

The Condition of School Funding in Arizona: 2004

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Background

Setting the Stage in the 1980s

At the fall 2004 meeting of the Arizona Association of School Business Officials, a member of the Arizona Senate's Education Committee remarked, "Most education policies in the state come either from initiatives or court orders."¹ This observation omits the considerable influence state legislators have had on school finance, however. Funding public schools in Arizona is a state responsibility established in the Arizona Constitution, which charges the legislature to maintain a "general and uniform" system of schools. This brief examines how Arizona's public education funding has evolved over the last 25 years.

In national comparisons of per-pupil expenditures for public education, Arizona for the last decade has ranked among the bottom five states, leading only Utah in recent years. This has not always been the case (Table 1). Over four decades, Arizona's per pupil expenditure declined from above the national average to well below the national average.² This brief will discuss the changes in funding philosophy and the enacted policies that resulted in this comparative decline.

Table 1: History of Arizona and U.S. Average Expenditure Per Pupil, in Dollars (Unadjusted for Inflation).

	FY 60	FY 70	FY 80	FY 90	FY 00
Arizona	\$404	\$720	\$1,971	\$4,053	\$5,444
National	\$375	\$816	\$2,272	\$4,980	\$7,392
Percent of National	108%	88%	87%	81%	74%
Arizona Rank	19/50	29/50	28/50	38/50	49/50

Source: National Center for Education Statistics(NCES)(2003) Digest of Education Statistics.

Legislative Action

In 1973, plaintiffs in Arizona filed a lawsuit alleging that the state’s method of funding schools was not equitable.³ Similar suits have been filed in many states. The Arizona Supreme Court denied the suit on its merits, but the lawsuit nonetheless opened the door for change. At the time, Arizona funded schools much the way other states did: the state guaranteed a minimum level of funding, and local school boards had unlimited access to property tax monies, although tax increases were subject to voter approval. As in other states, the districts with a higher property wealth base tended to spend more for education than those with a lower property wealth base.

In 1980, the success of an equity lawsuit in California (*Serrano v. Priest*) prompted the Arizona legislature to reform school funding by adopting a new “equalizing” formula.⁴ This reform also greatly limited a local school board’s access to the property tax base and put the legislature in charge of the overall level of school funding.

The formula sets a Revenue Control Limit (RCL) for schools and contains three components: the state-guaranteed per-pupil funding level (known as the Basic Support Level, or BSL); the student count (known as Average Daily Membership, or ADM), which is weighted based on certain demographic details, such as grade level and disability, for each student, and a local contribution. The legislature also sets the

Qualifying Tax Rate (QTR) for local school districts, which establishes the local contribution. There are two QTRs: one for Unified (K-12) districts and one for elementary or high school districts.

Each year the legislature establishes an overall Basic Support Level and sets the Qualifying Tax Rate for local school districts. An individual district then applies various multipliers, including its unique ADM multiplier based on student demographics, to derive its particular funding level. The county levies local property taxes according to the Qualifying Tax Rate. Once the amount of money for which the district is eligible has been established, a combination of state allocation and local property taxes provides the guaranteed Basic Support Level (BSL) for school districts. By controlling both the BSL and the QTR, the legislature guarantees all districts approximately the same amount of money per pupil. Districts with a high property tax base get less state money and more property tax money; districts with a lower property tax base get more state money and less local property tax money.

The foundation level, or BSL, is only a starting point, however. Several multipliers allow school districts to increase their particular per-pupil spending figures. Table 2 contains a description of this formula.

Table 2: Components of Arizona School Funding

Components of Operating Funds Contained in the Revenue Control Limit
Weighted Student Count (X of BSL)
Base Support Level (BSL)
Teacher Experience Index (X of BSL)
Career Ladder* OR (X of BSL)
Optional Performance Incentive Program (X of BSL)
Transportation Revenue Control Limit
Capital Funds: Building Repair and Construction
Capital Outlay Revenue Limit
Capital Levy Revenue Limit**
Soft Capital
Operating Funds Not Included in Revenue Control Limit
K-12 and K-3 Overrides
Proposition 301, Classroom Site Fund
Proposition 202, Instructional Improvement Fund
Other State and Local Capital Revenue
Capital Funding Through the School Facilities Board
School District Capital Bonds

*Not a part of the originally adopted formula in 1980.

