

Department of Education

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	208.9	202.9	202.9 ^{1/}
Personal Services	4,429,600	4,384,300	4,384,300
Employee Related Expenditures	1,564,800	1,627,800	1,627,800
Professional and Outside Services	397,900	399,500	399,500
Travel - In State	4,700	11,200	11,200
Travel - Out of State	0	17,500	17,500
Other Operating Expenditures	4,405,400	6,583,600	3,882,500
Equipment	304,500	25,600	25,600
OPERATING SUBTOTAL	11,106,900	13,049,500	10,348,400 ^{2/3/4/5/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	4,928,172,500	5,611,174,900	5,598,444,300 ^{6/-10/}
State Aid Supplement	75,000,000	75,000,000	75,000,000 ^{11/12/}
Results-Based Funding	0	68,600,000 ^{13/}	68,600,000
Special Education Fund	36,029,200	36,029,200	36,029,200
Other State Aid to Districts	124,800	983,900	983,900
Classroom Site Fund	585,143,300	977,025,600	977,025,600 ^{14/}
Instructional Improvement Fund	76,298,500	54,425,700	54,425,700 ^{15/}
Property Tax Relief			
Additional State Aid	333,676,500	460,630,300	510,093,700
Non-Formula Programs			
Accountability and Achievement Testing	9,428,100	21,423,300	16,423,300 ^{16/17/}
Adult Education	4,502,100	4,867,800	4,867,800
Alternative Teacher Development Program	500,000	500,000	500,000
Arizona Empowerment Scholarship Account Administration	1,407,400	2,176,400	2,176,400
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
College Credit by Examination Incentive Program	5,000,000	7,472,100	7,472,100
College Placement Exam Fee Waiver	0	1,265,800	1,265,800
Computer Science Professional Development Program	0	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 ^{18/19/20/}
CTED Industry Credential Incentive Program	5,000,000	5,000,000	0
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{21/}
Early Literacy	12,000,000	12,000,000	12,000,000
Education Learning and Accountability System	5,305,300	5,315,400	5,315,400
English Learner Administration	6,541,600	6,516,900	6,516,900 ^{22/}
Extraordinary Special Education Needs Fund Deposit	0	5,000,000	0
Geographic Literacy	100,000	100,000	100,000 ^{23/}
Gifted Assessments	0	850,000	0
Jobs for Arizona Graduates	100,000	100,000	100,000 ^{24/}
School Safety Program	33,924,800	31,925,200	31,925,200 ^{25/}
State Block Grant for Vocational Education	11,539,100	11,576,300	11,576,300
Student Level Data Access	0	350,000	350,000 ^{2/}
Teacher Certification	1,950,500	2,403,000	2,403,000
Teacher Professional Development Pilot	78,800	400,000	0
Tribal College Dual Enrollment Program	157,500	325,000	325,000
AGENCY TOTAL	6,150,047,300	7,424,446,700	7,442,228,400
FUND SOURCES			
General Fund	5,090,264,300	5,910,547,300	5,921,646,000

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	0	350,000	350,000
Department of Education Professional Development Revolving Fund	0	2,701,100	0
Education Sales Tax Fund	0	7,000,000	7,000,000
Permanent State School Fund	300,555,000	309,832,400	319,216,500
Teacher Certification Fund	1,848,200	2,359,100	2,359,100
Tribal College Dual Enrollment Program Fund	157,500	325,000	325,000
SUBTOTAL - Other Appropriated Funds	302,560,700	322,567,600	329,250,600
SUBTOTAL - Appropriated Funds	5,392,825,000	6,233,114,900	6,250,896,600
<u>Expenditure Authority Funds</u>			
Classroom Site Fund – Carryforward	0	236,163,800	236,163,800
Classroom Site Fund – Land Trust	107,142,200	123,167,700	123,167,700
Education Sales Tax	573,781,600	777,574,600	777,574,600
Instructional Improvement Fund	76,298,500	54,425,700	54,425,700
SUBTOTAL - Expenditure Authority Funds	757,222,300	1,191,331,800	1,191,331,800
SUBTOTAL - Appropriated/Expenditure Authority Funds	6,150,047,300	7,424,446,700	7,442,228,400
Other Non-Appropriated Funds	15,993,500	19,287,600	19,287,600
Federal Funds	1,465,534,100	2,839,559,500	2,839,559,500
TOTAL - ALL SOURCES	7,631,574,900	10,283,293,800	10,301,075,500

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 435 charter schools in their provision of public education from preschool through grade 12.

FOOTNOTES

- 1/ Includes 112.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2023.
- 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 section 15-211, Arizona Revised Statutes. (General Appropriation Act footnote)
- 4/ Any monies available to the department of education pursuant to section 42-5029.02, subsection A, paragraph 8, Arizona Revised Statutes, for the failing schools tutoring fund established by section 15-241, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 8, Arizona Revised Statutes. (General Appropriation Act footnote)
- 5/ Any monies available to the department of education pursuant to section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes, for character education matching grants pursuant to section 15-154.01, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- 6/ Includes K-12 rollover appropriation of \$865,727,700 from Laws 2021, Chapter 408.
- 7/ The appropriation for basic state aid provides basic state support to school districts for maintenance and operations funding as provided by section 15-973, Arizona Revised Statutes, and includes an estimated \$319,566,400 in expendable income derived from the permanent state school fund and from state trust lands pursuant to section 37-521, subsection B, Arizona Revised Statutes, for fiscal year 2022-2023. (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)
- 9/ Except as required by section 37-521, Arizona Revised Statutes, 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 sections 15-237 and 15-

531, Arizona Revised Statutes, 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)

- 10/ Any monies available to the department of education pursuant to section 42-5029.02, subsection A, paragraph 5, Arizona Revised Statutes, 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 section 42-5029.02, subsection A, paragraph 5, Arizona Revised Statutes. (General Appropriation Act footnote)
- 11/ 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.
- 12/ 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)
- 13/ Notwithstanding section 15-901.03, Arizona Revised Statutes, the superintendent of public instruction may transfer \$5,000,000 from the state general fund appropriation for basic state aid for fiscal year 2021-2022 to the results-based funding program for fiscal year 2021-2022 without review by the joint legislative budget committee. Any amount transferred to the results-based funding program under this section that exceeds the amount needed to address a funding shortfall for the results-based funding program for fiscal year 2021-2022 reverts to the state general fund on June 30, 2022. (General Appropriation Act footnote)
- 14/ Any monies available to the department of education for the classroom site fund pursuant to section 37-521, subsection B, paragraph 4 and section 42-5029.02, subsection A, paragraph 10, Arizona Revised Statutes, in excess of expenditure authority amounts are allocated for the purposes of section 37-521, subsection B, paragraph 4 and section 42-5029.02, subsection A, paragraph 10, Arizona Revised Statutes. (General Appropriation Act footnote)
- 15/ Any monies available to the department of education from the instructional improvement fund established by section 15-979, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 15-979, Arizona Revised Statutes. (General Appropriation Act footnote)
- 16/ Before making any changes to the achievement testing program that will increase program costs, the department of education and the state board of education shall submit the estimated fiscal impact of those changes to the joint legislative budget committee for review. (General Appropriation Act footnote)
- 17/ Any monies available to the department of education for accountability purposes pursuant to section 42-5029.02, subsection A, paragraph 7, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 7, Arizona Revised Statutes. (General Appropriation Act footnote)
- 18/ Monies appropriated for CTED completion grants are intended to help fund program completion for students who complete at least fifty percent 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 application procedures shall award grant funding only after an eligible student has successfully completed a career technical education district program. (General Appropriation Act footnote)
- 19/ If the appropriated amount for CTED completion grants 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)
- 20/ The appropriated amount for CTED completion grants is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2024. (General Appropriation Act footnote)
- 21/ The department of education shall distribute the appropriated amount for CTED soft capital and equipment to career technical education districts with fewer than two thousand 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)
- 22/ The department of education shall use the appropriated amount for English learner administration to provide English language acquisition services for the purposes of section 15-756.07, Arizona Revised Statutes, 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 may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of section 15-756.07, Arizona Revised Statutes. Notwithstanding section 41-192, Arizona Revised Statutes, 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)

