonuses shall be reduced proportionately if the appropriated amount is insufficient to fully fund them.

Laws 2019, Chapter 98 amends A.R.S. § 15-249.06 to require a wider sharing of program awards among teachers who taught a student subjects related to awarded monies. It also establishes a College Credit by Examination Development Fund (CCEDF) consisting of program monies not distributed by the end of a fiscal year. Chapter 98 requires the department to use CCEDF monies to increase program participation by schools with eligibility rates of 50% or more for the federal free or reduced-price lunch program.

The K-12 Education BRB also amends A.R.S. § 15-249.06. It allows the department to withhold up to $10,000 of the program’s annual appropriation each year to address allocation appeals by school districts and charter schools. It also requires the department to distribute program awards to schools by March 1 each year and requires
school districts and charter schools to appeal the allocation of bonus monies no later than August 1 of each year. The changes are retroactive to June 30, 2018. Laws 2018, Chapter 315, Section 4 required the department to use surplus CCEIP monies from FY 2018, if any, to reimburse school districts and charter schools for optional menu of assessment (MOA) tests, such as the ACT, that they could administer to high school students starting in FY 2019 pursuant to Laws 2018, Chapter 262, Section 6.

The department reported in April 2019 that CCEIP awards for FY 2018 cost $4,210,200. As a result, $789,800 of the program’s $5,000,000 appropriation for FY 2018 was available at that time for menu of assessment reimbursements for FY 2019. Starting in FY 2020 MOA tests will be funded directly by the state through contracts with test vendors (see Accountability and Achievement Testing narrative for more information).

On a related note, the FY 2018 budget appropriated $235,000 in one-time funding from the General Fund to the Commission for Postsecondary Education (CPSE) for a College-Readiness Examination Pilot Program for FY 2018. That program also helped school districts and charter schools fund college-readiness exams, such as the ACT, on a one-time basis. The FY 2019 budget did not continue funding for the College-Readiness Examination Pilot Program, so it likewise is not funded in the FY 2020 budget. (See CPSE budget pages for more information.)

### Computer Science Pilot Program

The budget includes $1,000,000 from the General Fund in FY 2020 for a Computer Science Pilot Program. This amount is unchanged from FY 2019.

The program is authorized by A.R.S. § 15-249.12, which also establishes the Computer Science Professional Development Program Fund (CSPDPF). It requires the department to distribute program grants on a first-come, first-served basis to schools that currently do not provide high school computer science instruction. It also requires the second 50% of state General Fund funding for the program each year to be matched with private monies or in-kind donations and establishes reporting requirements for the program.

### CTED Completion Grants

The budget includes $1,000,000 from the General Fund in FY 2020 for CTED Completion Grants (formerly JTED Completion Grants). This amount is unchanged from FY 2019.

Laws 2018, Chapter 311 changed the term Joint Technical Education District (JTED) to Career Technical Education District (CTED), which results in a name change for this program.

A footnote in the General Appropriation Act stipulates that program monies are intended to help fund program completion for students who complete at least 50% of a CTED program before graduating from high school and who successfully complete the program after graduating from high school. It further requires the department to award grant funding only after an eligible student has successfully completed a CTED program. It also stipulates that if the appropriated amount is insufficient to fund all grant requests from CTEDs, the department shall reduce grant amounts on a proportional basis to cap total statewide allocations at $1,000,000. It further stipulates that program funding is non-lapsing for 1 year beyond the budget year. The budget makes the program's FY 2020 appropriation non-lapsing through FY 2021.

A.R.S. § 15-393D4c prohibits CTEDs from including in their ADM counts students who have already graduated from high school or received a general equivalency diploma or who are over 21 years of age.

On a related note, the K-12 Education BRB establishes a new Arizona Industry Credential Incentive Program (A.R.S. § 15-249.15) that will provide awards of up to $1,000 per student to a student’s school district, charter school or CTED if the student obtains an eligible CTE certification, credential, or license through a CTE program prior to graduation. The awards will be provided only for CTE certifications related to "high demand" occupations identified by Office of Economic Opportunity (OEO) and reviewed by a Quality Skills Commission composed of individuals from the OEO, Department of Education, Arizona Commerce Authority, school districts, charter schools, CTEDs, industry partners and business organizations.

Program monies may be spent on the following items: 1) instructional costs and professional development for CTE teachers; 2) certification costs for CTE students; 3) costs related to creating, expanding or improving eligible CTE programs; 4) instructional hardware, software or supplies required for eligible CTE programs; and 5) career exploration and awareness activities. (See the Statutory Changes section for more information.)

Section 163 of the General Appropriation Act appropriates $5,000,000 in non-lapsing monies from the General Fund in both FY 2021 and FY 2022 for the new program.
The budget includes $1,000,000 from the General Fund in FY 2020 for CTED Soft Capital and Equipment (formerly JTED Soft Capital and Equipment). This amount is unchanged from FY 2019.

Laws 2018, Chapter 311 changed the term Joint Technical Education District (JTED) to Career Technical Education District (CTED), which results in a name change for this program.

The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriation Act requires the department to distribute the appropriated amount to CTEDs with fewer than 2,000 ADM pupils on a pro rata basis for soft capital and equipment expenses. The budget continues this footnote for FY 2020.

The budget includes $12,000,000 from the General Fund in FY 2020 for Early Literacy. This amount is unchanged from FY 2019.

The program is authorized by A.R.S. § 15-249.09, which establishes a new Early Literacy Grant Program Fund (ELGPF) to provide support to improve reading skills, literacy and proficiency for students in Kindergarten through 3rd Grade. (See the FY 2018 Appropriations Report for more information.)