** CLRL was replaced by Soft Capital with Students First legislation in 1998.

X = Multiplier

The intent of the legislature in creating this new funding system is clear in the language used in the bill and in the terminology of the formula:

The legislature intends by this act to increase the authority and responsibility of local school boards in determining how revenues will be utilized. Beginning in the 1980-81 fiscal year disparities in operational revenues among districts will be reduced on an annual basis until complete equalization is reached in the 1985-86 fiscal year.⁵

The effect of the 1980 funding formula revision was to cut Arizona's per-pupil spending on education to 81 percent of the national average, from 87 percent before the revision—gaining equity among school districts by leveling downward. With its emphasis during the 1990s on restricting the growth of educational costs and tying increases in funding to desired outcomes, the legislature permitted only minimal increases most years in the Base Support Level (BSL), and no increases in 1994 and 1997.

In the early 1990s, the legislature enacted two outcome-linked funding policies that allowed districts to increase their BSL. These policies, the Optional Performance Incentive Program and Career Ladders, both tied teacher pay to evaluation and performance. School districts participating in one or the other of these programs can increase their BSL up to an additional 5.5 percent.⁶

Although the legislature, seeking to slow the growth of education spending, held down increases in the BSL during the 1990s, average expenditures per pupil nonetheless rose (Table 3), reflecting the growing share of education costs borne by local property taxes.

Table 3: Changes in Foundation Level Compared to Changes in Arizona and U.S. Per Pupil Expenditures.

Year	Arizona Foundation Level (BSL)*	Percent Change	AZ Average Exp. Per Pupil**	Percent Change	U.S. Average Exp. Per Pupil	Percent Change
1994	\$2,410.26	0.0	\$4,611	***	\$5,767	***
1995	\$2,458.47	2.0	\$4,778	3.6	\$5,989	3.8
1996	\$2,462.94	0.2	\$4,860	1.7	\$6,147	2.6
1997	\$2,462.64	0.0	\$4,940	1.6	\$6,393	4.0
1998	\$2,499.53	1.6	\$5,122	3.7	\$6,676	4.4
1999	\$2,532.60	1.3	\$5,235	2.2	\$7,013	5.0
2000	\$2,578.41	1.8	\$5,444	4.0	\$7,392	5.4
Total Change	\$168.15	***	\$833	***	\$1,635	***

Sources: Arizona Department of Education and NCES

*Before ADM and other multipliers

**After ADM and other multipliers

During the seven-year period from 1994 to 2000, the foundation level increased \$168 (7 percent), while the Arizona per pupil expenditure increased \$833 (18 percent) and the U.S. average per pupil expenditure increased \$1,635 (28 percent). The legislature's emphasis on holding down education spending had two effects. First, it allowed Arizona's ranking for education spending per pupil to fall from 39th place to 49th place among 50 states. Second, it decreased the state's share of the cost of education and shifted a greater burden onto the local property tax.⁷ In part, this shift resulted from special items outside the formula and special property-tax-limit overrides, both of which are discussed next.

Local Districts' Discretion With the Property Tax

Although the legislature's revised school funding formula restricted districts' ability to raise local property taxes, the formula did include a provision allowing districts to seek voter approval for budget "overrides." Through a general override, a school district may increase its operating revenue from local taxes up to 10 percent of the Revenue Control Limit. In addition, a district may also increase its operating revenue by 5 percent of the K-8 portion of the RCL specifically for K-3 programs.⁸

To hold schools accountable to property taxpayers, the legislature mandated that override measures would expire after seven years, with the override rolled back by 33 percent in year six and another 66 percent in year seven. Thus, a local school board seeking to maintain a stable source of revenue from overrides must submit the question to the voting public every five years. Increased use of overrides and increases in the dollar amount of overrides during the 1990s increased the proportion of education funds coming from local taxpayers.