- 23/ The department of education shall use the appropriated amount for geographic literacy to issue a grant to a statewide geographic alliance for strengthening geographic literacy in this state. (General Appropriation Act footnote)
- 24/ The department of education shall use the appropriated amount for jobs for Arizona graduates to issue a grant to a nonprofit organization for a JOBS for Arizona graduates program. (General Appropriation Act footnote)
- 25/ Any monies available to the department of education for school safety pursuant to section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 42-5029.02, subsection A, paragraph 6, Arizona Revised Statutes. (General Appropriation Act footnote)
- ~~D/ On or before December 31, 2021 the department of education shall report to the joint legislative budget committee how the monies appropriated for student level data access are being used to manage access and protect student level data as prescribed in section 15-1043, Arizona Revised Statutes. (General Appropriation Act footnote)~~
- 26/ After review by the joint legislative budget committee, in fiscal year 2022-2023, the department of education may use a portion of its fiscal year 2022-2023 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 fiscal year 2021-2022. (General Appropriation Act footnote)
- 27/ The department shall provide an updated report on its budget status every three 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 thirty days after the end of the applicable reporting period. (General Appropriation Act footnote)
- 28/ Within fifteen days after each apportionment of state aid that occurs pursuant to section 15-973, subsection B, Arizona Revised Statutes, the department shall post on its website the amount of state aid apportioned to each recipient and the underlying data. (General Appropriation Act footnote)
- 29/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

ADE's FY 2023 General Fund spending increases by \$11,098,700 or 0.2% above the FY 2022 appropriation. The budget includes the following funding changes:

- A decrease of \$(135,000,000) for lower-than-budgeted FY 2022 Average Daily Membership (ADM).
- An increase of \$103,370,200 for FY 2023 enrollment growth of 6,848 pupils.
- An increase of \$137,060,700 for a 2.0% inflator.
- A decrease of \$(53,161,500) for local property tax growth due to new construction
- Increased Homeowner's Rebate expenses of \$49,463,400. This amount includes \$30,000,000 to increase the Homeowner's Rebate percentage from 47.19% in FY 2022 to 50.0% in FY 2023 and \$4,400,000 for increased expenses associated with a reduction in the assessment ratio for commercial property from 18.0% in FY 2022 to 17.5% in FY 2023 pursuant to Laws 2021, Chapter 412.
- A decrease of \$(9,384,100) to offset higher available endowment earnings under Proposition 123.
- A decrease of \$(65,000,000) to remove one-time funding from FY 2022 that eliminated the rollover for districts with more than 600 and less than 2,000 pupils.

- A decrease of \$(16,250,000) to remove other funding from the FY 2022 budget that was designated as one-time.

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$226,203,700 in FY 2024 above FY 2023 and \$224,724,100 in FY 2025 above FY 2024. (See *Other Issues for more information.*)

Operating Budget

The Baseline includes \$10,348,400 and 55.9 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$8,512,800
Teacher Certification Fund	135,600
Education Sales Tax	1,700,000

FY 2023 adjustments are as follows:

Remove Unused Fund Source

The Baseline includes a decrease of \$(2,701,100) from the Department of Education Professional Development Revolving Fund in FY 2023. According to ADE, the fund is not currently used because the monies were intended to

collect tuition monies from an online professional development program that was never started.

Formula Programs

Basic State Aid

The Baseline includes \$5,598,444,300 in FY 2023 for Basic State Aid. This amount consists of:

General Fund	5,128,847,300
Permanent State School Fund	319,216,500
Education Sales Tax	150,380,500

The \$5,598,444,300 total does not include local property taxes that will help fund K-12 formula costs for FY 2023, as they are non-appropriated (see Table 1).

FY 2023 adjustments are as follows:

Enrollment Base Adjustment

The Baseline includes a decrease of \$(135,000,000) from the General Fund in FY 2023 for an FY 2022 enrollment base adjustment. As of December 1st, ADE reported combined public school Average Daily Membership (ADM) and ESA enrollment of 1,103,397, or (31,531) less than the assumption of the enacted FY 2022 budget. The \$(135,000,000) of savings assumes that the final unweighted student count for FY 2022 will be no more than 1,120,802 (Please see table 2).

Table 1
FY 2023 Basic State Aid Formula Summary (estimated)

General Fund	
FY 2022 Appropriation	\$5,150,962,000
FY 2022 Enrollment Base Adjustment	(135,000,000)
FY 2023 Enrollment Growth (0.6%)	103,370,200
2.0% Inflation	137,060,700
Property Taxes from New Construction	(53,161,500)
Endowment Earnings	(9,384,100)
Rollover Payoff	(65,000,000)
FY 2023 Baseline	\$5,128,847,300
Permanent State School Fund	
FY 2022 Appropriation	\$ 309,832,400
Estimated FY 2023 Growth	<u>9,384,100</u>
FY 2023 Baseline	\$ 319,216,500
Education Sales Tax	
FY 2023 Baseline	\$ 150,380,500
Local Property Taxes ^{1/2/}	
FY 2023 Baseline - estimated	<u>\$2,842,425,800</u>
Grand Total (all sources)	\$8,440,870,100

^{1/} Non-appropriated, so excluded from appropriated totals.
^{2/} An estimated \$510,741,300 of this total will be funded by the state through Homeowner's Rebate and 1% cap funding.