The budget includes $5,300,200 and 24.2 FTE Positions from the General Fund in FY 2020 for the Education Learning and Accountability System (ELAS) line item. FY 2020 adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $200 from the General Fund in FY 2020 for statewide adjustments.

The $5,300,200 and 24.2 FTE Positions would be for continued maintenance and operation of ELAS, but not for further ELAS development. Section 167 of the General Appropriation Act, however, transfers $3,000,000 from the Department of Education Empowerment Scholarship Account Fund (DEESAF) established by A.R.S. § 15-2402 for deposit in the Department of Education subaccount in the Automation Projects Fund (APF) established pursuant to A.R.S. § 41-714 for further ELAS development for FY 2020.

From FY 2014 - FY 2018, ELAS funding was appropriated to the Arizona Department of Administration (ADOA) Automation Projects Fund (APF) rather than ADE. FY 2019 marked the first year that the department received ongoing ELAS funding in its budget.

Laws 2011, Chapter 29 authorized development of ELAS, to "collect, compile, maintain and report student level data for students attending public educational institutions that provide instruction to pupils in preschool programs, kindergarten programs, grades 1 through 12 and postsecondary educational programs in this state" (A.R.S. § 15-249A). ELAS is intended to replace the department's prior data system - the Student Accountability Information System (SAIS).

ADE estimated in August 2018 that an additional $9,000,000 would be needed from the General Fund over the next 3 years to replace the school finance portions of SAIS ("APOR" and "CHAR") that compute formula funding entitlements for school districts and charter schools. The current systems are 19 years old and are based on software no longer supported by Microsoft. The department indicates that they are error-prone, costly to maintain and at high risk of catastrophic failure. The estimated $9,000,000 one-time cost to replace APOR and CHAR would be in addition to the $5,300,000 in ongoing funding currently provided to the department for ELAS maintenance and operation. The FY 2020 budget provides $3,000,000 of the estimated $9,000,000 through the $3,000,000 DEESAF to APF transfer described above.

Through FY 2020 ELAS will have received approximately $71,700,000 in total funding from all sources combined since its inception, including the $5,300,000 appropriated from the General Fund for FY 2019 but excluding the $3,000,000 DEESAF to APF transfer for FY 2020 described above. The General Fund will have provided $56,400,000 of the total through FY 2020, with the remainder coming from temporary fees from university and community college students (approximately $8,000,000 cumulatively) and Federal Funds (approximately $7,300,000 cumulatively) (see Table 13).

To date, project funding has been used primarily for the following purposes:

- Develop and partially implement data "dashboards" (AZDash) that can provide graphical depictions of data to aid in decision-making, such as to guide instruction. (Full functionality not yet implemented.)
- Develop and partially implement a new data-collection and retrieval system (AzEDS) to eliminate redundant data collection and make data more
retrievable for multiple purposes. (Implemented in FY 2017; full functionality not yet completed.)

- Develop and partially implement a Statewide Student Information System (SSIS) that school districts and charters can opt into to purchase student information system services at a state-contracted rate. (Discontinued for FY 2019)

- Automate school finance calculations for components computed manually under SAIS, such as for Classroom Site Fund per pupil allocations.

- Begin to plan replacement of APOR and CHAR.

Starting in FY 2017, all schools submitted student data through AzEDS rather than through SAIS for the first time and school payments were based on student counts from AzEDS rather than SAIS. SAIS continues to be used to calculate formula payments for individual school districts and charter schools using AzEDS data, however, since the SAIS APOR and CHAR systems have not yet been replaced.

Pursuant to A.R.S. § 18-104, ADE contracted with a third-party vendor to provide additional oversight for the project from FY 2013 - FY 2018. While ADE has awarded a new 5-year contract, it did not execute the contract in FY 2019, stating that third-party oversight was a condition for approval of ELAS development activities and no further ELAS development was funded for FY 2019. ADE stated, however, that the contract would remain in place for use if additional ELAS development funding was appropriated to it in the future.

### Geographic Literacy

The budget includes $100,000 from the General Fund in FY 2020 for Geographic Literacy. This amount is unchanged from FY 2019.

The budget adds a footnote to the FY 2020 General Appropriation Act stipulating that the department shall use the amount appropriated to the program to issue a grant to a statewide geographic alliance for strengthening geographic literacy in the state. This would reflect the

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**Table 13**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>General Fund 1/</th>
<th>Higher Ed Fees 2/</th>
<th>Federal Grants 3/</th>
<th>Total 4/</th>
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</tr>
<tr>
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<td>0.0</td>
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<tr>
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<td>56.4</td>
<td>8.0</td>
<td>7.3</td>
<td>71.7</td>
</tr>
</tbody>
</table>

1/ General Fund appropriations for ELAS were made to the Department of Administration Automation Projects Fund in FY 2014 – FY 2018.

2/ Generated from a $6 per FTSE fee from university and community college pupils. The FY 2012 and FY 2013 budgets appropriated $1.2 million based on initial estimates. Amount generated above those totals were carried forward into subsequent years.

3/ Included $5.0 million from a statewide longitudinal data system (SLDS) grant and $2.3 million from a “Race to the Top” grant.

4/ Does not include $3.0 million transferred from the Department of Administration Automation Projects Fund in FY 2020 for further ELAS development.

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The program funds a statewide geographic alliance for strengthening geographic literacy in this state.