In addition to overrides, the legislature subsequently gave school districts the power to raise local taxes without voter approval for two separate, specific purposes. The first, Excess Utilities, allowed school districts to levy for rapidly increasing utility costs caused by the 1982 energy crisis. The second, the Desegregation levy, allowed certain school districts to levy additional taxes to pay for programs that were a part of either a federal court order or an agreement with the federal Office of Civil Rights to address inequitable educational opportunities for a racially divergent population.⁹

Proposition 301 (discussed later in this brief) eliminated the Excess Utilities provision as of 2009. Although legislators have expressed an interest in eliminating or containing the Desegregation levy, doing so might be challenged as a perceived interference with either a federal court order or agreement with the Office of Civil Rights (OCR). The legislature has instead opted to freeze Desegregation expenditures in 2003 and 2004 and is seeking to extend that cap for an additional two years while studying a way to "permanently amend §15-910."¹⁰

Elimination of Excess Utilities will reduce funding by \$81 million for the school districts involved, creating the likelihood of financial distress for these districts. Capping Desegregation levies may eventually precipitate program problems, federal litigation, or both. Desegregation expenditures are now close to \$200 million annually, the loss of which would have a substantial impact on the school districts levying a tax for supplemental programs and staff.

Charter Schools

In 1994, with the passage of charter school legislation, Arizona entered the free market system for public schools. The new law authorized three different governmental agencies—local school districts, the State Board of Education, and the newly created State Board for Charter Schools—to grant charters. This enabled the number of chartered public schools to grow rapidly: from 51 schools serving 7,350 students in 1995, to 460 schools serving 73,550 students in 2003—nearly 10 percent of the total student population in Arizona.¹¹

Charter school funding is similar to the funding of local school districts: money flows through the equalization formula with weighted ADM. There the similarity ends. Charter schools do not have access to a local property tax base or other programs that enhance the Base Support Level (BSL). As a result, charter schools get all of their funds from the state, up to the full amount of their BSL. There are two notable funding differences for charter schools: (1) with the passage of Students FIRST (discussed later in this brief), charter schools were excluded from any capital assistance from the state and were exempted from the constitutional requirement to provide a “general and uniform” system of education; (2) in lieu of transportation assistance and capital assistance, the legislature authorized lump sum “additional assistance” payments to charter schools, with the amount based on student count.¹²

In addition to offering families educational choices, charter schools do not appear to be as expensive to operate as district schools (Table 4). One reason is that they enroll significantly fewer special education students than district schools, which affects the ADM multiplier. Although the dataset in Table 4 does not include all of Arizona’s districts and charter schools, it is sufficiently large to demonstrate a point: in 2002,

district schools spent \$841 more per ADM than charter schools. The savings per student translates into a total savings of \$36,915,695 for this particular sample, plus any capital costs the state would have incurred to house these students under Students FIRST. If the per-student savings amount holds for the entire 2002 charter school population of 57,725 students, the total savings becomes \$48,546,735, plus capital costs.

Table 4: FY02 Expenditure Per ADM for Traditional and Charter Schools Based Current Expenditure and ADM Reported.

District Type	Total Expenditure	Attending ADM	Expend. Per ADM
Unified (K-12)	\$3,065,384,371	514,702	\$5956
Elementary (K-8)	\$1,235,400,212	212,665	\$5809
High School (9-12)	\$464,556,300	71,644	\$6484
Above Combined	\$4,765,340,883	790,011	\$5964
Charter School	\$224,902,854	43,895	\$5123

Source: Arizona Department of Education, State Superintendent’s Report, 2001-2002.

Note: Does not include all districts and charter schools.