Table 2

Fiscal Year	K-12 Enrollment (unweighted)				Change	%
	District	Charter	ESA	Total		
2017	915,797	179,788	3,360	1,098,945	9,444	0.9%
2018	913,665	189,869	5,042	1,108,576	9,631	0.9%
2019	906,004	201,757	6,450	1,114,211	5,635	0.5%
2020	907,121	208,438	7,781	1,123,340	9,129	0.8%
2021	857,139	220,678	9,777	1,087,594	(35,746)	(3.2)%
2022 est	890,421	219,499	10,882	1,120,802	33,208	3.1%
2023 est	894,187	221,156	12,307	1,127,650	6,848	0.6%
2024 est	888,324	230,853	13,732	1,132,909	5,259	0.5%
2025 est	882,580	240,978	15,157	1,138,715	5,806	0.5%

Table 3

Fiscal Year	K-12 Enrollment (weighted) ^{1/}				Change	%
	District	Charter	ESA	Total		
2017	1,239,690	248,277	11,668	1,499,635	13,390	0.9%
2018	1,242,424	262,390	14,775	1,519,589	19,955	1.3%
2019	1,238,223	278,094	19,698	1,536,015	16,426	1.1%
2020	1,245,681	287,844	24,493	1,558,018	22,003	1.4%
2021	1,179,670	303,774	30,696	1,514,140	(43,878)	(2.8)%
2022 est	1,238,543	294,498	36,018	1,569,059	54,919	3.6%
2023 est	1,249,633	301,867	40,734	1,592,234	23,176	1.5%
2024 est	1,250,020	314,588	45,451	1,610,059	17,825	1.1%
2025 est	1,251,033	327,886	50,167	1,629,086	19,028	1.2%

^{1/} District and charter figures are weighted ADM used for Basic State Aid formula calculations. In lieu of ADE weighted counts for ESAs, the ESA figures are JLBC Staff estimates based on ESA enrollment and spending data reported by ADE of the weighted ADM used to compute ESA recipient awards.

Enrollment Growth

The Baseline includes an increase of \$103,370,200 from the General Fund in FY 2023 for enrollment growth of 6,848 pupils, or 0.6%. Resulting total enrollment in public schools and the ESA program would be 1,127,650 in FY 2023. The enrollment peak prior to the pandemic was 1,123,340 in FY 2020. Table 2 and Table 3 provide historical and projected unweighted and weighted ADM and ESA enrollment figures through FY 2025.

2.0% Inflation Adjustment

The Baseline includes an increase of \$137,060,700 from the General Fund in FY 2023 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 \$87.81.

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. Based on current data, the inflation rate for calendar year 2021 is forecast to be 4.07%, which would result in a 2.0% inflation adjustment for FY 2023. 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 more information).

Property Taxes from New Construction

The Baseline includes a decrease of \$(53,161,500) from the General Fund in FY 2023 due to a 2.22% increase in statewide Net Assessed Value (NAV) from new construction. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) and State Equalization Tax Rate (SETR) by an estimated \$53,161,500 in FY 2023. It also will decrease state costs by \$(53,161,500), 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”) is increasing by 3.75% in FY 2023, resulting in a net 5.97% NAV increase for new construction and existing property combined for FY 2023.

The 3.75% NAV increase for existing property will not affect net QTR or SETR collections in FY 2023 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 \$3.4108 (from \$3.5388 currently) and the SETR will decrease to \$0.4109 (from \$0.4263 currently) in FY 2023 to offset the estimated 3.75% NAV increase for existing property (see Table 4).

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

TNT Tax Rates			
Tax Rate	FY 2022	FY 2023	
Qualifying Tax Rate (QTR)			
• High School districts and elementary districts located within a high school district	\$1.7694	\$1.7054	
• Unified districts and elementary districts not located within a high school district	\$3.5388	\$3.4108	
• State Equalization Tax Rate (SETR)	\$0.4263	\$0.4109	

Endowment Earnings Growth

The Baseline includes a decrease of \$(9,384,100) from the General Fund and an increase of \$9,384,100 from the Permanent State School Fund in FY 2023 for endowment earnings funding for Basic State Aid. The General Fund savings assumes that K-12 endowment earnings for Basic State Aid from the State Land Department and State Treasurer combined under Proposition 123 will equal \$319,216,500 for FY 2023, which would be \$9,384,100 more than the \$309,832,400 total assumed for FY 2022 (see Table 5).

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. 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 and Other Issues for more information).

Source	FY 2022	FY 2023	Change
Original 2.5%	\$72,263,000	\$72,263,000	\$0
Prop 123 4.4%	<u>237,569,400</u>	<u>246,953,500</u>	<u>9,384,100</u>
Total	\$309,832,400	\$319,216,500	\$9,384,100

^{1/} These earnings also fund the Classroom Site Fund (see Table 9).

Rollover

The Baseline includes a decrease of \$(65,000,000) from the General Fund in FY 2023 to remove one-time funding that was used to eliminate the K-12 rollover for districts with more than 600 and less than 2,000 pupils. This funding reduced the ongoing K-12 rollover from \$930,727,700 to \$865,727,700.

Laws 2021, Chapter 408 advance appropriated \$865,727,700 from the General Fund in FY 2023 to fund the \$865,727,700 deferred obligation from FY 2022. Those monies, therefore, will not appear in the FY 2023 General Appropriation Act. The Baseline assumes that the FY 2022 deferral level of \$865,727,700 would continue in FY 2023. As a result, the Baseline would advance appropriate \$865,727,700 from the General Fund in FY 2024 to fund the deferred FY 2023 obligation.

State Aid Supplement

The Baseline includes \$75,000,000 from the General Fund in FY 2023 for State Aid Supplement funding. This amount is unchanged from FY 2022.

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 for State Aid Supplement funding. 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.

The State Aid Supplement, in conjunction with Proposition 123, serves to provide additional funding for school districts and charter schools through FY 2025 as part of

the state's resolution with plaintiffs in the *Cave Creek Unified School District V. Ducey* litigation (See the FY 2017 Appropriations Report).

Results-Based Funding

The Baseline includes \$68,600,000 from the General Fund in FY 2023 for Results-Based Funding. This amount is unchanged from FY 2022.

Background – The program provides additional funding to individual schools under a formula prescribed in A.R.S. § 15-249.08. (See the FY 2018 Appropriations Report for program requirements.)

The Baseline continues session law provisions from the FY 2022 K-12 Education BRB establishing Results-Based Funding per pupil funding levels and eligibility, including:

- \$400 per pupil for the following:
 - Schools Free and Reduced-Price Lunch (FRPL) eligibility of at least 60% and with AzMERIT scores in the top 13% among other schools with at least 60% FRPL eligibility.
 - Alternative High Schools with AzMERIT scores in the top 27% among other schools with at least 60% FRPL eligibility and FRPL eligibility of at least 60%.
- \$225 per pupil for the following:
 - Schools with FRPL eligibility of less than 60% and with AzMERIT Scores in the top 13% statewide.
 - Schools with FRPL eligibility of at least 60% and AzMERIT scores in the top 27% in comparison to other schools with FRPL-eligibility of at least 60%.

The Baseline assumes that Results-Based Funding distributions would be based on 2021 statewide assessment scores instead of 2019 test scores. Prior to the COVID-19 pandemic, Results Based Funding was computed based on test scores 2 years prior to the current fiscal year. In FY 2022, however, that policy was suspended because the 2020 statewide assessment was cancelled pursuant to Laws 2020, Chapter 47. Given the resumption testing during the 2020-2021 school year, the Baseline assumes the testing used to compute funding would be from FY 2021 test results.

These session law provisions continue to notwithstanding A.R.S. § 15-249.08 in FY 2023, which would otherwise make schools eligible for program funding in FY 2023 if they had a letter designation of A in the prior fiscal year (FY 2022) under the State Board of Education's A-F performance rating system pursuant to A.R.S. § 15-241. The State Board of Education has not yet determined

letter grades for FY 2022. As a result, the cost of the statutory formula for FY 2023 is unknown.