**Gifted Education**

The budget includes $1,000,000 in one-time funding from the General Fund in FY 2020 for Gifted Education. This amount is unchanged from FY 2019.

Section 124 of the FY 2019 General Appropriation Act appropriated $1,000,000 in one-time funding for the program for FY 2019. The budget continues that one-time funding for an additional fiscal year.

The program provides additional funding for gifted programs pursuant to A.R.S. § 15-779.03. FY 2019 was the first recent year of funding for this program.

**Jobs for Arizona Graduates**

The budget includes $100,000 from the General Fund in FY 2020 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2019.

The budget adds a footnote to the FY 2020 General Appropriation Act stipulating that the department shall use the amount appropriated to the program to issue a grant to a nonprofit organization for a Jobs for Arizona graduates program. This would reflect its current use, but that use currently is not specified in a statute or footnote.

The program funds a Jobs for Arizona Graduates program.

**Mingus Unification Assistance**

The budget includes $50,000 from the General Fund in FY 2020 for Mingus Unification Assistance. FY 2020 adjustments are as follows:

**One-Time Funding**

The budget includes a one-time increase of $50,000 from the General Fund in FY 2020 to assist with the costs of implementing a proposed new Mingus Unified School District in Yavapai County. Section 136 of the General Appropriation Act makes the appropriated amount exempt from lapsing until July 1, 2022.

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### School Safety Program

The budget includes $31,947,000 and 4 FTE Positions in FY 2020 for the School Safety program. These amounts consist of:

- **General Fund**: 24,147,000
- **Proposition 301 Expenditure Authority**: 7,800,000

FY 2020 adjustments are as follows:

**Program Expansion**

The budget includes an increase of $20,000,000 from the General Fund in FY 2020 to enable more schools to participate in the program. In addition, the K-12 Education BRB amends A.R.S. § 15-154 to allow schools to hire school counselors and social workers with program monies. Previously they could hire only school resource officers (SROs) and juvenile probation officers with program funds. For FY 2019, participating schools hired 87 SROs.

The K-12 Education BRB requires the department to review grant proposals for school counselor and school social worker funding under the expanded program in cooperation with school administrators, principals, teachers, parents and community mental health professionals. It also establishes additional administrative requirements for the program in general and stipulates that a school district or charter school that receives approval for a 3-year program may annually submit a modified spending plan for its approved program.

**Statewide Adjustments**

The budget includes an increase of $100 from the General Fund in FY 2020 for statewide adjustments.

Proposition 301 Expenditure Authority monies for School Safety were included in the department’s non-appropriated funds totals in years prior to FY 2019. In FY 2019, they were displayed as “Expenditure Authority” funds for greater transparency. The budget continues this practice.

This change does not affect the department’s access to funding from Proposition 301 or Indian gaming, as it may spend whatever funding is available to it from them (see the footnote for this line item in the Footnotes section).

The School Safety Program has existed in Arizona since FY 1995. (See the FY 2015 Appropriations Report for program history.)

All available state General Fund and Proposition 301 funding for the program is allocated annually by the
Department of Education subject to review and approval by the State Board of Education pursuant to A.R.S. § 15-154. Monies are awarded on a competitive grant basis on a 3-year cycle.

FY 2018 was the first year of the current cycle. A total of 203 schools applied for SRO funding for the current cycle but only 87 schools received funding awards for it due to funding constraints. The department will open the program to additional participants for FY 2020, however, because of the $20,000,000 funding increase provided for the program starting that year.

Program funding is used primarily to pay officer salaries and benefits. Law enforcement agencies typically cover associated costs for police cars, uniforms and equipment. School districts and charter schools typically pay costs for related overhead, supervision and supplies.

**State Block Grant for Vocational Education**

The budget includes $11,576,300 and 27 FTE Positions from the General Fund in FY 2020 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2019.

The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. ADE also receives federal funding each year for CTE programs pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006, most of which is passed on to local CTE programs. For FY 2019, the department is receiving approximately $28,612,700 in Perkins funding. Perkins funding is 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.

**Teacher Certification**

The budget includes $2,387,000 and 22.9 FTE Positions in FY 2020 for Teacher Certification. These amounts consist of:

- General Fund 178,100
- Teacher Certification Fund 2,208,900

These amounts are unchanged from FY 2019.

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.

**Teacher Professional Development Pilot**

The budget includes $400,000 in one-time funding (through FY 2022) from the General Fund in FY 2020 for a Teacher Professional Development Pilot Program. FY 2020 adjustments are as follows:

**One-Time Pilot Program**

The budget includes a one-time increase of $400,000 from the General Fund in FY 2020 for a Teacher Professional Development Pilot Program. These monies are appropriated by Section 137 of the General Appropriation Act. Section 137 also appropriates $400,000 in one-time funding from the General Fund for the program annually in both FY 2021 and FY 2022.

The program also received a one-time appropriation of $300,000 from the General Fund for FY 2018 from Laws 2017, Chapter 284. That law established the pilot program through July 1, 2020. The K-12 Education BRB amends Chapter 284 to extend the pilot program through July 1, 2023. It also allows the department to retain up to 3% of program monies for administration.

Chapter 284 requires the pilot program to issue scholarships or grants, or both, on a competitive basis that would support certificated teachers in gaining additional credentials and certifications at a regionally or nationally accredited public or private institution to teach math, science, technology, engineering or career and technical education in a public school.

Program scholarships and grants may not exceed $2,000 per applicant. Recipients shall agree to teach in an Arizona public school for at least 3 additional years after completing their professional development program. If that commitment is not met, the recipient shall be required to fully pay back their scholarship.

