

## Department of Education

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	202.9	229.9	232.9
Personal Services	4,273,300	5,261,100	7,992,500
Employee Related Expenditures	1,532,900	1,845,100	2,757,200
Professional and Outside Services	963,800	1,057,500	1,332,800
Travel - In State	8,900	21,100	21,100
Travel - Out of State	8,000	30,000	30,000
Other Operating Expenditures	2,807,100	2,858,200	13,446,900
Equipment	13,500	8,500	46,300
<b>OPERATING SUBTOTAL</b>	<b>9,607,500</b>	<b>11,081,500</b>	<b>25,626,800</b> <sup>2/3/4/</sup>
<b>SPECIAL LINE ITEMS</b>			
<b>Formula Programs</b>			
Basic State Aid	5,386,065,800	6,698,407,000	7,091,644,500 <sup>5/-11/</sup>
Onetime State Aid Supplement	0	0	300,000,000 <sup>12/13/</sup>
State Aid Supplement	75,000,000	75,000,000	75,000,000 <sup>14/</sup>
Results-Based Funding	0	68,600,000	0
Special Education Fund	0	36,029,200	36,029,200
Other State Aid to Districts	126,000	983,900	983,900
Classroom Site Fund	962,508,400	946,524,800	1,018,912,500 <sup>15/</sup>
Instructional Improvement Fund	42,492,800	60,425,700	60,425,700 <sup>16/</sup>
<b>Property Tax Relief</b>			
Additional State Aid	343,499,100	510,093,700	511,613,100
<b>Non-Formula Programs</b>			
Accountability and Achievement Testing	17,906,700	20,442,300	16,442,200 <sup>17/18/19/</sup>
Adult Education	4,869,200	21,519,100	21,768,900 <sup>20/</sup>
Adult Education and Workforce Development Administration	0	250,000	0
Alternative Teacher Development Program	500,000	500,000	1,800,000
Arizona Civics Education and Leadership Development Program	0	0	300,000
Arizona Empowerment Scholarship Account Administration	2,176,400	4,551,600	0
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
Art Consumables	0	0	10,000,000 <sup>21/</sup>
Broadband Expansion Fund Deposit	0	0	5,000,000
Center for High School Success	0	0	1,000,000
Childhood Trauma Awareness and Prevention Training Grants	0	100,000	0
Code Writers Initiative Program	0	1,000,000	0
College Credit by Examination Incentive Program	7,472,100	7,472,100	7,472,100
College Placement Exam Fee Waiver	687,700	1,265,800	1,265,800
Computer Science Professional Development Program	1,000,000	1,000,000	1,000,000
CTED Certification Exam Fee Reimbursement	0	0	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 <sup>22/23/24/</sup>
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 <sup>25/</sup>
Dual Enrollment Student Development Fund Deposit	0	0	15,000,000
Dual Enrollment Teacher Development Fund Deposit	0	0	500,000
Early Education and Career Exploration Program	0	0	5,000,000
Early Literacy	12,000,000	12,000,000	18,880,000 <sup>26/</sup>
Education Learning and Accountability System	5,362,000	5,447,100	5,446,700
English Learner Administration	6,516,800	6,597,100	6,597,000 <sup>27/</sup>
Feminine Hygiene Products	0	0	2,000,000
Flagstaff Robotics Program	0	0	20,000

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
Foster Home Youth Transitional Housing	0	10,000,000	0
Geographic Literacy	100,000	100,000	100,000 <sup>28/</sup>
Gifted Assessments	340,600	850,000	850,000
Gila County Jail Education	0	0	10,000
Invest in Postsecondary Success Program Fund Deposit	0	1,000,000	0
Jobs for Arizona Graduates	100,000	100,000	500,000 <sup>29/</sup>
Juvenile detention centers	0	0	52,600 <sup>30/</sup>
K-12 Transportation Formula Study	0	0	250,000 <sup>31/</sup>
Live, Remote Instructional Courses	0	0	100,000 <sup>32/</sup>
Nonprofit Education Initiatives	0	0	100,000 <sup>33/</sup>
Nonprofit Low-Income Assistance	0	0	500,000 <sup>34/</sup>
Office of Indian Education	0	5,000,000	0
Onetime Electronic Incident Prevention Programs	0	150,000	0
Phoenix Science Education Programs	0	0	2,500,000 <sup>35/</sup>
Public School Campus Community Gardens	0	0	100,000 <sup>36/</sup>
Public School Campus Trees	0	0	300,000 <sup>37/38/</sup>
School Safety Program	11,016,500	81,992,600	81,992,400 <sup>39/40/</sup>
State Block Grant for Vocational Education	11,521,700	11,774,700	11,774,300
Student Level Data Access	221,200	357,900	359,000
Teacher Certification	1,351,000	2,554,500	2,544,600
Teacher Professional Development	0	0	3,000,000
Teacher Professional Development Pilot	57,400	0	0
Tribal College Dual Enrollment Program	124,500	325,000	325,000
Youth Summer Education Program	0	0	250,000 <sup>41/</sup>
<b>AGENCY TOTAL</b>	<b>6,909,583,800</b>	<b>8,610,456,000</b>	<b>9,353,296,700</b> <sup>42/-45/</sup>
<b>FUND SOURCES</b>			
General Fund	5,443,551,900	7,104,518,600	7,761,079,000
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	221,200	357,900	359,000
Department of Education Professional Development Revolving Fund	42,300	0	0
Education Sales Tax - Accountability	3,483,400	7,000,000	7,000,000
Permanent State School Fund	309,482,500	328,895,600	342,797,300
Teacher Certification Fund	1,211,400	2,527,900	2,517,700
Tribal College Dual Enrollment Program Fund	124,500	325,000	325,000
SUBTOTAL - Other Appropriated Funds	314,565,300	339,106,400	352,999,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>5,758,117,200</b>	<b>7,443,625,000</b>	<b>8,114,078,000</b>
<u>Expenditure Authority Funds</u>			
Classroom Site Fund	962,508,400	946,524,800	1,018,912,500
Education Sales Tax - Basic State Aid	135,423,800	150,380,500	150,380,500
Education Sales Tax - Character Education	207,100	200,000	200,000
Education Sales Tax - Failing Schools Tutoring Fund	830,800	1,500,000	1,500,000
Education Sales Tax - School Safety	10,003,700	7,800,000	7,800,000
Instructional Improvement Fund	42,492,800	60,425,700	60,425,700
SUBTOTAL - Expenditure Authority Funds	1,151,466,600	1,166,831,000	1,239,218,700
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>6,909,583,800</b>	<b>8,610,456,000</b>	<b>9,353,296,700</b>
Other Non-Appropriated Funds	18,129,500	21,465,100	21,465,100
Federal Funds	2,452,053,500	2,461,763,000	2,461,763,000
<b>TOTAL - ALL SOURCES</b>	<b>9,379,766,800</b>	<b>11,093,684,100</b>	<b>11,836,524,800</b>