Students FIRST

Also in 1994, the Arizona Supreme Court decided that the state’s practice of allowing local communities to determine capital expenditures (school construction costs) for schools violated the “general and uniform” language of the Arizona constitution. The high court’s ruling in the case *Roosevelt v. Bishop* forced the legislature to equalize capital costs as it had equalized operating funds 14 years earlier. In a follow-up ruling in 1996, the Supreme Court ordered the legislature to develop an acceptable solution within two years or face closure of the state’s schools. The Students FIRST (Fair and Immediate Resources for Students Today) legislation was signed into law in July of 1998.¹³

In a design that differed from capital assistance programs in most other states, the legislature established a new Arizona School Facilities Board and assigned it the responsibility for creating standards for school facilities and administering appropriations for school construction and renovation. These appropriations were funneled through

three separate funds: New School Facilities, Building Renewal, and Deficiencies Correction. Before the passage of Students FIRST, local school districts sold bonds to finance construction. The new legislation relied instead on annual appropriations from the legislature and restricted school districts to a more limited use of bonds to supplement funding from the School Facilities Board. The appropriations history for Students FIRST is found in Table 5.¹⁴

Table 5: Appropriations for Capital Construction FY 99 to FY 03 (In Millions)

Fund	FY 99	FY 00	FY 01	FY 02	FY 03	Total
New School Facilities	\$200	\$185	\$200	\$166.75	\$400	\$1,151.7
Building Renewal	\$75	\$82.5	\$122.73	\$62.065	\$38.274	\$380.569
Deficiencies Correction	\$35	\$50	\$150	(\$56)	\$15	\$194
Total	\$310	\$317.5	\$472.73	\$172.815	\$453.274	\$1,726.3

Source: Joint Legislative Budget Committee, K-12 Funding (M&O, Capital, and All Other) FY 1995 Through FY 2004 (2/19/ 04).

When the administration of then-Governor Jane Hull forecast a downturn in state revenues, the legislature in 2000 relaxed its opposition to bonding and incorporated in Proposition 301 (details of which follow), a provision permitting the Arizona School Facilities Board to sell \$800 million in construction bonds. The bonds were to be repaid with dedicated revenue from the sales tax increase contained in Proposition 301.

Proposition 301

In November of 2000, voters approved by a 53- to 47-percent margin a ballot question initiated by the legislature that raised the Arizona sales tax to 5.6 percent from 5 percent. The additional revenue was forecast at \$445 million in the first year and estimated to grow to \$800 million in ten years. Under a sunset provision, the entire increase is to be rolled back after 20 years.

Proposition 301 included provisions related to public schools, universities, community colleges, and the Arizona Department of Education. For K-12 public

education, the most prominent relevant provisions funneled some of the increased sales tax revenue to a new Students FIRST Debt Service Fund, to pay off newly permitted construction bonds, and to a new Classroom Site Fund. The proposition also extended the school year to 180 days from 175. Table 6 shows the amounts deposited in the two funds and the cost of additional school days transferred to the Department of Education. Sales tax from revenue generated by the increase for FY 02 and FY 03 is also shown.¹⁵

Table 6: Proposition 301 Tax Revenue and Fund Amount

	FY 02	FY 03
Students FIRST Debt Serv.	\$69,997,137	\$63,181,210
Addition School Days ADE	\$17,933,408	\$32,963,233
Classroom Site Fund	\$251,523,404	\$252,321,383
<i>Total Above Items</i>	<i>\$339,453,949</i>	<i>\$348,465,826</i>
<i>Total Sales Tax Revenue</i>	<i>\$439,105,225</i>	<i>\$447,841,034</i>

Source: Office of the Auditor General (2004, February). Arizona Public School District's Dollars Spent in the Classroom: Fiscal Year 2003.