On or before November 1 of each year of the pilot program the department shall submit to the Governor, President of the Senate and Speaker of the House of Representatives a report that summarizes the results of the pilot program.

**Tribal College Dual Enrollment Program Fund**

The budget includes $250,000 from the Tribal College Dual Enrollment Program Fund in FY 2020 for the Tribal College Dual Enrollment Program Fund program. This amount is unchanged from FY 2019.

A.R.S. § 15-244.01 establishes the Tribal College Dual Enrollment Program Fund and authorizes it to annually receive 15% of unclaimed lottery prize monies up to
$250,000, subject to legislative appropriation, pursuant to A.R.S. § 5-568, plus any other appropriations, gifts, grants, devices and other contributions. The fund compensates tribal colleges for tuition and fees that they waive for high school students who are dual enrolled in tribal college classes.

*(See Arizona State Lottery Commission narrative for more information on lottery funding.)*

### Yuma Elementary School Construction

The budget includes $800,000 in one-time funding from the General Fund in FY 2020 for Yuma Elementary School Construction. FY 2020 adjustments are as follows:

**One-Time Construction Funding**

The budget includes a one-time increase of $800,000 from the General Fund in FY 2020 to replace an elementary school that is located on a proving ground operated by the United States Army near Yuma. These monies are appropriated by Section 135 of the General Appropriation Act which requires a funding match of at least 80% from the U.S. Department of Defense.

Section 135 makes the one-time appropriation non-lapping until October 1, 2029 unless the school is replaced or the project is abandoned prior to that date.

### Other Issues

This section includes information on the following topics:

**FY 2019 Supplemental**

**Statutory Changes**

**General Issues**
- Long-Term Budget Impacts

**Ballot Proposition**
- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit

**Basic State Aid**
- Basic State Aid Formula Description

**Broadband**
- Broadband Program Description

**Non-General Fund Programs**
- Proposition 301
- Budget Overrides

Information on these various issues is as follows:

**FY 2019 Supplemental**

**EORP Contribution Adjustment**

The budget includes an increase of $1,900 from the General Fund in FY 2020 for employer contribution increases related to the Elected Officials Retirement Plan (EORP). The budget appropriated this amount to the agency as an FY 2019 supplemental and continued this same appropriation in the FY 2020 budget. *(See the Consolidated Retirement Report for more information.)*

**Basic State Aid Supplemental**

The FY 2020 budget includes an FY 2019 supplemental appropriation of $6,833,400 from the State School Trust Revenue Bond Debt Service Fund for Basic State Aid for FY 2019. That fund is no longer needed due to the recent retirement of $246,600,000 in State School Trust Revenue Bonds and surplus debt service monies in the Fund could only be used to fund Basic State Aid pursuant to A.R.S. § 37-521B1.

**Basic State Aid Ex-Appropriation**

The FY 2020 budget includes an FY 2019 ex-appropriation of $(16,833,400) from the General Fund for Basic State Aid. This includes a $(10,000,000) reduction for lower-than-budgeted enrollment growth for FY 2019 and a $(6,833,400) reduction due to the availability of $6,833,400 of surplus funding from the State School Trust Revenue Bond Debt Service Fund to fund Basic State Aid costs for FY 2019.

**Statutory Changes**

**Formula Requirements**
- As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school “Additional Assistance” amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation.
- As permanent law, increase the base level by an additional $111.16 (2.8%) to incorporate into Basic State Aid $164,700,000 for teacher salary increases already appropriated for FY 2020 by Section 136 of the FY 2019 General Appropriation Act.
- As permanent law, modify the Basic State Aid funding formula for education programs in county juvenile detention centers to increase the "base amount" to $100,000 per county versus $20,000 currently and the “variable” amount per student within each county program to $25 per day versus $15 per day currently. As permanent law, require any excess monies in a county’s Detention Center Education Fund to be used to supplement classroom spending.
As session law, amend Laws 2018, Chapter 285, Sections 27 and 28 to reduce the District Additional Assistance suspension for FY 2020 by an additional $64,366,500 and the Charter Additional Assistance suspension for FY 2020 by an additional $3,407,200.

Results-Based Funding
As session law, allocate Results-Based Funding using the same formula that was used in FY 2019, but based on AzMERIT test results from spring 2018 rather than spring 2017. Under permanent law, the Results-Based Funding instead would be distributed in FY 2020 to schools with a letter grade A under the A-F performance rating developed by the State Board of Education.

As session law, expand eligibility to schools with AzMERIT test results in the top 13% versus top 10% currently for schools with less than 60% of students eligible for free and reduced-price lunch (FRPL) and to the top 27% versus top 10% currently for schools with 60% or higher FRPL eligibility.

As session law, establishes per-pupil funding levels of $225 for qualifying schools with less than 60% FRPL eligibility and for schools with 60% or higher FRPL eligibility that have AzMERIT results in the top 27%, but not the top 13% of schools with 60% or higher FRPL eligibility. Qualifying schools with 60% or higher FRPL eligibility and with AzMERIT results in the top 13% of schools with 60% or higher FRPL eligibility would receive $400.

As session law, provide an alternative school with $400 per student if it reported AzMERIT scores for both math and English language arts for spring 2018 testing and its average pass rate for those 2 tests combined equaled or exceeded the average combined pass rate observed for the top 27% of schools with 60% or higher free or reduced-price lunch eligibility rates. In prior years an alternative school instead received $400 per student if it was assigned the equivalent of a letter grade of “A” in 2014.