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**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.

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**FOOTNOTES**

- 1/ Includes 90.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2024.
- 2/ The appropriated amount for the operating lump sum includes a onetime increase of \$10,000,000 from the state general fund in fiscal year 2023-2024 for operating expenses. The increase is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2026. (General Appropriation Act footnote)
- 3/ 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)
- 4/ 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)
- 5/ Laws 2022, Chapter 313 appropriated \$800,727,700 from the General fund for the K-12 rollover.
- 6/ 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 \$342,797,300 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 2023-2024. (General Appropriation Act footnote)
- 7/ 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)
- 8/ 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)
- 9/ 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 under section 15-971, Arizona Revised Statutes, 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)
- 10/ Laws 2022, Chapter 313 appropriated \$89,000,000 in FY 2024 and \$118,000,000 in FY 2025 from the General Fund for increases to District Additional Assistance and Charter Additional Assistance.
- 11/ Laws 2022, Chapter 313 appropriated \$63,000,000 in FY 2024 and \$100,000,000 in FY 2025 from the General Fund for increases to the Free and Reduced-Price Lunch (FRPL) weight.
- 12/ The department of education shall allocate the appropriated amount for the onetime state aid supplement 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 section 15-943, paragraph 2, subdivision (a), Arizona Revised Statutes, and increase the budget limits pursuant to section 15-947, Arizona Revised Statutes, accordingly. For the purposes of this paragraph, 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. (General Appropriation Act footnote)
- 13/ A school district may budget the monies that it receives from the onetime state aid supplement line item in either the school district's maintenance and operation fund or unrestricted capital outlay fund. (General Appropriation Act footnote)
- 14/ Laws 2015, 1<sup>st</sup> 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.
- 15/ Any monies available to the department of education for the classroom site fund pursuant to section 37-521, subsection B, paragraph 4, Arizona Revised Statutes, 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, Arizona Revised Statutes, and section 42 5029.02, subsection A, paragraph 10, Arizona Revised Statutes. (General Appropriation Act footnote)

- 16/ 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)
- 17/ 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)
- 18/ 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)
- 19/ The department of education may use the appropriated amount for accountability and achievement testing in fiscal year 2023-2024 for costs of the English language proficiency assessments required by section 15-756.05, Arizona Revised Statutes.
- 20/ The appropriated amount for adult education includes \$4,620,000 for the continuing high school and workforce training program established by section 15-217.01, Arizona Revised Statutes, \$6,000,000 for deposit in the adult workforce diploma program fund established by section 15-217.02, subsection B, Arizona Revised Statutes and \$6,000,000 for deposit in the community college adult education workforce development program fund established by section 15-217.03, subsection C, Arizona Revised Statutes. (General Appropriation Act footnote)
- 21/ The appropriated amount for art consumables shall be distributed for grants of not more than \$1,000 per recipient to public school arts teachers and any public school teachers for preschool through third grade for arts supplies, materials and instructional aids that are of a consumable nature as defined by the uniform system of financial records prescribed by the auditor general pursuant to section 15-271, Arizona Revised Statutes. (General Appropriation Act footnote)
- 22/ 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)
- 23/ 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)
- 24/ 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, 2025. (General Appropriation Act footnote)
- 25/ 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)
- 26/ Before spending the \$6,880,000 increase in the appropriated amount for the early literacy line item for literacy coaches, kindergarten entry assessments, dyslexia training or science of reading exams, the department of education shall submit an expenditure plan to the joint legislative budget committee and the governor's office of strategic planning and budgeting. The department shall report its actual expenditures for the early literacy line item for literacy coaches, kindergarten entry assessments, dyslexia training and science of reading exams to the joint legislative budget committee on or before July 31, 2024. (General Appropriation Act footnote)
- 27/ 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)
- 28/ 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)
- 29/ 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)
- 30/ The appropriated amount for juvenile detention centers includes \$22,600 for Yavapai county, \$20,000 for Pinal county and \$10,000 for Maricopa county. (General Appropriation Act footnote)