The Students FIRST Debt Service Fund was established as a first lien against revenue to repay up to \$800 million in construction bonds. The Classroom Site Fund allocations are calculated on a per-pupil basis and distributed to local school districts under guidelines that call for using 20 percent of the funds for teacher base pay increases, 40 percent for teacher pay for performance, and 40 percent for a prescribed menu of programs. Table 7 lists different ways in which school districts have spent the money received from the Classroom Site Fund.¹⁶

Table 7: Percentage of Expenditures on Options from Proposition 301

Menu Option	Percentage of Expenditures	Number of Districts
Teacher Compensation	73.3%*	156
Teacher Development	8.6%	80
Class-size Reduction	8.5%	46
Dropout Prevention	4.2%	35
Aims Intervention	5.2%	52
Teacher Liability Premiums	0.3%	3
Total	100%	

Source: Office of the Auditor General (2004). Arizona Public School District's Dollars Spent in the Classroom: Fiscal Year 2003.

* This figure is above 60% because of compensation for extra duties related to menu items which is within the spirit of the law.

Tuition Tax Credits

In 1997, the legislature, again in keeping with its support of free market education, passed the Arizona Scholarship Tax Credit Program. Proponents claimed that granting tax credits to donors who gave money to School Tuition Organizations (STO) would enable low-income students to attend private schools. A provision adding a tax credit for extracurricular activity fees for public schools was added to win support for the bill to pass.

The law provided for two income tax credits: the first, for a donation to a private school scholarship fund, is up to \$500 for single taxpayers or up to \$625 for families; the second, for donations to public schools for extra-curricular activities or character education programs, is up to \$200 for a single taxpayer or up to \$250 for families. It is a refundable tax credit program, meaning that if a person pays no income taxes, the state owes the amount of the deduction to the taxpayer. Tax revenue loss in 2002 for this tax credit program was \$26,169,177 for private schools and \$22,455,129 for public schools, for a total \$48,624,306.¹⁷

Is the tax credit program accomplishing what it was intended to do—supporting low income children who wish to attend private schools? In a study published by the Arizona State University’s Education Policy Studies Laboratory (EPSL), two populations of private school tuition recipients were examined.¹⁸ Recipients were divided by family income above \$50,000 Federal Adjusted Gross Income (FAGI) and those below \$50,000 FAGI. Public schools receiving tax credit donations were divided into four groups by wealth. In the first year of the tuition tax credit program, the intended targets, low-income students, were not the primary beneficiaries of the program.

In a more recent study by the Goldwater Institute, a similar pattern of distribution of tuition tax credit dollars was identified. The study’s authors suggested a reform referred to as “means-testing,” directing some of the scholarship funds strictly to low-income students.¹⁹

Table 8: Arizona Private School Tuition Tax Credit Claimants Above and Below \$50,000 Federal Adjusted Gross Income (FAGI) 1998

	Total	Below \$50,000	Above \$50,000
Number of Credits Taken	3,548	682	2,866
Percent of Total Credits	100.0%	19.2%	80.8%
Total Amount of Credits	\$1,571,100	\$249,655	\$1,321,455
Percentage of Total	100%	15.9%	84.1%
Mean Credit Amount	\$442.81	\$366.06	\$461.08

Source: Wilson, G. (2002, March). The Equity Impact of Arizona’s Education Tax Credit Program: a Review of the First Three Years (1998-2000). Education Policy Research Unit, Doc. No. EPSL-0203-110-EPRU. Tempe, AZ; Education Policy Studies Laboratory. Retrieved May 5, 2004, from <http://www.asu.edu/educ/epsl/EPRU/documents/EPRU%202002-110/epru-0203-110.htm>

The second part of the EPSL study involved examination of public school tax credit donations for extra-curricular activities during the years 1998-2000. It should not come as a surprise that those schools from the wealthiest areas benefited more from the tax credit donation program (Table 9).