As permanent law, exclude from free and reduced-price lunch eligibility percentage calculations students who are not eligible to be included in a school's student count (primarily preschool students). Clarifies allowable uses of program funding and adds reporting requirements.

CTE Industry Credential Incentive Program
As permanent law, establish the Arizona Industry Credential Incentive Program to provide awards of up to $1,000 per student for school districts, charter schools or career and technical education districts for high school graduates who obtain a certification, credential, or license that is accepted by a vocation or industry through a career and technical education program. Establishes the Industry Credentials Incentive Fund to be administered by ADE.

As permanent law, require the Office of Economic Opportunity to provide a list to the Department of Education by September 1 annually that identifies and ranks the top occupations in each industry that addresses a critical statewide, regional or local economic need. Following publication of the September 1 list, ADE shall align the in-demand list to ADE’s credential list and by February 1, the Quality Skills Commission shall review the list.

As permanent law, require the department to report by February 1 annually to the President of the Senate, the Speaker of the House, the Governor and the Secretary of State on student participation in the program and the distribution of awards by school.

As permanent law, require the department to publish by March 1 annually the list of CTE certificates, credentials or licenses qualifying for a $1,000 award from the program in the subsequent fiscal year and submit it to the JLBC for review.

As permanent law, allow program awards to school districts, charter schools, and career and technical education districts to be expended on instructional costs and professional development for a CTE teacher, offset the costs of the certification to the student, development costs related to creating, expanding or improving an approved site of a certificate, credential license career and technical program courses, instructional hardware, software or supplies required for the certification, and career exploration and awareness activities for parents, students and the community.

Other
As session law, continue stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.

As permanent law, make the American Civics Education Fund a non-appropriated fund to eliminate the need for the Legislature to appropriate monies both into and out of it.

As permanent law, delete the definition of "base level" for FY 2017 and prior years from A.R.S. § 15-901B2, as they are no longer needed. (A new definition of "base level" is added to A.R.S. § 15-901B2 each year for the upcoming fiscal year.)

As permanent law, replace obsolete references to the Homeowners Rebate percentage in A.R.S. § 15-972B with the current rebate percentage of 47.19% that was established by DOR for FY 2017 and subsequent years pursuant to Laws 2011, 2nd Special Session, Chapter 1, Section 127.
• As permanent law, update the Qualifying Tax Rate and State Equalization Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2020 under it.
• As permanent law, amend A.R.S. § 15-249.06B and F to make the annual report on the College Credit by Examination Incentive Program not subject to JLBC review.
• As permanent law, modify A.R.S. 15-249.06 to require ADE to make payments to schools no later than March 1 each year. Permit schools to appeal allocation of bonus monies no later than August 1 each year. Permit ADE to withhold up to $10,000 of bonus monies to address allocation appeals. Retroactive to July 1, 2018.
• As permanent law, amend A.R.S. § 15-154 to allow school safety monies to also be used for school counselors or social workers and add program definitions.
• As session law, amend Laws 2017, Chapter 284 to 1) extend the High-Quality Teacher Professional Development Pilot Program, which provides scholarships and grants of up to $2,000 for teachers in high-need content areas, until July 1, 2025 versus July 1, 2022 currently, and 2) allow the Department of Education to retain up to 3% of monies appropriated for the pilot program to offset administrative costs.
• As session law, notwithstanding A.R.S. § 15-185 to require the Department of Education to allocate the full amount of the small school weight through FY 2020 to charter schools sponsored by entities other than the State Board for Charter Schools. Prohibits the department from seeking repayment of small school weight monies paid to such schools in prior years. The department would pay 67% of the small school weight to such schools in FY 2021 and 33% of the weight in FY 2022. Addresses ASU Preparatory Charter School.
• As permanent law, set the K-12 State Equalization Tax Rate (SETR) for a county for a given fiscal year at the lesser of the “normal” statutory rate or the rate that would have generated for its school districts collectively in the prior fiscal year the amount needed to backfill any of their K-12 formula costs not funded by Qualifying Tax Rate (QTR) revenues.
• As session law, give Duncan Unified and Blue Elementary additional “budget capacity” (spending authority) for FY 2020 and require them to fund that additional budget capacity with carry-forward monies rather than through tax rate increases. The additional capacity could only be expended upon capital.
• As permanent law, stipulate for purposes of concurrent enrollment that every 3 credits that a K-12 student earns at a community college or university course shall generate one-eighth of an Average Daily Membership under the Basic State Aid funding formula.
• As permanent law, require the department to hire a third-party administrator to assist it in the financial administration of Arizona Empowerment Scholarship Accounts.

Long-Term Budget Impacts

As part of the budget’s 3-year spending plan, ADE General Fund costs are projected to increase by $326,162,500 in FY 2021 above FY 2020 and $255,858,000 in FY 2022 above FY 2021. These estimates are based on:

• 0.6% ADM growth (unweighted) in both FY 2021 and FY 2021 consisting each year of approximately (4,400) fewer district ADM and 10,700 more charter ADM.
• GDP inflators of 2% for both FY 2021 and FY 2022 (currently projected at 2.3% for FY 2021 and 2.4% for FY 2022; statute funds the lesser of 2% or the actual rate).
• A $25 million increase in State Aid Supplement funding in FY 2021, from $50 million to $75 million, as required by Proposition 123.
• New construction NAV growth of 2.24% for FY 2021 and 2.29% for FY 2022.
• General Fund decreases of $(9.5) million in FY 2021 and $(8.4) million in FY 2022 for higher endowment earnings.
• Approximately $1.6 million per year for Empowerment Scholarships Account caseload growth.
• An increase of $1.8 million in FY 2021 and $0.8 million in FY 2022 for Special Education Vouchers due to inflation (both years) and an additional base level increase for teacher pay raises (FY 2021 only).
• An increase of $124.5 million (plus an additional $50 million from the Classroom Site Fund) for additional teacher pay raises in FY 2021.
• No increase for Additional Assistance restorations in FY 2021 but an increase of $67.8 million in FY 2022.