- 31/ The appropriated amount for the K-12 transportation formula study shall be used to develop a per pupil weighted transportation funding formula for K-12 students. The appropriated amount shall be used only for the costs associated with developing the per pupil weighted transportation formula. On or before December 31, 2023, the department of education shall submit a report to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate and house of representatives education committees, the director of the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting that includes at least the following information:
1. The amount determined to be the per pupil base transportation amount for every K-12 student.
  2. The appropriate weight for students with extraordinary needs.
  3. The appropriate weight for students in grades nine through twelve.
  4. The appropriate weight for foster and homeless students.
  5. The appropriate sparsity weight for rural, remote and isolated students, including long-distance open enrollment students. (General Appropriation Act footnote)
- 32/ The appropriated amount for live, remote instructional courses is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until December 31, 2025. (General Appropriation Act footnote)
- 33/ The department of education shall distribute the appropriated amount for nonprofit education initiatives to a nonprofit organization based in Scottsdale that is qualified under section 501(c)(3) of the internal revenue code and that provides scholarships and other educational programming and promotes youth activities, sports and cultural enrichment. (General Appropriation Act footnote)
- 34/ The department of education shall distribute the appropriated amount for nonprofit low-income assistance to a nonprofit organization that is qualified under section 501(c)(3) of the internal revenue code and that provides low-income children in kindergarten programs and grades one through eight with new clothing and shoes, hygiene kits, and new books. (General Appropriation Act footnote)
- 35/ The department shall distribute the appropriated amount for Phoenix science education programs to an organization that is based in Phoenix and that provides science, technology, engineering and math education programs and professional development training. (General Appropriation Act footnote)
- 36/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 37/ The department of education shall distribute the appropriated amount for public school campus trees for grants to public schools to plant low biogenic volatile organic compound-emitting trees on school campuses that are appropriate for each school's respective climate. Until December 31, 2023, the department shall distribute the appropriated amount on a first-come, first-served basis only to public schools in this state at which seventy-five percent or more of the students are eligible for free or reduced-price lunches under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1793). If any monies remain undistributed from and after December 31, 2023, the department shall distribute the monies on a first-come, first-served basis to public schools in this state. The department may require each public school that receives grant monies to issue a report regarding the school's use of monies received. A public school that receives monies from the department may partner with nonprofit organizations to plant the trees on the school's campus. (General Appropriation Act footnote)
- 38/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriation Act footnote)
- 39/ The amount appropriated for the school safety program in fiscal year 2022-2023 pursuant to Laws 2022, chapter 313, section 31 included an increase of \$50,000,000 for additional school safety grants. In allocating the \$50,000,000 increase, the department of education shall first distribute monies to schools on the school safety program waiting list to receive grants for the costs of placing school resource officers on school campuses. The awarded grants may not supplant funding provided by local governments for school resource officers. If the total cost of funding grants for school resource officer costs is less than \$50,000,000, the department may allocate the remaining monies to grants to schools for the costs of placing school counselors and social workers on school campuses pursuant to section 15-154, Arizona Revised Statutes. (General Appropriation Act footnote)
- 40/ 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)
- 41/ The department shall distribute the appropriated amount for the youth summer education program to a nonprofit organization that is based in Globe and that provides summer education programs for youth. (General Appropriation Act footnote)
- 42/ After review by the joint legislative budget committee, in fiscal year 2023-2024, the department of education may use a portion of its fiscal year 2023-2024 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 2022-2023. (General Appropriation Act footnote)

- 43/ 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)
- 44/ 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)
- 45/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

**Summary**

ADE's FY 2024 General Fund spending increases by \$656,560,400, or 9.2% above the final FY 2023 appropriation (including the FY 2023 supplemental). The budget includes the following funding changes:

**Standard Formula Adjustments**

The budget includes a net increase of \$316,179,200 from the General Fund for standard formula adjustments, consisting of:

- An increase of \$221,870,800 for enrollment growth.
- An increase of \$157,690,700 for a 2.0% inflator.
- A decrease of \$(51,850,000) for local property tax growth due to new construction
- Increased Homeowner's Rebate expenses of \$2,369,400.
- A decrease of \$(13,901,700) to offset higher available endowment earnings under Proposition 123.

**Policy Issues**

The budget also includes a net increase of \$340,381,200 for new policy issues as well as other adjustments in accordance with the 3-year spending plan associated with the enacted FY 2023 budget, including:

- An increase of \$300,000,000 for a one-time state aid supplement.
- An increase of \$68,600,000 for an additional 0.92% increase to the Base Level.
- A decrease of \$(68,600,000) to eliminate Results-Based Funding.
- A decrease of \$(65,000,000) to remove one-time funding from FY 2023 to reduce the K-12 rollover.
- An increase of \$49,000,000 for increases to Additional Assistance. This amount includes an increase of \$29,000,000 to increase the per pupil amounts in the District Additional Assistance (DAA) and Charter Additional Assistance (CAA) formulas pursuant to section 127 of the FY 2023 General Appropriation Act and \$20,000,000 for an additional 4.35% increase to DAA.

- An increase of \$15,500,000 for dual enrollment programs.
- An increase of \$13,000,000 to increase the Group B weight for students eligible for the federal Free and Reduced-Price Lunch (FRPL) program pursuant to section 127 of the FY 2023 General Appropriation Act.
- An increase of \$10,000,000 for one-time ADE operating expenses through FY 2026.
- An increase of \$10,000,000 for Art Consumables.
- An increase of \$5,000,000 for a Broadband Expansion Fund Deposit.
- An increase of \$5,000,000 for early education and career exploration.
- A decrease off \$(2,104,000) for all other miscellaneous adjustments.