The Baseline continues to include a General Appropriation Act Footnote for FY 2022 to allow the Superintendent of Public Instruction to transfer up to \$5,000,000 from the state General Fund appropriation for Basic State Aid for FY 2023 to this program, if needed, without JLBC review, to address any FY 2022 shortfalls.

Special Education Fund

The Baseline includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2023 for the Special Education Fund Line Item. These amounts are unchanged from FY 2022.

Background - The Special Education Fund provides funding for special education costs of students from 1) Arizona State Schools for the Deaf and the Blind, 2) Arizona State Hospital (ASH), or 3) programs for the developmentally disabled operated by the Department of Economic Security (DES) (A.R.S. § 15-1202). It also funds costs of residential education for students who require a private residential special education placement, or who are placed in a residential education facility by a state placing agency.

A.R.S. § 15-1184 and A.R.S. § 15-1204 establish funding formulas for vouchered residential special education and vouchered ASDB or other state institutional placements, respectively. Voucher formula costs are primarily driven by the per pupil base level in the Basic State Aid formula.

Other State Aid to Districts

The Baseline includes \$983,900 from the General Fund in FY 2023 for Other State Aid to Districts. This amount is unchanged from FY 2022.

This amount includes \$880,200 (unchanged) for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 (unchanged) for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

Classroom Site Fund

The Baseline includes \$977,025,600 in FY 2023 for the Classroom Site Fund (CSF). This amount consists of:

Education Sales Tax	617,694,100
Classroom Site Fund - Land Trust	123,167,700
Classroom Site Fund - Carry-Forward	236,163,800

These amounts are unchanged from FY 2022.

These amounts will be updated to reflect the Classroom Site Fund per pupil calculation made by the JLBC Staff for FY 2023 pursuant to A.R.S. § 15-977G1, which will occur by March 30, 2022.

Background – The CSF is established by A.R.S. § 15-977 and provides additional funding to public schools from the education sales tax and K-12 endowment earnings. Schools must spend these monies on class size reduction, teacher compensation including a base pay and performance pay component, assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, or student support services.

Expenditure Authority does not affect the department’s access to funding from the education sales tax or land trust endowment earnings, as a General Appropriation Act footnote allows the department to spend whatever funding is available.

Instructional Improvement Fund

The Baseline includes \$54,425,700 from Instructional Improvement Fund Expenditure Authority in FY 2023 for the Instructional Improvement Fund. This amount is unchanged from FY 2022.

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. Up to 50% of the monies in the fund may be expended for teacher compensation increases and class size reduction, while the remaining monies must be allocated to dropout prevention programs and instructional improvement programs, including programs to develop minimum reading skills for students by the end of third grade.

Property Tax Relief

Additional State Aid

The Baseline includes \$510,093,700 from the General Fund in FY 2023 for Additional State Aid. FY 2023 adjustments are as follows:

Increase Homeowner's Rebate Percentage to 50%

The Baseline includes an increase of \$30,000,000 from the General Fund in FY 2023 to increase the Homeowner's

Rebate Percentage from 47.19% of the QTR in FY 2022 to 50.0% of the QTR in FY 2023. This change was previously enacted by section 1 of the FY 2022 Omnibus Tax bill (Laws 2021, Chapter 412). The 3-year spending plan associated with the enacted FY 2022 budget included \$30,000,000 from the General Fund for this change in FY 2023.

Decrease Commercial Assessment Ratio

The Baseline includes an increase of \$4,400,000 from the General Fund in FY 2023 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 18.0% in FY 2022 to 17.5% in FY 2023. This change was previously enacted by section 10 of the FY 2022 Omnibus Tax Bill, which decreases the commercial property assessment ratio by (0.5)% increments each year until it reaches 16.0% for FY 2026 and each year thereafter. The 3-year spending plan included \$4,400,000 for this change in FY 2023.

New Homes

The Baseline includes an increase of \$15,063,400 from the General Fund in FY 2023 for increased Additional State Aid costs associated with new home construction. The \$15,063,400 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2023.

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 “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 (Laws 2018, Chapter 283) required school district desegregation programs to be funded with secondary rather than primary property taxes starting in FY 2019. This reduced 1% cap costs 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.

In July 2019, the Arizona Superior Court ruled in litigation filed by the Pima County and Tucson Unified School District (TUSD) that Chapter 283 violated the state's responsibility to establish a property tax system compliant with the 1% cap provision in the State Constitution. In August 2021, the Arizona Court of Appeals reversed the Superior Court decision. The Court stipulated in the ruling that the state is not responsible for covering the costs of the 1% cap in school districts with a desegregation levy. In such jurisdictions, the school district would need to either 1) reduce its desegregation levy such that district residents no longer have primary property tax expenses that exceed the 1% cap or 2) cover desegregation expenses through a voter-approved override. The latter levies are exempt from the 1% cap requirement.

Non-Formula Programs

Accountability and Achievement Testing

The Baseline includes \$16,423,300 and 24.4 FTE Positions in FY 2023 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,423,300
Education Sales Tax Fund	7,000,000

FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 to remove one-time funding for ADE's achievement testing contracts.

Background – This line item funds costs of developing, administering and scoring achievement tests adopted and implemented by the State Board of Education pursuant to A.R.S. § 15-741. It includes the following exams in FY 2022:

- Arizona Academic Standards Assessment (AASA), which assesses proficiency in reading, writing and math. Pupils in grades 3 through 8 take an English and language arts and math exam administered annually, while High School pupils instead take the

ACT Aspire exam in grade 9 and the ACT in grade 11. Under the Menu of Assessments (MOA) program established by A.R.S. § 15-741.02, local education agencies(LEAs)may opt to replace the ACT exam for high school pupils with a different nationally recognized exam. For FY 2022, however, the State Board of Education has not approved any MOA exams.

- AzSCI, which assesses proficiency in science in grades 5, 8, and 11. Pupils are not required, however, to meet or exceed the science standards tested by the exam.
- Multi-State Alternative Assessment (MSAA), which assesses proficiency in English and language arts, math, and science for students with cognitive disabilities.

Students who are English Language Learners (ELL) must also take the Arizona English Language Learner Assessment (AZELLA). The costs of administering the AZELLA exam, however, are funded in the English Learner Administration line item.

Adult Education

The Baseline includes \$4,867,800 and 3 FTE Positions from the General Fund in FY 2023 for Adult Education. These amounts are unchanged from FY 2022.

Background – 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 2022, 26 school districts, community colleges, counties and community-based organizations are operating state-funded Adult Education programs. For FY 2020 (latest data available), the program served 11,340 participants.

The program is also expected to receive an estimated \$15,554,500 in federal funding in FY 2022. Its federal monies are subject to non-supplanting and maintenance-of-effort requirements stipulated in federal law.

Alternative Teacher Development Program

The Baseline includes \$500,000 from the General Fund in FY 2023 for an Alternative Teacher Development Program. This amount is unchanged from FY 2022.

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.

Arizona Empowerment Scholarship Account Administration

The Baseline includes \$2,176,400 and 26 FTE Positions from the General Fund in FY 2022 for Arizona Empowerment Scholarship Account Administration. These amounts are unchanged from FY 2022.