Endowment Earnings

In FY 2018, endowment earnings from state trust lands funded approximately $358.7 million of Basic State Aid, School Facilities Board bond debt service and K-12 Classroom Site Fund costs.

Endowment earnings originate from the sale or lease of lands that the federal government deeded to Arizona in the Enabling Act in 1910 to provide support for public functions such as education. Approximately 9.2 million of
the original 11.0 million acres of state trust lands remain, of which approximately 87% (8.1 million acres) are for the benefit of public schools. The rest are designated mostly for the benefit of universities and corrections. K-12 education therefore is by far the largest beneficiary of earnings generated from state trust lands.

The State Land Department and State Treasurer both generate endowment earnings from state trust lands. The State Land Department generates endowment earnings primarily by selling or leasing state trust lands and natural products from trust lands. The State Treasurer generates endowment earnings by investing monies received from the State Land Department from the sale of state trust lands and related natural products in stocks, bonds and other income-earning investments.

State trust land earnings are considered either “permanent” or “expendable” depending on whether they are one-time in nature. Only expendable monies are distributed to beneficiaries, as permanent monies are considered to be part of the original endowment and must be reinvested rather than distributed to beneficiaries. Permanent monies include one-time proceeds from the sale of state trust lands and natural products from state trust lands.

Expendable monies include ongoing income that the State Land Department generates from leases, permits and interest from sales contracts and a portion of investment returns generated by the State Treasurer.

The portion of Treasurer land trust earnings that is considered expendable is determined by a formula prescribed in the State Constitution, since the value of invested land trust monies fluctuates daily. Prior to voter approval of Proposition 123 in May 2016, the State Constitution required the State Treasurer to distribute annually to each beneficiary (such as public schools) a flat 2.5% of the average monthly market value of the beneficiary’s permanent fund for the immediately preceding 5 calendar years.

The 2.5% factor has been superseded through FY 2025 by a new 6.9% factor required by Proposition 123. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis.

In FY 2018, public schools received $358.7 million of expendable land trust monies from the State Land Department and State Treasurer combined. That total included $63.9 million from the Land Department and $294.8 million from the State Treasurer (see Table 14).

Table 14 shows that K-12 endowment earnings are estimated to equal $370.9 million in FY 2019 and $391.9 million in FY 2020.

Of the $358.7 million in K-12 expendable earnings generated for FY 2018, $235.3 million was used to fund Basic State Aid pursuant to A.R.S. § 37-521B3 and $24.9 million to fund the School Facilities Board debt service pursuant to A.R.S. § 37-521B2 (see Table 15). The remaining $98.5 million was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. The latter law dedicates to the Classroom Site Fund all growth in K-12 expendable endowment earnings above the FY 2001 level, which was $72.3 million. (See Proposition 301 narrative below for more information on the Classroom Site Fund and Proposition 301.)

Table 15
Use of K-12 Endowment Earnings by Fiscal Year ($ in Millions)

<table>
<thead>
<tr>
<th>Source</th>
<th>2015</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic State Aid</td>
<td>47.3</td>
<td>235.3</td>
<td>277.1</td>
<td>290.5</td>
</tr>
<tr>
<td>SFB Debt Service</td>
<td>25.0</td>
<td>24.9</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Classroom Site Fund</td>
<td>56.9</td>
<td>98.5</td>
<td>93.8</td>
<td>101.4</td>
</tr>
<tr>
<td>Total</td>
<td>129.2</td>
<td>358.7</td>
<td>370.9</td>
<td>391.9</td>
</tr>
</tbody>
</table>

1/ Estimated.
2/ $24.9 million annual SFB debt service payments ended after FY 2018.

**Proposition 123 Triggers**

Proposition 123 allows the state to temporarily suspend future inflation increases during periods of economic slowdown in which sales tax revenue and employment both grew more than 1% but less than 2% in the prior year [if only one factor falls into the 1-2% range, there is no suspension]. It would require this suspension if sales tax revenue and employment both grew less than 1%. Since 1992, economic conditions would have met the 1-2% threshold in 1 year and would have met the 1% threshold in 3 years.

The proposition also allows the state to reduce the 6.9% distribution rate to no less than 2.5% for the following fiscal year if the 5-year average balance of the State Land Trust Permanent Fund fell below the average balance of

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the preceding 5 years. The criteria for reducing the distribution rate would not have been met in the last 10 years, as no 5-year period since 2001 has averaged a lower balance than the preceding 5 years.

Beginning in FY 2026, the proposition allows (but does not require) the suspension of the annual inflation adjustment and a reduction in K-12 funding for the next fiscal year equal to the current year inflation adjustment if K-12 spending surpassed 49% of the total state General Fund appropriations. If K-12 spending surpassed 50%, the state could temporarily suspend the annual inflation adjustment and reduce K-12 funding for the next fiscal year by twice the current year inflation amount. For FY 2020, budgeted K-12 spending constitutes approximately 43.9% of total state General Fund appropriations.