As part of the budget's 3-year spending plan, ADE General Fund costs are projected to decrease by \$(48,977,300) in FY 2025 compared with FY 2024 and increase by \$549,427,200 in FY 2026 above FY 2025. (See *Other Issues for more information.*)

**Operating Budget**

The budget includes \$25,626,800 and 107.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$23,774,200
Teacher Certification Fund	152,600
Education Sales Tax - Failing Schools	
Tutoring Fund	1,500,000
Education Sales Tax - Character Education	200,000

Adjustments are as follows:

**One-Time Funding**

The budget includes an increase of \$10,000,000 from the General Fund in FY 2024 for a one-time increase to ADE's operating budget. A General Appropriation Act footnote

stipulates that the \$10,000,000 is non-lapsing until June 30, 2026.

**ESA Administrative Funding Shift**

The budget includes an increase of \$4,551,600 and 52 FTE Positions from the General Fund in FY 2024 to shift administrative funding for the Empowerment Scholarship Account program from a separate line item to the agency's operating budget.

**Statewide Adjustments**

The budget includes a decrease of \$(6,300) in FY 2024 for statewide adjustments. This amount consists of:

General Fund	(6,000)
Teacher Certification Fund	(300)

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

**Formula Programs**

**Basic State Aid**

The budget includes \$7,091,644,500 in FY 2024 for Basic State Aid. This amount consists of:

General Fund	6,598,466,700
Permanent State School Fund	342,797,300
Education Sales Tax - Basic State Aid	150,380,500

The \$7,091,644,500 total does not include local property taxes that will help fund K-12 formula costs for FY 2024, as they are non-appropriated (see Table 1).

Adjustments are as follows:

**Table 1**  
**FY 2024 Basic State Aid Formula Summary (estimated)**

<b>General Fund</b>	
FY 2023 Appropriation (With Supplemental)	\$6,219,130,900
Enrollment Growth	221,870,800
2.0% Inflation	157,690,700
Additional 0.92% Base Level Increase	68,600,000
Property Taxes from New Construction	(51,850,000)
Endowment Earnings	(13,901,700)
Rollover Payoff	(65,000,000)
DAA/CAA Increase	49,000,000
FRPL Weight	13,000,000
County Jail Education Programs	76,000
Veterans Property Tax Exemption	(150,000)
<b>FY 2024 Budget</b>	<b>\$6,598,466,700</b>
<b>Permanent State School Fund</b>	
FY 2023 Appropriation	\$ 328,895,600
Estimated FY 2024 Growth	13,901,700
<b>FY 2024 Budget</b>	<b>\$ 342,797,300</b>
<b>Education Sales Tax</b>	
FY 2024 Budget	\$ 150,380,500
<b>Local Property Taxes <sup>1/</sup></b>	
FY 2024 Budget - estimated	<u>\$2,590,507,100</u>
<b>Grand Total (all sources)</b>	<b>\$9,682,151,600</b>

<sup>1/</sup> Non-appropriated, so excluded from appropriated totals.

**Enrollment Growth**

The budget includes an increase of \$221,870,800 from the General Fund in FY 2024 for enrollment growth. The \$221,870,800 increase consists of:

- An increase of \$150,155,700 for enrollment growth in the ESA program. The budget assumes that enrollment in the Universal ESA program reaches 52,500 in FY 2024. Total ESA enrollment (including participants in the original program) would increase to 68,380 in FY 2024, or an increase of 15,936 above the final FY 2023 appropriation. In comparison to the originally enacted FY 2023 budget, which did not include any adjustments for universal ESA awards

**Table 2**

**K-12 Enrollment Estimates (Unweighted) <sup>1/</sup>**

Fiscal Year	District	Charter	Public Subtotal	Original ESA	Universal ESA	ESA Subtotal	Grand Total	Change	% Change
2017	915,797	179,788	1,095,585	3,360	0	3,360	1,098,945	9,444	0.9%
2018	913,665	189,869	1,103,534	5,042	0	5,042	1,108,576	9,631	0.9%
2019	906,004	201,757	1,107,761	6,450	0	6,450	1,114,211	5,635	0.5%
2020	907,121	208,438	1,115,559	7,781	0	7,781	1,123,340	9,129	0.8%
2021	857,139	220,678	1,077,817	9,777	0	9,777	1,087,594	(35,746)	(3.2)%
2022	875,517	220,379	1,095,896	11,699	0	11,699	1,107,595	20,082	1.8%
2023 est	873,827	223,660	1,097,487	14,390	38,054	52,444	1,149,931	42,336	3.8%
2024 est	866,154	235,551	1,101,705	15,880	52,500	68,380	1,170,085	20,154	1.8%
2025 est	856,930	244,752	1,101,682	17,548	57,400	74,948	1,176,630	6,545	0.6%
2026 est	847,540	254,196	1,101,736	19,215	62,200	81,415	1,183,151	6,521	0.6%

<sup>1/</sup> ESA enrollment figures are for the fourth quarter as of June 1, 2023 based on the department's County-Associated District Report. Excludes ESA enrollees approved for funding for FY 2024 as of that date who did not receive any funding for FY 2023. As of June 26, 2023, ADE reported that 61,095 enrollees have been approved for FY 2024 ESA funding.

authorized by Laws 2022, Chapter 388, the increase is \$424,987,600. (See *Universal Empowerment Scholarship Eligibility in Other Issues for more information on ESA enrollment projections*).

- An increase of \$71,715,100 for higher public school enrollment. The budget assumes that public school enrollment reaches 1,101,705 in FY 2024, or 0.4% above preliminary FY 2023 public school student counts of 1,097,487. While public school enrollment would grow 0.4% in aggregate, district enrollment is assumed to decline by (0.9)% while charters would grow by 5.3% based on recent trends.