This line item funds administrative costs of the Arizona Empowerment Scholarship Account program. It includes staff for a call center, case managers, accounting staff, marketing, and information technology expenses.

Arizona English Language Learner Fund

The Baseline includes \$4,960,400 from the General Fund in FY 2023 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2022.

A.R.S. § 15-756.04 establishes the Arizona English Language Learner Fund for distribution of monies to school districts and charter schools for instruction to English language learners that supplements monies received via the English Language Learner Group B weight. The department distributed \$7,254,100 to public schools from the fund in FY 2021, including unspent prior year monies.

College Credit by Examination Incentive Program

The Baseline includes \$7,472,100 from the General Fund in FY 2023 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2022.

Background – 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.

College Placement Exam Fee Waiver

The Baseline includes \$1,265,800 from the General Fund in FY 2023 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2022.

This line item funds out-of-pocket expenses for college placement exams taken by students who are FRPL-eligible. The funding is sufficient to cover such costs for an estimated 19,044 FRPL-eligible students in FY 2023.

Computer Science Professional Development Program

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for a Computer Science Professional Development Program. This amount is unchanged from FY 2022.

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 previously did not provide high school computer science instruction. It also requires the second half 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 Baseline includes \$1,000,000 from the General Fund in FY 2023 for CTED Completion Grants. This amount is unchanged from FY 2022.

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. The department shall award grant funding only after an eligible student has successfully completed a CTED program. 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. Program funding is non-lapsing for 1 year beyond the budget year. The Baseline continues a footnote that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2024).

CTED Industry Credential Incentive Program

The Baseline includes no funding in FY 2023 for the CTED Industry Credential Incentive Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 to eliminate one-time funding for the CTED Industry Credential Incentive Program. The FY 2020 budget provided one-time funding for this program in FY 2021 and FY 2022.

Background – The FY 2020 K-12 Education BRB established a new CTED Industry Credential Incentive Program (A.R.S. § 15-249.15) that provides 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.

CTED Soft Capital and Equipment

The Baseline includes \$1,000,000 from the General Fund in FY 2023 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2022.

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 Baseline continues this footnote for FY 2023.

Early Literacy

The Baseline includes \$12,000,000 from the General Fund in FY 2023 for Early Literacy. This amount is unchanged from FY 2022.

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.

Education Learning and Accountability System

The Baseline includes \$5,315,400 and 24.2 FTE Positions from the General Fund in FY 2023 for the Education

Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2022.

Background – The monies in this line item are for continued maintenance and operation of ELA, which ADE uses 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). (See the ADOA – Automation Projects Fund narrative)

English Learner Administration

The Baseline includes \$6,516,900 and 13.5 FTE Positions from the General Fund in FY 2023 for English Learner Administration. These amounts are unchanged from FY 2022.

Background - The program is responsible for administering the Arizona English Language Learner Assessment (“AZELLA”) test, which is used to determine whether a student should be classified as an “English Language Learner” (ELL) as defined in A.R.S. § 15-901B9. Students who are classified as ELLs are required to enroll in English language education (See FY 2011 and FY 2020 Appropriations Reports for history.)

Extraordinary Special Education Needs Fund Deposit

The Baseline includes no funding in FY 2023 for an Extraordinary Special Education Needs Fund Deposit. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2023 to remove one-time funding for a deposit in the Extraordinary Special Education Needs Fund.

Background - School districts and charter schools may apply for grants from the Extraordinary Special Education Needs Fund established in A.R.S. § 15-774 if they have pupils enrolled in special education for whom the district or charter school has not received sufficient funding for all services needed by the child. Eligibility for grants is limited to school districts and charter school with pupils receiving special education incurring costs of at least 3 times the statewide per pupil funding average. If monies in the fund are insufficient to cover the cost of all claims submitted, ADE shall prioritize claims based on the difference between the total costs for the child and the total funding the district or charter has received for the

child. ADE is required to report data on claims submitted to the fund by December 15th annually.

Geographic Literacy

The Baseline includes \$100,000 from the General Fund in FY 2023 for Geographic Literacy. This amount is unchanged from FY 2022.

Based upon a footnote, the program funds a statewide geographic alliance for strengthening geographic literacy in this state.

Gifted Assessments

The Baseline includes no funding in FY 2023 for Gifted Assessments. FY 2023 adjustments are as follows:

One-Time Funding

The Baseline includes a decrease of \$(850,000) from the General Fund in FY 2023 for one-time gifted assessment funding.

Jobs for Arizona Graduates

The Baseline includes \$100,000 from the General Fund in FY 2023 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2022.

The Baseline continues a footnote stipulating that the department shall use the amount appropriated to the program to issue a grant to a nonprofit organization. The program annually provides approximately 1,300 Arizona students with college and career readiness services as well as interventions for students at risk of dropping out of high school.

School Safety Program

The Baseline includes \$31,925,200 and 4 FTE Positions in FY 2023 for the School Safety program. These amounts consist of:

General Fund	24,125,200
Education Sales Tax	7,800,000

These amounts are unchanged from FY 2022.

Background – The School Safety Program established in A.R.S. § 15-154 has existed in Arizona since FY 1995. (See the FY 2015 Appropriations Report for program history.) The program allows schools to apply for grant monies to support the costs of placing school resource officers

(SROs), juvenile probation officers, school counselors, and school social workers on school campuses.

Funding 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.

Expenditure Authority does not affect the department’s access to funding from the Education Sales Tax as it may spend whatever funding is available.

School district and charter schools receive funding for up to a 3-year period and may annually submit a modified spending plan if they are approved for a grant. The department opened the current funding cycle in FY 2020. In December 2019, ADE received approval from SBE to disburse the grant amounts for FY 2020, which is funding 116 SROs, 148 school counselors and 118 social workers annually through FY 2022.

State Block Grant for Vocational Education

The Baseline includes \$11,576,300 and 27 FTE Positions from the General Fund in FY 2023 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2022.

Background – 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 2022, the department will receive an estimated \$32,635,500 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.

Student Level Data Access

The Baseline includes \$350,000 from the Department of Education Empowerment Scholarship Account Fund in FY 2023 for Student Level Data Access. This amount is unchanged from FY 2022.

A General Appropriation Act footnote stipulates that ADE shall report to JLBC by December 31, 2021 on how the monies are being used to manage access and protect student level data. A.R.S. § 15-1043 requires ADE to allow access to student level data for county school superintendents, the State Board of Education, and the State Board of Charter Schools.

Teacher Certification

The Baseline includes \$2,403,000 and 22.9 FTE Positions in FY 2023 for Teacher Certification. These amounts consist of:

General Fund	179,500
Teacher Certification Fund	2,223,500

These amounts are unchanged from FY 2022.

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 Baseline includes no funding in FY 2023 for a Teacher Professional Development Pilot Program. FY 2023 adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(400,000) from the General Fund in FY 2023 to remove one-time funding for the Teacher Professional Development Pilot.

The FY 2020 K-12 Education BRB extended 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. In its November 2021 report, ADE states that a total of 119 scholarships were awarded under the pilot program between August 2019 and October 2021. Scholarship disbursements over the same time period totaled \$442,100.