(Please see the FY 2017 Appropriations Report for more information on Proposition 123.)

### Aggregate Expenditure Limit

Article IX, Section 21 of the State Constitution establishes an Aggregate Expenditure Limit (AEL) that caps spending for all school districts combined at the FY 1980 statewide level adjusted for subsequent statewide enrollment growth and inflation plus 10%. The AEL does not apply to exempted items like overrides, bonding and Proposition 301 funding or to charter schools.

Pursuant to A.R.S. § 15-911B, the Department of Education computed in November 2018 that budgeted expenditures for school districts collectively for FY 2019 were $(317.3) million below the AEL. The difference for FY 2018 was $(672.6) million.

The gap between school district’s budgeted spending and the AEL decreased in FY 2019 because funding for teacher pay raises and Additional Assistance restorations caused district spending statewide to grow faster than enrollment and inflation combined for that year. This is expected to occur again in FY 2020 due to additional teacher pay raises and additional assistance restorations budgeted for FY 2020. Under preliminary calculations, however, it appears that school district expenditures statewide are likely to remain below the AEL for FY 2020. This will not be known definitively until November 1, 2019, however, when the department is required to report school districts’ AEL status for FY 2020 pursuant to A.R.S. § 15-911B.

A.R.S. § 15-911C2 allows the Legislature to authorize statewide school district spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate. A permanent increase in the AEL would require a voter-approved change to the State Constitution.

### Basic State Aid Formula Description

Basic State Aid funding is based on a statutory formula enacted in 1980 and substantially modified in 1985. This formula “equalizes” formula funding among school districts, enabling them all to spend approximately the same amount of formula money per pupil from state and local sources combined. (Non-formula funding, such as from bonds and overrides, is not equalized.) Districts with a very strong local property tax base can generate their entire formula funding entitlement from local property taxes alone. Most school districts, however, require “Basic State Aid” monies to receive full formula funding.

The equalization formula for school districts consists of 3 components: the Base Support Level (BSL), Transportation Support Level (TSL), and District Additional Assistance (DAA). BSL and DAA funding are computed by multiplying specific dollar amounts in statute by a school district’s student count, adjusted for various weights. The TSL instead is computed by multiplying specific dollar amounts per route mile in statute by a district’s pupil transportation route miles. The sum of the 3 formula components equals what is referred to as a school district’s “equalization base,” which is its total funding entitlement under the K-12 equalization funding formula.

After a school district’s equalization base is determined, its net assessed property value (NAV) is multiplied by the statutory “Qualifying Tax Rate” (QTR) (A.R.S. § 15-971B) to determine the portion of its formula funding that is assumed to come from QTR taxes. This amount, plus the district’s share of State Equalization Tax Rate (SETR) revenues (A.R.S. § 15-994), if any, are then subtracted from its equalization base.

If the district’s combined QTR and SETR revenues exceed its equalization base, the district is not entitled to Basic State Aid. If, however, its “local share” funding does not exceed its equalization base, the district receives Basic State Aid funding to make up the difference. The actual local property tax rate for schools may be lower than the QTR (such as if the QTR would raise more than the district’s formula funding entitlement), or higher if the district can budget for items outside of its “Revenue Control Limit” (RCL) pursuant to A.R.S. § 15-910.

Basic State Aid is also provided to charter schools, which are schools that do not have geographic boundaries, operate under terms specified in a “charter,” and are sponsored by an entity such as the State Board for Charter Schools. The equalization funding formula for charter...
schools does not include DAA or separate transportation funding and instead consists only of BSL and Charter Additional Assistance (CAA) funding. BSL funding for charter schools is determined under the same formula prescribed for traditional public schools in A.R.S. § 15-943. CAA funding amounts are established separately in A.R.S. § 15-185B4 and for FY 2020 equal $1,843.14 per pupil for Grades K-8 and $2,148.15 per pupil for Grades 9-12. Charter schools receive all their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

### Broadband Expansion

The FY 2018 General Appropriation Act included a one-time $3 million appropriation to the newly-established Broadband Expansion Fund (BEF) for state matching contributions for broadband construction projects for schools and libraries. (See the FY 2018 Appropriations Report for more information.)

In addition, the Arizona Corporation Commission (ACC) on March 14, 2017 approved a temporary 12-month surcharge on Arizona consumers' phone bills to generate $8 million of additional state matching funds. Together, the $3 million legislative appropriation and the $8 million surcharge are intended to provide $11 million of state matching contributions to draw down approximately $116 million in federal "E-Rate" monies that support broadband construction projects.

Before any state matching funds were released, each project proposal had to be certified by ADE and approved for federal E-Rate funding by the Universal Service Administrative Company (USAC), which administers the program.

As of June 2019, the department had allocated all $11 million of state funding for broadband projects, including funding for resubmitted projects originally denied in 2018. The department also indicated at that time that 3 remaining projects had received federal approval for 2019-2020 and 2 were awaiting federal approval.

Estimated summary statistics for the program as of June 2019 (including funding from anticipated federal approvals for 2019-2020) appear in Table 16. It shows that the program was expected to have served 282,253 pupils cumulatively upon completion and to have drawn down $115.6 million of federal e-rate funding and $1.1 million of local funding with the $11.0 million of state funding. This was expected to result in total final project funding of approximately $127.8 million.