Total enrollment across ESAs and public schools would reach an estimated 1,149,931 in FY 2023 (3.8% increase above FY 2022) and 1,170,085 in FY 2024 (1.8% increase above FY 2023) (See *Table 2*). The 3.8% enrollment growth in FY 2023 resulted in ADE formula expenses exceeding the original FY 2023 General Fund Appropriation (See *Other Issues* for more information).

**2.0% Inflation Adjustment**

The budget includes an increase of \$157,690,700 from the General Fund in FY 2024 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.

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. For calendar year 2022, the current estimated increase in the GDP price deflator is 7.01%. The budget therefore includes the minimum required 2.0% adjustment. 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*).

**Additional 0.92% Base Level Increase**

The budget includes an increase of \$68,600,000 from the General Fund in FY 2024 for an additional 0.92% increase to the Base Level. Including the 2.0% regular inflation adjustment, the total Base Level increase is 2.92%, resulting in an FY 2024 Base Level of \$4,914.71. The additional 0.92% offsets in aggregate a reduction of \$(68,600,000) for the elimination of Results-Based Funding (Please see *Results-Based Funding line item for additional information*).

**Property Taxes from New Construction**

The budget includes a decrease of \$(51,850,000) from the General Fund in FY 2024 due to a 2.35% 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) by an estimated \$51,850,000 in FY 2024. It also will decrease state costs by \$(51,850,000), since QTR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls (“existing property”) will increase by 3.53% in FY 2024, resulting in a net 5.88% NAV increase for new construction and existing property combined for FY 2024.

The 3.53% NAV increase for existing property will not affect net QTR collections in FY 2024 because A.R.S. § 41-1276 (the “Truth in Taxation” or “TNT” law) requires the QTR to be adjusted each year to offset NAV changes for existing properties. As a result, the QTR will decrease to \$3.3098 (from \$3.4266 currently) in FY 2024 to offset the estimated 3.53% NAV increase for existing property (see *Table 3*).

<u>Tax Rate</u>	<b>TNT Tax Rates</b>	
	<b>FY 2023</b>	<b>FY 2024</b>
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.7133	\$1.6549
• Unified districts and elementary districts not located within a high school district	\$3.4266	\$3.3098

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*.)

**Veterans Property Tax Exemption**

The budget includes a decrease of \$(150,000) from the General Fund in FY 2024 associated with Proposition 130, which establishes a property tax exemption for veterans with disabilities in direct proportion to the percentage rating of the veteran's disability. The exemption is estimated to reduce statewide net assessed value for existing property by \$(99.0) million. Under Truth-in-Taxation, the reduction net assessed value will result in the QTR being higher than it otherwise would be in the absence of the exemption, generating additional QTR revenues from newly constructed property.

Proposition 130 will also serve to reduce Homeowner's Rebate expenses by an estimated \$(850,000). Including the Homeowner's Rebate savings, the total General Fund impact of Proposition 130 on ADE is a General Fund savings of \$(1,000,000). (See *the Additional State Aid line item for more information*).

**Endowment Earnings Growth**

The budget includes a decrease of \$(13,901,700) from the General Fund and an increase of \$13,901,700 from the Permanent State School Fund in FY 2024 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 \$342,797,300 for FY 2024, which would be \$13,901,700 more than the \$328,895,600 total assumed for FY 2023 (see Table 4).

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, 1<sup>st</sup> 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 Other Issues section on Endowment Earnings and Proposition 123 Background on JLBC website for more information).

**Table 4**  
Estimated K-12 Endowment Earnings for Basic State Aid <sup>1/</sup>

Source	FY 2023	FY 2024	Change
Original 2.5%	\$72,263,000	\$72,263,000	\$0
Prop 123 4.4%	<u>256,632,600</u>	<u>270,534,300</u>	<u>13,901,700</u>
<b>Total</b>	<b>\$328,895,600</b>	<b>\$342,797,300</b>	<b>\$13,901,700</b>

<sup>1/</sup> These earnings also fund the Classroom Site Fund (see Table 8).

**Rollover**

The budget includes a decrease of \$(65,000,000) from the General Fund in FY 2024 to eliminate one-time funding to reduce the K-12 rollover. The FY 2023 budget allocated \$65,000,000 on a one-time basis in FY 2023 to eliminate the rollover for districts with more than 2,000 but less than 4,000 pupils, which reduced the ongoing K-12 rollover from \$865,727,700 to \$800,727,700.

The budget continues the ongoing \$800,727,700 rollover amount in FY 2024. Section 122 of the FY 2024 General Appropriation Act advance appropriates \$800,727,700 from the General Fund in FY 2025 to fund the \$800,727,700 deferred obligation from FY 2024.

**Additional Assistance Formula Increase**

The budget includes an increase of \$49,000,000 from the General Fund in FY 2024 to increase the per pupil formula amounts for District Additional Assistance (DAA) and Charter Additional Assistance (CAA) in FY 2024, including:

- \$43,122,000 for DAA, consisting of \$23,122,000 advance-appropriated by section 127 of the FY 2023 General Appropriation Act and an additional \$20,000,000 increase. The \$43,122,000 results in an increase of 9.38% in the DAA per pupil formula allocations for FY 2024.
- \$5,878,000 for CAA pursuant to section 127 of the FY 2023 General Appropriation Act. Including the standard 2.0% inflation adjustment for CAA, the total increase in the CAA per pupil amounts is 3.2% in FY 2024.

The advance-appropriated amounts above do not appear in the FY 2024 General Appropriation Act.