Tribal College Dual Enrollment Program

The Baseline includes \$325,000 from the Tribal College Dual Enrollment Program Fund in FY 2023 for the Tribal College Dual Enrollment Program. This amount is unchanged from FY 2022.

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 \$325,000, 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.

Other Issues

This section includes information on the following topics:

General Issues

- FY 2022 Adjustments
- Statutory Changes
- Long-Term Budget Impacts

Ballot Proposition

- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit
- Proposition 208
- Education Sales Tax

Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

FY 2022 Adjustments

The Baseline assumes that ADE's General Fund expenses associated with Basic State Aid will be at least \$(285,000,000) lower than the original FY 2022 appropriation. The estimated surplus is based on 3 factors:

- \$(130,000,000) is for lower-than-budgeted district Transportation Support Level (TSL) expenses as a result of reduced route miles during the COVID-19 pandemic. The Basic State Aid formula is calculated based on route miles from the prior year, so FY 2022 formula allocations are based on FY 2021 route miles,

which were (55)% lower in comparison with FY 2020. We assumed this savings is one-time.

- \$(20,000,000) is for lower-than-budgeted District Additional Assistance (DAA). The decrease is based on district enrollment declines that occurred during FY 2021 since DAA is based on prior year rather than current year student counts. The enacted budget did not include any savings in FY 2022 associated with prior year enrollment declines. We assumed this savings is one-time.
- \$(135,000,000) is for lower-than-budgeted current year (FY 2022) student counts. As of December 1st, ADE computed reported unweighted student counts of 1,103,397, or (31,531) less than the student count assumed in the enacted FY 2022 budget. The \$(135,000,000) of savings assumes that the final FY 2022 student counts will be no more than 1,120,802.

The actual surplus would be higher if final student counts are lower than 1,120,802. For example, if the current 1,103,397 student count remains unchanged until the end of the year, we estimate the final surplus could increase to \$(425,000,000).

The Baseline does not, however, reduce ADE's original FY 2022 appropriation to account for the projected surplus. As a result, the \$(285,000,000) is expected to be accounted for in ADE's General Fund reversion for FY 2022.

Statutory Changes

The Baseline would:

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.

Results-Based Funding

- As session law, continue to make eligible for Results-Based Funding schools with AzMERIT test results in the top 13% for schools with less than 60% of students eligible for free and reduced-price lunch (FRPL) and to the top 27% for schools with 60% or higher FRPL eligibility.
- As session law, continue to establish per-pupil funding levels of \$225 for qualifying schools with less than 60% FRPL eligibility and for schools with more than 60% 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 greater than 60% FRPL eligibility and with AzMERIT

results in the top 13% of schools with 60% or more FRPL eligibility would receive \$400.

- As session law, continue to provide an alternative school with \$400 per student if it reported AzMERIT scores for both math and English language arts for spring 2019 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.

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, 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 2022.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$226,203,700 in FY 2024 above FY 2023 and \$224,724,100 in FY 2025 above FY 2024. These estimates are based on:

- 0.5% ADM growth (unweighted) in FY 2024 and FY 2025.
- GDP inflators of 2.0% for FY 2024 and FY 2025. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.15% for FY 2024 and 2.08% for FY 2025.
- General Fund decreases of \$(7,468,600) in FY 2024 and \$(6,846,300) in FY 2025 for higher endowment earnings.
- An increase of \$4,600,000 each of FY 2024 and FY 2024 for Homeowner's Rebate expenses associated with a reduction in the assessment ratio for commercial property by 0.5% each year pursuant to Laws 2021, Chapter 412.
- As provided by the 3-year spending plan in the FY 2022 budget, an increase of \$8,780,000 in FY 2024 to add ongoing funding for CTED certification exam fee reimbursement (\$1,000,000), an additional 25 literacy coach FTE Positions (\$3,100,000), a kindergarten entry assessment (\$1,500,000), dyslexia screening and training (\$1,280,000), a teacher reading instruction exam (\$1,000,000), the Jobs for Arizona Graduates program (\$400,000), and the Alternative Teacher Development Program (\$500,000). The adjustments replace federal funding from prior years.

Endowment Earnings

In FY 2021, endowment earnings from state trust lands funded \$412,916,200 of Basic State Aid 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, or an increase of 4.4% required by Proposition 123. The 4.4% increase exclusively funds Basic State Aid costs. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis. In FY

2021, public schools received \$412,916,200 of expendable land trust monies from the State Land Department and State Treasurer combined. That total included \$54,912,900 from the Land Department and \$358,003,300 from the State Treasurer (see Table 6).

Source	2015 ^{1/}	2021	2022 est	2023 est
Land Department	53.2	54.9	54.9	54.9
Treasurer	<u>76.0</u>	<u>358.0</u>	<u>372.0</u>	<u>387.3</u>
Total	129.2	412.9	426.9	442.2

^{1/} Final year prior to Proposition 123.

Table 7 shows that K-12 endowment earnings are estimated to equal \$426,912,200 in FY 2022 and \$442,180,900 in FY 2023. Of the \$412,916,200 in K-12 expendable earnings generated for FY 2021, \$300,555,000 was used to fund Basic State Aid pursuant to A.R.S. § 37-521B3, and the remaining \$112,361,200 was deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4 (see Table 7). The latter law dedicates to the Classroom Site Fund all growth in K-12 expendable endowment earnings above the FY 2001 level, which was \$72,300,000. (See Education Sales Tax narrative and State Land Trust Program Summary on JLBC website.)

Source	2015	2021	2022	2023
Basic State Aid	47.3	300.6	309.5	319.2
SFB Debt Service ^{2/}	25.0	0.0	0.0	0.0
Classroom Site Fund	<u>56.9</u>	<u>112.4</u>	<u>117.4</u>	<u>123.0</u>
Total	129.2	412.9	426.9	442.2

Proposition 123 Triggers

Economic Downturn

Proposition 123 allows the state to temporarily suspend future inflation increases during periods of economic slowdown if:

- Sales tax revenue and employment both grow more than 1% but less than 2% in the prior calendar year [if only one factor falls into the 1-2% range, there is no suspension].
- It requires this suspension of inflation adjustments if sales tax revenue and employment both grow less than 1%.

The criteria for suspending the inflation rate have not been met since the enactment of Proposition 123.

Lower Trust Fund Balance

The proposition:

- 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 the preceding 5 years.

The criteria for reducing the distribution rate have not been met since the enactment of Proposition 123.

K-12 Percent of Budget

Beginning in FY 2026, the proposition:

- Allows 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 surpasses 49% of the total state General Fund appropriations.
- If K-12 spending surpasses 50%, allows the state to suspend the annual inflation adjustment and reduce K-12 funding for the next fiscal year by twice the current year inflation amount.

For FY 2022, budgeted K-12 spending constitutes approximately 46.2% 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, or charter school funding.

Pursuant to A.R.S. § 15-911B, the Department of Education computed in November 2021 that budgeted expenditures for school districts collectively were \$1,154,029,000 above the AEL for FY 2022. 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.