<table>
<thead>
<tr>
<th>Item</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students Served</td>
<td>96,668</td>
<td>152,425</td>
<td>33,160</td>
<td>282,253</td>
</tr>
<tr>
<td>Funding Summary</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-Rate Portion</td>
<td>12.4</td>
<td>55.2</td>
<td>48.1</td>
<td>115.6</td>
</tr>
<tr>
<td>State Portion</td>
<td>1.0</td>
<td>4.7</td>
<td>5.3</td>
<td>11.0</td>
</tr>
<tr>
<td>School Portion</td>
<td>0.1</td>
<td>1.0</td>
<td>0.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Total Funded</td>
<td>13.6</td>
<td>60.8</td>
<td>53.4</td>
<td>127.8</td>
</tr>
</tbody>
</table>

1/ Arizona Department of Education data as of June 2019.
2/ Dollars in millions.
3/ Schools not meeting certain poverty thresholds must provide local backfill funding.
4/ Totals may not match due to rounding.

The federal E-Rate program may continue to be available in future years, so the Legislature could also make additional appropriations to draw down more Federal Funds in subsequent years if deemed necessary.

### Proposition 301

Proposition 301, which was passed by voters in November 2000, amended A.R.S. § 42-5010 to increase the state Transaction Privilege Tax (TPT) ("sales tax") rate on most purchases from 5% to 5.6% through FY 2021 to generate more funding for public education. It also amended A.R.S. § 42-5029 to prescribe how the new sales tax revenues would be allocated (see Table 17).

Starting in FY 2022, Laws 2018, Chapter 74 extends the additional 0.6% sales tax through June 30, 2041 and redirects to the Classroom Site Fund $64.1 million of 0.6% sales tax monies previously needed for debt service on School Facilities Board bonds authorized by Proposition 301. All other distributions remain unchanged.

As shown in Table 17, Proposition 301 revenues are earmarked for the following items through FY 2021:

- Debt service on $794.7 million of School Facilities Board bonds used for deficiencies correction, which will be paid off by the end of FY 2020. (Chapter 74 redirects these monies to the Classroom Site Fund starting in FY 2022. For FY 2021, 12% will go to universities, 3% to community colleges, with equivalent per pupil distributions going to tribal community colleges, and the remainder will go to the Classroom Site Fund.)
- Universities (12% of the remainder after SFB debt service).
- Community colleges (3% of the remainder).
- Tribal Colleges (same formula as community colleges).
• Income tax credit for sales tax paid by low income households (to offset the additional 0.6¢ sales tax rate).
• Additional School Days.
• School Safety and Character Education.
• School Accountability.
• Failing Schools.
• Classroom Site Fund (A.R.S. § 15-977).

Proposition 301 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled $419.7 million (59.2%) of the $709.1 million collected for FY 2018 (see Table 17).

Classroom Site Fund
Proposition 301 also amended A.R.S. § 37-521B4 to dedicate to the Classroom Site Fund all growth in K-12 expendable land trust earnings above the amount generated by the State Treasurer and State Land Department combined for FY 2001 (the last year before Proposition 301 took effect), which equaled $72.3 million. Total reported expenditures from the CSF for FY 2018 were $511.8 million (see Table 17).

Budget Overrides

Current law permits school districts to exceed statutory budget limits through “budget override” elections. This includes Maintenance and Operation (M&O) overrides (A.R.S. § 15-481E&F), Special Program overrides (A.R.S. § 15-482) and District Additional Assistance overrides (called Capital Overrides prior to FY 2014) (A.R.S. § 15-481L&M).

M&O and Special Program overrides together are capped at 15% of a district’s Revenue Control Limit (RCL). (“RCL” essentially equals a district’s total funding under the Basic State Aid formula minus its District Additional Assistance funding, pursuant to A.R.S. § 15-947.) District Additional Assistance overrides are capped at 10% of a district’s RCL.

M&O and Special Program overrides provide additional funding for school district operating expenses, such as teacher salaries. District Additional Assistance overrides...
instead must be used for the capital improvements listed in the publicity pamphlet for the override, except that up to 10% of the override proceeds may be used for general capital expenses, including cost overruns of proposed capital improvements, pursuant to A.R.S. § 15-481X. Overrides are funded with additional local property taxes. All 3 types of overrides may be authorized for up to 7 years. M&O and Special Program overrides are phased down over the last 2 years of authorization unless re-approved by voters.

For FY 2019, 93 districts statewide had M&O overrides pursuant to A.R.S. § 15-481, 1 had a “Special Program” override pursuant to A.R.S. § 15-482, and 25 had District Additional Assistance overrides. The total amounts budgeted for overrides for FY 2019 included $530.7 million for M&O overrides, $0.9 million for Special Program overrides and $85.9 million for District Additional Assistance overrides. Grand total budgeted override funding for FY 2019 therefore equaled $617.5 million, which was $42.1 million above the $575.4 million amount budgeted for all overrides collectively in FY 2018 (see Table 18). (See the School Facilities Board budget narrative for a related summary on K-12 Capital Bonding.)

<table>
<thead>
<tr>
<th>Type of Override</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;O</td>
<td>490.7</td>
<td>530.7</td>
<td>40.0</td>
</tr>
<tr>
<td>Special Program</td>
<td>1.3</td>
<td>0.9</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Additional Assistance</td>
<td>83.4</td>
<td>85.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>575.4</td>
<td>617.5</td>
<td>42.1</td>
</tr>
</tbody>
</table>

A.R.S. § 15-249.04 requires ADE to report by November 30 of each year the amount budgeted for school district budget overrides by district and type of override for the current fiscal year. The data cited in Table 18 are from the related ADE reports for FY 2018 and FY 2019.