Section 128 of the FY 2023 General Appropriation Act appropriates \$118,000,000 in FY 2025 (\$29,000,000 increase above FY 2024) for further increases to the DAA/CAA formulas in that year and continues to be allocated proportionately on a per-pupil basis.

**Free and Reduced-Price Lunch Weight Increase**

The budget includes an increase of \$13,000,000 from the General Fund in FY 2024 to increase funding for the Group B weight for children eligible for the federal Free and Reduced-Price Lunch (FRPL) program (primarily includes children in families with incomes that are 185% or less of the Federal Poverty Level). The associated per pupil funding increase from the weight is an estimated \$22 in FY 2024. These monies were advanced appropriated in Section 127 of the FY 2023 General Appropriation Act, and therefore do not appear in the FY 2024 General Appropriation Act.

Section 128 of the General Appropriation Act appropriates \$100,000,000 in FY 2025 (\$37,000,000 increase above FY 2024) for further increase to the FRPL weight in that year.

**One-Time County Jail Education Increase**

The budget includes a one-time increase of \$76,000 from the General Fund in FY 2024 to suspend the 72% formula funding factor for county jail education programs in FY 2024 pursuant to section 19 of the FY 2024 K-12 BRB. Such programs will instead be funded at 100% for FY 2024. The 3-year spending plan associated with the enacted budget designates this increase as one-time.

**Onetime State Aid Supplement**

The budget includes \$300,000,000 from the General Fund in FY 2024 for Onetime State Aid Supplement funding. Adjustments are as follows:

### One-Time Funding

The budget includes an increase of \$300,000,000 from the General Fund in FY 2024 for Onetime State Aid Supplement funding. A General Appropriation Act footnote stipulates that these monies shall be distributed to school districts and charter schools on a pro-rata basis using Group A weighted student counts, including nonresident attending students at school districts (same allocation as State Aid Supplement monies appropriated in conjunction with Proposition 123). Districts and charter schools may budget the monies for maintenance and operations or capital purposes. The 3-year spending plan associated with the enacted FY 2024 budget designates these monies as onetime.

### State Aid Supplement

The budget includes \$75,000,000 from the General Fund in FY 2024 for State Aid Supplement funding. This amount is unchanged from FY 2023.

Laws 2015, 1<sup>st</sup> 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 monies are distributed to districts and charter schools based on weight student counts, adjusted for nonresident pupils attending district schools. 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 budget includes no funding in FY 2024 for Results-Based Funding. Adjustments are as follows:

#### Repeal Results-Based Funding

The budget includes a decrease of \$(68,600,000) from the General Fund in FY 2024 to eliminate Results-Based Funding. Section 2 of the FY 2024 K-12 BRB permanently repeals the program. The program previously provided per pupil funding allocations ranging from \$225 to \$400 based on statewide assessment scores. The budget offsets the elimination of Results-Based Funding by reallocating the \$68,600,000 for the program to an additional 0.92% increase to the Base Level component of

the K-12 basic state aid formula (Please see the Basic State Aid line item for more information.)

### Special Education Fund

The budget includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2024 for the Special Education Fund Line Item. These amounts are unchanged from FY 2023.

*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.

Laws 2023, Chapter 178 authorizes vouchered residential special education placements to receive a 5% increase to their Base Level used to compute vouchers if the placement offers a 200-day school year. We estimate the bill will increase Special Education Fund expenses by \$350,000 annually. The enacted budget did not include adjustments to the Special Education Fund line item to account for the estimated cost increase.

### Other State Aid to Districts

The budget includes \$983,900 from the General Fund in FY 2024 for Other State Aid to Districts. This amount is unchanged from FY 2023.

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 budget includes \$1,018,912,500 in FY 2024 from Classroom Site Fund (CSF) expenditure authority for the Classroom Site Fund. Adjustments are as follows:

**Increased Funding**

The budget includes an increase of \$72,387,700 from the Classroom Site Fund in FY 2024 for an increase in the CSF per pupil amount from \$708 in FY 2023 to \$758 in FY 2024. The increase was computed and reported by the JLBC Staff on March 30, 2023 pursuant to A.R.S. § 15-977G1.

*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 budget includes \$60,425,700 from Instructional Improvement Fund Expenditure Authority in FY 2024 for the Instructional Improvement Fund. This amount is unchanged from FY 2023.

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 budget includes \$511,613,100 from the General Fund in FY 2024 for Additional State Aid, otherwise known as the Homeowners' Rebate program. Adjustments are as follows:

**Prior Year Base Adjustment**

The budget includes a decrease of \$(16,278,400) from the General Fund in FY 2024 to reflect lower-than-budgeted costs for Additional State Aid for FY 2023. The FY 2023 budget assumed that Additional State Aid would cost \$510,093,700 for FY 2023 for the Homeowner’s Rebate and 1% Cap combined. The actual combined cost, however, is \$493,815,300 as reported by the Arizona Department of Revenue (DOR) in October 2022 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2024 therefore will be \$(16,278,400) less than the FY 2023 appropriation.

**Decrease Commercial Assessment Ratio**

The budget includes an increase of \$4,600,000 from the General Fund in FY 2024 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 17.5% in FY 2023 to 17.0% in FY 2024. 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 \$4,600,000 for this change in FY 2024.

Laws 2022, Chapter 171 further reduces the commercial assessment ratio to 15.5% in FY 2027 and 15.0% in FY 2028.