Proposition 208 – Education Funding

Proposition 208, approved by voters in the November 2020 general election, establishes a 3.5% income tax

surcharge for single taxpayers on their taxable income in excess of \$250,000 and for married persons on their taxable income in excess of \$500,000. The initiative established the Student Support and Safety Fund. Before any distributions are made from the fund, state agencies receive monies based on self-determined "actual reasonable" costs associated with certain requirements of the initiative.

Beginning in Tax Year 2021, the revenues collected by Proposition 208 will be impacted by the adoption of SB 1783 (Laws 2021, Chapter 436). Under SB 1783, individuals in Arizona with certain types of income, such as interest, dividends, business profits, and capital gains from the sale of certain capital assets will have the option of paying taxes on their business income on an alternative schedule. Individuals making such an election would not be subject to the 3.5% Proposition 208 surcharge for their income, which will lower the revenues generated by the initiative. Please see *Table 8* for the estimated Student Support and Safety Fund distributions.

	\$ in Millions
Agency Distributions	0.6
School Districts/Charter Schools (85%):	
Teacher/Classroom Support (50%)	305.2
Student Support Services (25%)	152.6
Teacher Retention (10%)	<u>61.0</u>
Subtotal	518.8
Career Training and Workforce Fund (12%):	
Career Training and Workforce Program	72.7
Arizona Teachers Academy (3%)	<u>18.3</u>
Student Support and Safety Fund Total	\$610.4

In August 2021, the Arizona Supreme Court ruled in *Fann v State of Arizona* that the Proposition 208 income tax surcharge is unconstitutional if the tax revenues generated cannot be spent without school districts exceeding the K-12 Aggregate Expenditure Limit. The Court remanded the case to the Superior Court to make a determination as to whether Proposition 208 monies would result in an AEL exceedance if they are expended. That determination is still pending.

Education Sales Tax

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.

Starting in FY 2022, Laws 2018, Chapter 74 replaces the additional 0.6% sales tax through June 30, 2041. Pursuant to the FY 2021 K-12 BRB, the \$64,100,000 of 0.6% sales tax monies previously needed for debt service on School Facilities Board bonds authorized by Proposition 301 will be redirected to ADE for the costs of Basic State Aid. All other distributions remain unchanged.

Table 9 shows how education sales tax revenues are earmarked through FY 2021. Laws 2018, Chapter 74 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled \$617,700,000 (65.5%) of the \$942,400,000 of estimated collections for FY 2022 (see Table 9).

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 \$72,300,000. Total estimated available revenues to the CSF for FY 2022 are \$1,028,500,000 (see Table 9).

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.

Table 9

EDUCATION SALES TAX REVENUES		Education Sales Tax Monies (FY 2022 Estimate) (\$ in Millions)
Recipient	Amount	Comment
Universities	105.4	Receive 12% of monies remaining after distributions to the Superintendent for Basic State Aid is deducted.
Community Colleges	26.3	Receive 3% of monies after BSA distribution.
Tribal Colleges	1.0	Same formula as for community colleges.
Income Tax Credit	<u>25.0</u>	For income tax credit authorized by A.R.S. § 43.1072.01.
Subtotal - Non-ADE Programs	\$157.8	
Basic State Aid Distribution	\$64.2	
Additional School Days	86.3	To add 5 days to K-12 school year (180 days total).
School Safety and Character Education	8.0	\$7.8 million for School Safety (A.R.S. § 15-154) and \$0.2 million for Character Education (A.R.S. § 15-154.01).
School Accountability	7.0	For school accountability pursuant to A.R.S. § 15-241 and § 15-1041.
Failing Schools	1.5	To Failing Schools Tutoring Fund (A.R.S. § 15-241CC).
Classroom Site Fund	<u>617.7</u>	Established by A.R.S. § 15-977. Receives all monies remaining after other distributions are made. Also receives all expendable K-12 endowment earnings above \$72.3 million.
Subtotal - ADE Programs	\$784.7	
Total - Prop 301 Sales Tax	\$942.4	
CLASSROOM SITE FUND REVENUES (ALL SOURCES)		
Prop 301 Sales Tax (from above)	617.7	
Prop 301/CSF - Land Trust	123.2	
Prop 301/CSF - Carry-Forward	<u>287.6</u>	
Total - Classroom Site Fund	\$1,028.5^{1/}	

^{1/} Total estimated disbursements reported for FY 2022 in JLBC's Classroom Site Fund memo from March 2021.

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. Charter schools receive all their equalization funding through Basic State Aid, since they do not have authority to generate funding through local property taxes.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
American Civics Education Fund (EDA2612/Laws 2018, Chapter 289)		Non-Appropriated
Source of Revenue: Legislative appropriations and other monies transferred into the fund. Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund to this fund for the program in FY 2020.		
Purpose of Fund: To fund the American Civics Education pilot program established by Laws 2018, Chapter 289.		
Funds Expended	0	0
Year-End Fund Balance	482,400	357,400
Arizona Agricultural Youth Organization Special Plate Fund (EDA2651/A.R.S. § 15-791)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal Arizona agricultural youth organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona agricultural youth organization special plates. ADOT is to annually deposit these monies, excluding administrative fees, into the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.		
Funds Expended	161,700	161,900
Year-End Fund Balance	0	1,600
Arizona English Language Learner Fund (EDA2535/A.R.S. § 15-756.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,316,300	2,316,300