Table 9: Public School Extracurricular Activity Tax Credit Data on a Student Basis 1998–2000

Donation Amount Per Student	1998	1999	2000	3 year Program Total
All Schools	\$8.82	\$14.24	\$17.62	\$13.70
Poorest Quarter	\$4.63	\$6.46	\$7.43	\$6.24
Second Poorest Quarter	\$4.75	\$9.44	\$10.47	\$8.19
Second Wealthiest Quarter	\$8.09	\$13.60	\$17.97	\$13.35
Wealthiest Quarter	\$15.88	\$24.14	\$29.28	\$23.50

Source: Wilson, G.Y. (2002, March). The Equity Impact of Arizona’s Education Tax Credit Program: a Review of the First Three Years (1998-2000). Education Policy Research Unit, Doc. No. EPSL-0203-110-EPRU. Tempe, AZ; Education Policy Studies Laboratory. Retrieved May 5, 2004, from <http://www.asu.edu/educ/epsl/EPRU/documents/EPRU%202002-110/epru-0203-110.htm>

Recent Developments

Initiative, Litigation and Legislation

School funding issues have continued to emerge in the three areas of initiatives, legislation, and court decisions. An initiative on Indian Gaming (Proposition 202), passed in November 2002, provides for a potential source of revenue by establishing an Instructional Improvement Fund. It remains to be seen how much this source will generate for 2004 and future years. The dollars are to be distributed to districts and charter schools on a per-pupil basis, with two limitations: up to 50 percent may be used for teacher compensation increases and class-size reduction; the remainder is to be used for dropout prevention and instructional improvement programs such as K-3 reading improvement.²⁰

The lawsuit *Crane et al. v. the State of Arizona* has the potential for the greatest impact on the way in which Arizona’s schools are funded. Plaintiffs claim that current funding is not sufficient to provide programming and staffing that will enable all students, particularly students in poverty, to achieve at a level established by the State’s academic standards.²¹ The case was recently dismissed by the trial court; an appeal to the

Arizona Supreme Court is being contemplated. Similar lawsuits have been filed in other states, and many have succeeded.²² Additionally, a lawsuit alleging that the legislature's \$90 million reduction in funding for the Building Deficiency Fund of Students FIRST is unconstitutional is also on appeal.

In the 2004 legislative session, Governor Janet Napolitano introduced legislation to provide full-day kindergarten. The program has a price tag of approximately \$170 million when fully implemented, but contains the provision for a five year phase-in. The first year costs for full-day kindergarten are estimated at \$25 million dollars. Staffing and supplies are estimated to cost \$21 million; the remaining \$4 million is for the School Facilities Board for additional facilities that may be required. If the program is enacted, the first beneficiaries would be schools where 90 percent or more of the children are eligible for the federal free and reduced lunch program.²³

Available Data

Policy makers are careful about keeping track of taxpayers' money. This is evident in the area of school finance data. School districts and charter schools are held to a high standard of record keeping and reporting of financial information. School districts and charter schools must keep track of revenues and expenditures through an accounting system monitored by the Arizona Office of the Auditor General. In addition, state law requires districts to file an Annual Financial Report with the Arizona Department of Education to monitor whether or not revenues and expenditures remain within adopted limits. The law also requires districts to submit to annual audits performed by an independent auditor. Therefore, the state's school finance databases are quite extensive. Consistency of financial data is maintained through use of the Uniform System of Financial Records. In short, the data available are both accurate and sound.

Weaknesses in these data relate to what could be characterized as compilation of data on a longitudinal basis and the necessity to collect information from several agencies. Additionally, data more than three years old are more difficult to retrieve. Much is available in aggregate, and detailed questions about specific funding components require the cooperation of the maintaining agency. For example, the author sought

information on the costs of the Optional Performance Incentive and Career Ladders programs. Although the Arizona Department of Education indicated a willingness to provide the information, the response time was lengthy and the information could not be retrieved in a timely manner for inclusion in this brief. Another shortcoming is that no data on the characteristics of charter school teachers and administrators are collected.

Evaluation of Available Data

Information related to school finance comes from either the Arizona Department of Education or the Arizona Department of Revenue. As the process of financial record keeping is governed by the Uniform System of Financial Records, the data tend to be consistent over time. The Arizona Department of Education has been using an online collection and dispersal system called Student Accountability Information System (SAIS) that has created some data collection problems, but given time, the information collected will be accurate. The legislature appears to recognize the extent of problems with the system, as it included in Proposition 301 an allocation for a system upgrade.