**Veterans Property Tax Exemption**

The budget includes a decrease of \$(850,000) from the General Fund in FY 2024 for reduced Homeowner's Rebate expenses associated with Proposition 130, which establishes a property tax exemption for veterans with disabilities in direct proportion to the percentage rating of the veteran's disability. The exemption reduces Homeowner's rebate expenses because eligible veterans will pay lower school district taxes and thereby receive a proportionately lower rebate on their property tax bills. *(See the Basic State Aid line item for more information).*

**New Homes**

The budget includes an increase of \$14,047,800 from the General Fund in FY 2024 for increased Additional State Aid costs associated with new home construction. The \$14,047,800 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2024.

*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.

**Non-Formula Programs**

**Accountability and Achievement Testing**

The budget includes \$16,442,200 and 24.4 FTE Positions in FY 2024 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,442,200
Education Sales Tax - Accountability	7,000,000

Adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(4,000,000) from the General Fund in FY 2024 to remove one-time funding for ADE’s achievement testing contracts. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

**Statewide Adjustments**

The budget includes a decrease of \$(100) from the General Fund in FY 2024 for statewide adjustments.

*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 2023:

- 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.

- 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). While AZELLA costs are funded in the English Learner Administration line item, a General Appropriation Act footnote also permits ADE to use monies in the Accountability and Achievement Testing line item for AZELLA expenses.

**Adult Education**

The budget includes \$21,768,900 and 4 FTE Positions from the General Fund in FY 2024 for Adult Education. Adjustments are as follows:

**Administrative Funding Transfer**

The budget includes an increase of \$250,000 and 1 FTE Position from the General Fund in FY 2024 to transfer administrative funding from the Adult Education and Workforce Development Administration line item to Adult Education. This change will fund administrative and programmatic expenses for the Continuing High School and Workforce Training program, the Adult Workforce Diploma Program, and the Community College Adult Education Workforce Development Program in the same line item, similar to all other adult education programs. The 3-year spending plan associated with the enacted FY 2023 budget assumes the administrative allocation for these programs will be reduced to \$150,000 in FY 2025.

**Statewide Adjustments**

The budget includes a decrease of \$(200) from the General Fund in FY 2024 for statewide adjustments.

*Background* – The Adult Education program in ADE 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.

The budget continues a General Appropriation Act footnote that stipulates minimum allocations to specific Adult Education programs:

- \$4,620,000 is for the Continuing High School and Workforce Training Program established in A.R.S. § 15-217.01. The program provides \$7,700 per student to districts and charter schools that contract with a nonprofit organization to provide adults with alternative study services that lead to a high school diploma and industry-recognized credentials. Section 14 of the FY 2024 K-12 BRB limits total participation in the program to 600 in FY 2024, 800 in FY 2025, and 1,400 in FY 2026 and each year thereafter. The original authorizing language in the FY 2023 K-12 BRB had an earlier phase-in of the program caps, which would have reached 1,400 students by FY 2025. The delay in the full phase-in to 1,400 students is due to lower-than anticipated enrollment in the first year of the program (FY 2023).
- \$6,000,000 is for deposit in the Adult Workforce Diploma Program Fund established in A.R.S. § 15-217.02. The Adult Workforce Diploma Program is established to assist adults in earning a high school diploma and earning career and technical skills in a campus-based, online, or blended format. Payments to providers range from \$250 to \$1,000 per program milestone completed by participating students.
- \$6,000,000 is for deposit in the Community College Adult Education Workforce Development Program Fund established in A.R.S. § 15-217.03. The Community College Adult Education Workforce Development Program authorizes Community College Districts to establish programs for adults to provide a high school diploma or high school equivalency diploma and an industry-recognized credential or community college degree. Participating community college districts may receive up to \$3,000 per full-time student and may use a portion of the monies to provide support services to participating adults, such as transportation and child care.

**Adult Education and Workforce Development Administration**

The budget includes no funding in FY 2024 for Adult Education and Workforce Development Administration. Adjustments are as follows:

**Administrative Funding Transfer**

The budget includes a decrease of \$(250,000) and 1 FTE Position from the General Fund in FY 2024 to transfer funding from this line item to the Adult Education line item (*See Adult Education Special Line Item for additional information*).

**Alternative Teacher Development Program**

The budget includes \$1,800,000 from the General Fund in FY 2024 for an Alternative Teacher Development Program. Adjustments are as follows:

**Increased Funding**

The budget includes an increase of \$1,300,000 from the General Fund in FY 2024 for the Alternative Teacher Development Program. The \$1,300,000 includes an ongoing increase of \$500,000 and an additional one-time increase of \$800,000. Under the 3-year spending plan associated with the enacted FY 2022 budget, the \$500,000 ongoing increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

*Background* – 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 have been distributed to the Teach for America program.

**Arizona Empowerment Scholarship Account Administration**

The budget includes no funding for Arizona Empowerment Scholarship Account Administration in FY 2024. Adjustments are as follows:

**Shift to Operating Budget**

The budget includes a decrease of \$(4,551,600) and (52) FTE Positions from the General Fund in FY 2024 to shift administrative resources for the Empowerment Scholarship Account program to the ADE operating budget. (*Please see the Operating Budget for additional information*).

*Background* – 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 Civics Education and Leadership Development Program**

The budget includes \$300,000 from the General Fund in FY 2024 for the Arizona Civics Education and Leadership Development Program. Adjustments are as follows:

**One-Time Funding**

The budget includes an increase of \$300,000 from the General Fund in FY 2024 to provide one-time funding for the Arizona Civics Education and Leadership Development Program. The FY 2024 K-12 Education BRB establishes the Program to fund grants to nonprofit organizations to provide civics education and leadership development training to middle school and high school students.

**Arizona English Language Learner Fund**

The budget includes \$4,960,400 from the General Fund in FY 2024 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2023.