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Arizona Industry Credentials Incentive Fund (EDA2685/A.R.S. § 15-249.15)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide incentive awards to school districts, charter schools, and career 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 technical education course or program. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,964,600	5,000,000
Arizona Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)		Non-Appropriated
Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.		
Funds Expended	0	0
Year-End Fund Balance	170,800	171,800
Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)		Non-Appropriated
Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.		
Purpose of Fund: To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.02.		
Funds Expended	27,800	27,700
Year-End Fund Balance	0	300
Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)		Non-Appropriated
Source of Revenue: Monies appropriated from the Automation Projects Fund.		
Purpose of Fund: To provide state matching monies for certified broadband connectivity construction projects for qualified applicants. Expenditures are not displayed to avoid double counting of the Automation Projects Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,902,500	1,104,400
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.		
Funds Expended	46,000	21,900
Year-End Fund Balance	0	0
Classroom Site Fund – Carryforward (EDA9003/A.R.S. § 15-977)		Expenditure Authority
Source of Revenue: Carry-forward balances from prior year revenues to the Classroom Site Fund. Classroom Site Fund revenues consist of a portion of the education sales tax, pursuant to A.R.S. § 42-5029.02A10, and Permanent State School Fund expendable earnings that exceed the FY 2001 level, pursuant to A.R.S. § 37-521B4. Under A.R.S. § 15-977, the per pupil amount distributed each from the Classroom Site Fund is adjusted for any prior year carry-forward or shortfall. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029.02A10 (Classroom Site Fund). The education sales tax established by Laws 2018, Chapter 74 replaced the Proposition 301 sales tax beginning in FY 2022.		
Purpose of Fund: To provide additional funding for class size reduction, teacher compensation (including base pay and performance pay), assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, and student support services.		
Funds Expended	0	236,163,800
Year-End Fund Balance	258,009,300	51,422,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Classroom Site Fund – Land Trust (EDA9002/A.R.S. § 37-521)		Expenditure Authority
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund above the amount generated in FY 2001 (\$72,263,000) are automatically deposited into the Classroom Site Fund, as required by A.R.S. § 37-521B4. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029.02A10 (Classroom Site Fund).		
Purpose of Fund: To provide additional funding for class size reduction, teacher compensation (including base pay and performance pay), assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, and student support services.		
Funds Expended	107,142,200	123,167,700
Year-End Fund Balance	0	0
College Credit by Examination Development Fund (EDA2641/A.R.S. § 15-249.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the Arizona Department of Education for the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06, but that are not distributed by the end of the fiscal year in which they are appropriated.		
Purpose of Fund: To help schools with 50%+ eligibility rates for free or reduced-price lunches develop and operate classes that offer qualifying examinations under the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06.		
Funds Expended	0	0
Year-End Fund Balance	29,700	20,700
Computer Science Professional Development Program Fund (EDA2635/A.R.S. § 15-249.12)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
Purpose of Fund: To fund computer science professional development for school districts and charter schools that do not currently provide high school computer science instruction. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,990,300	2,059,800
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid through FY 2020 pursuant to A.R.S. § 15-2402C. Laws 2020, Chapter 12 eliminated the Basic State Aid transfer to the fund beginning in FY 2021. As a result, the fund has received no new revenues since FY 2020.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. In addition, ADE previously transferred Basic State Aid (BSA) monies to the State Treasurer to fund the Treasurer's ESA administrative costs and students' ESA distributions. Non-appropriated monies in the fund are prior year carry-forward.		
Funds Expended	0	350,000
Year-End Fund Balance	6,647,000	1,848,100
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Non-Appropriated
Source of Revenue: Prior year carry-forward from monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	637,600	0
Year-End Fund Balance	0	0
Department of Education Production Revolving Fund (EDA4211/A.R.S. § 15-237)		Non-Appropriated
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: To fund agency print shop expenditures.		
Funds Expended	651,400	493,600
Year-End Fund Balance	944,000	875,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Department of Education Professional Development Revolving Fund (EDA2580/A.R.S. § 15-237.01)		Appropriated
Source of Revenue: Tuition paid for professional development, pursuant to A.R.S. § 15-237.01.		
Purpose of Fund: To offset the cost of providing professional development.		
Funds Expended	0	2,701,100
Year-End Fund Balance	46,800	(2,654,300)
Early Literacy Program Fund (EDA2181/A.R.S. § 15-249.09)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: Provide support to improve reading skills, literacy and proficiency for students in Grades K-3 in addition to monies received pursuant to A.R.S. § 15-211. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	376,100	206,600
Year-End Fund Balance	785,600	1,002,200
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities sponsored by donor organizations.		
Funds Expended	37,600	0
Year-End Fund Balance	6,900	56,900
Education Sales Tax (EDA9001/A.R.S. § 42-5029.02)		Expenditure Authority
Source of Revenue: The portion of the education sales tax allocated to the Department of Education pursuant to A.R.S. § 42-5029.02, except for monies appropriated for school accountability pursuant to A.R.S. § 42-5029.02A7. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 42-5029.02. The education sales tax established by Laws 2018, Chapter 74 replaced the Proposition 301 sales tax beginning in FY 2022.		
Purpose of Fund: To fund basic state aid, additional school days, school safety, character education, the Failing Schools Tutoring Fund and the Classroom Site Fund. The latter provides additional funding for class size reduction, teacher compensation (including base pay and performance pay), assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, and student support services.		
Funds Expended	573,781,600	777,574,600
Year-End Fund Balance	21,616,900	19,594,200
Education Sales Tax Fund (EDA1114/A.R.S. § 42-5029.02A7)		Appropriated
Source of Revenue: Education sales tax monies appropriated by the Legislature pursuant to A.R.S. § 42-5029.02A7. The education sales tax established by Laws 2018, Chapter 74 replaced the Proposition 301 sales tax beginning in FY 2022.		
Purpose of Fund: To fund school accountability. The entire \$7,000,000 typically is appropriated to the Accountability and Achievement Testing line item in the department's budget.		
Funds Expended	0	7,000,000
Year-End Fund Balance	7,951,100	4,399,900

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Extraordinary Special Education Needs (EDA2483/A.R.S. § 15-774)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide grants to school districts and charter schools with students receiving special education services that have incurred costs of at least the statewide per pupil funding average multiplied by 3. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (EDA2000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	1,464,584,500	2,830,659,500
Year-End Fund Balance	11,547,200	1,887,700
Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	232,800	232,800
Year-End Fund Balance	0	19,900
Governor's Emergency Education Relief Fund (EDA2980/U.S. P.L. 116-136)		Non-Appropriated
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	949,600	8,900,000
Year-End Fund Balance	17,900,400	9,000,400
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	2,472,100	3,195,400
Year-End Fund Balance	608,100	137,700
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	8,588,300	11,509,100
Year-End Fund Balance	3,623,200	2,239,100
Industry-Recognized Certification and Licensure Reimbursement Fund (EDA2780/A.R.S. § 15-1265)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and other donations.		
Purpose of Fund: To eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for students eligible for Free or Reduced-Price Lunches.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Expenditure Authority
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 15-979.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	76,298,500	54,425,700
Year-End Fund Balance	24,600	24,600
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	2,762,100	3,438,600
Year-End Fund Balance	2,022,600	1,446,500
Permanent State School Fund (EDA3138/A.R.S. § 37-521)		Appropriated
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, expendable earnings in the fund, up to the amount generated in FY 2001 (\$72,263,000), are automatically appropriated first to pay for debt service on State School Facilities Revenue Bonds, Qualified Zone Academy Bonds (QZAB) or State School Trust Revenue Bonds. Remaining monies, if any, are then available to help fund Basic State Aid. All affected bonds have been paid off, however, so the entire \$72,263,000 is now available to fund Basic State Aid. Expendable earnings beyond the \$72,263,000 total from FY 2001 are automatically deposited into the Classroom Site Fund pursuant to A.R.S. § 37-521B4, except that expendable earnings above \$72,263,000 that are attributable to Proposition 123 are instead used for Basic State Aid.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To support common schools.		
Funds Expended	300,555,000	309,832,400
Year-End Fund Balance	0	0
Results-Based Funding Fund (EDA2151/A.R.S. § 15-249.08)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: Provide additional funding to high performing schools under a formula prescribed in A.R.S. § 15-249.08. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	100	100
Special Education Fund (EDA1009/A.R.S. § 15-1182)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	11,427,500	12,400,100
Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)		Appropriated
Source of Revenue: Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	1,848,200	2,359,100
Year-End Fund Balance	883,600	127,400

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)		Appropriated
<p>Source of Revenue: Unclaimed lottery prize monies pursuant to A.R.S. § 5-568, other monies appropriated by the Legislature and gifts, grants, devices and other contributions. Laws 2021, Chapter 404 allows \$325,000 of unclaimed lottery prize monies to be transferred to the fund annually.</p> <p>Purpose of Fund: To provide choice and access to higher education for high school students in this state by compensating tribal colleges for tuition and fees that are waived to allow high school students to attend classes at tribal colleges.</p>		
Funds Expended	157,500	325,000
Year-End Fund Balance	469,100	469,100