Key Unanswered Policy Questions

The long-term policies in school finance are evident in the complicated design of school funding. By its actions, the legislature has set a series of priorities for Arizona school finance:

- First, to restrain educational spending, as evidenced in the equalization formula revision of 1980 and subsequent increases in funding for the Maintenance and Operations funds over the last quarter century.
- Second, to keep property taxes low, as evidenced by the restrictions placed on school districts in their access to the property tax base, with current attempts to eliminate previously granted options.

- Third, to direct how funding is to be spent by a local school district, as evidenced by tying increases in revenue to specific programs such as Optional Performance Incentive Program or Career Ladders. This priority is further demonstrated by the spending restrictions that are placed on increased funding through such measures as Propositions 301 and 202. It can be argued as well that by adopting the Arizona academic standards and the Arizona Instrument for Assessment (AIMS), the legislature is at least indirectly determining how tax dollars are spent by districts.

The most significant policy question to be faced in the near future is whether or not there is sufficient money in the system to offer the programs and support necessary for all students to achieve academically at the level established by academic standards. Litigation may force the issue, but the legislature might prefer to explore and answer this question before being required to by the courts. Arizona has achieved equity in school funding through the efforts of the legislature over the last two decades. The question to be addressed now is whether school funding also meets the test of adequacy.

Recommendations

In funding capital developments for Students FIRST out of annual appropriations, the legislature has set up a potential trade-off. Returning to bonding for capital construction would increase long-term costs, but also would free money annually that could be used to improve educational programs throughout the state.

A further question is whether current education funding is adequate to support state standards and assessment. Other states, such as Kentucky, Illinois, and New York, have embarked on studies of the adequacy of their education funding systems to guide future education funding decisions. Independent of the legislature, the Rodel Foundation is sponsoring an adequacy study in Arizona, to be released by the summer of 2004.

Although the data are available, no state report currently addresses standard questions of school finance policy: what is the average teacher's or administrator's

salary, for example, and what are the racial or gender demographics of school district employees? Having three different agencies calculating expenditures per pupil using different methods and inputs creates confusion. The National Center for Educational Statistics (NCES) offers a model for a common process for calculating school finances.

It is recommended that:

1. The Arizona legislature review and reconsider its decision to fund school capital expenses, such as construction of new buildings and additions, upgrades, or repairs to existing buildings, from annual appropriations through Students FIRST (Fair and Immediate Resources for Students Today) legislation.
2. The Arizona legislature and the Arizona Department of Education (ADE) either conduct a study of whether Arizona's school funding is adequate to support the state's education standards, or establish a means to formally review recommendations developed by the Rodel Foundation for adequacy in school funding.
3. The ADE develop, using the National Center for Education Statistics (NCES) model, a common process to be used by all agencies for calculating school finance trends and details.

Notes and References

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- ⁵ Hunter, M., & Gifford, M. (2000). *School Finance Primer: A Taxpayer's Guide to Public School Finance*. Phoenix, AZ: Goldwater Institute.
- ⁶ Optional Performance Incentive Program, A.R.S. § 15-919.
Career Ladders, A.R.S. § 15-918.
- ⁷ Data from National Center for Education Statistics, *Statistic of State School Systems*, show a decline of state support and an increase in local support on a basis of percentage of overall support. With the passage of Proposition 301, and the accompanying increase in state funding, a reversal in this trend has occurred.
- ⁸ Override Election, Budget Increases, A.R.S. § 15-481.
Special Override Elections, A.R.S. § 15-482.
- ⁹ Excess Utilities, Desegregation Costs, A.R.S. § 15 – 910.
- ¹⁰ House of Representatives, HB 2268, Summary retrieved March 7, 2004, from www.azleg.state.az.us/
- ¹¹ Arizona Department of Education, Annual Report of the Superintendent of Public Instruction, 1993 to 2002. Phoenix, AZ: Authors.
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