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 \$5,445,100 to public schools from the fund in FY 2022, including unspent prior year monies.

**Art Consumables**

The budget includes \$10,000,000 from the General Fund in FY 2024 for art consumables. Adjustments are as follows:

**One-Time Funding**

The budget includes an increase of \$10,000,000 from the General Fund in FY 2024 to provide one-time funding for art consumables. A General Appropriation Act footnote requires ADE to use the appropriation to provide grants of up to \$1,000 per recipient to public school art teachers and teachers for preschool through third grade for consumable art supplies, materials, and instructional aids.

**Broadband Expansion Fund Deposit**

The budget includes \$5,000,000 from the General Fund in FY 2024 for deposit into the Broadband Expansion Fund established in A.R. S. § 15-249.07. Adjustments are as follows:

**One-Time Funding**

The budget includes an increase of \$5,000,000 from the General Fund in FY 2024 to provide a one-time deposit in the Broadband Expansion Fund. Monies in the Fund are used to provide state matching monies to schools, school districts, and libraries for broadband connectivity construction projects eligible for the federal E-Rate Program. Under the program, eligible schools, school

districts, and libraries may receive a discount from the federal government, ranging from 20% to 90% based on school poverty levels, for costs associated with telecommunications, Internet access, and internal connections. A.R. S. § 15-249.07 requires ADE to report to JLBC by December 31<sup>st</sup> and June 30<sup>th</sup> annually on broadband projects funded with fund monies and the number of students served.

**Center for High School Success**

The budget includes \$1,000,000 from the General Fund in FY 2024 for a Center for High School Success. Adjustments are as follows:

**One-Time Funding**

The budget includes an increase of \$1,000,000 from the General Fund in FY 2024 to provide one-time funding for a Center for High School Success.

**Childhood Trauma Awareness and Prevention Training Grants**

The budget includes no funding in FY 2024 for Childhood Trauma Awareness and Prevention Training Grants. Adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(100,000) from the General Fund in FY 2024 to remove one-time funding for Childhood Trauma Awareness and Prevention Training Grants. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – This line item funds grants to a nonprofit organization that provides childhood trauma awareness and prevention training to certificated teachers and public school administrators in this state.

**Code Writers Initiative Program**

The budget includes no funding in FY 2024 for the Code Writers Initiative Program. Adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2024 to remove one-time funding for the Code Writers Initiative Program. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – This line item funds the Code Writers Initiative Program established in A.R.S. § 15-249.17. The

program provides competitive grants to schools that instruct Native American students in computer code writing.

#### **College Credit by Examination Incentive Program**

The budget includes \$7,472,100 from the General Fund in FY 2024 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2023.

*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 (e.g. Advanced Placement) 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.

For FY 2023, ADE reports that districts and charter schools qualified for \$7,153,200 in program awards. This amount includes \$6,543,000 for awards for 21,810 exams passed in schools with less than 50% FRPL-eligibility (\$300 per exam) and \$610,200 for 1,356 exams passed in schools with 50% or more FRPL-eligibility (\$450 per exam). Given that the \$7,153,200 of awards was lower than the \$7,472,100 appropriation for that year, eligible schools received the full award amount without proration.

#### **College Placement Exam Fee Waiver**

The budget includes \$1,265,800 from the General Fund in FY 2024 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2023.

*Background* – This line item funds out-of-pocket expenses for college placement exams taken by students who are FRPL-eligible. ADE currently covers \$53 per regular Advanced Placement Exam and \$101 per AP Seminar and AP Research Exam, resulting in a net cost of \$0 for the qualifying student.

#### **Computer Science Professional Development Program**

The budget includes \$1,000,000 from the General Fund in FY 2024 for a Computer Science Professional Development Program. This amount is unchanged from FY 2023.

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. Grant monies may be used to provide training for prospective computer science teachers. The program 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 Certification Exam Fee Reimbursement**

The budget includes \$1,000,000 from the General Fund in FY 2024 for CTED Certification Exam Fee Reimbursement. Adjustments are as follows:

##### **Increase Funding**

The budget includes an increase of \$1,000,000 from the General Fund in FY 2024 for CTED Certification Exam Fee Reimbursement. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

*Background* – This line item funds a deposit in the Industry-Recognized Certification and Licensure Reimbursement Fund established by A.R.S. § 15-1265. Monies in the fund are used to eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for FRPL-eligible students. To qualify, eligible students must pass a certificate or license exam related to a career and technical education program and apply to their CTED to receive reimbursement. If monies in the fund are insufficient to fund all eligible exams, the reimbursement is reduced in proportion to each exam's cost.

#### **CTED Completion Grants**

The budget includes \$1,000,000 from the General Fund in FY 2024 for CTED Completion Grants. This amount is unchanged from FY 2023.

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 budget continues a footnote that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2025).

#### **CTED Soft Capital and Equipment**

The budget includes \$1,000,000 from the General Fund in FY 2024 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2023.

The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriation Act requires the department to distribute the appropriated amount to CTEDs with fewer than 2,000 ADM pupils on a pro rata basis for soft capital and equipment expenses. The budget continues this footnote for FY 2024.

#### **Dual Enrollment Student Development Fund Deposit**

The budget includes \$15,000,000 from the General Fund in FY 2024 for deposit into the Dual Enrollment Student Development Fund. Adjustments are as follows:

##### **One-Time Funding**

The budget includes an increase of \$15,000,000 from the General Fund in FY 2024 to provide a one-time deposit in the Dual Enrollment Student Development Fund. The FY 2024 K-12 Education BRB establishes the fund to be used to reimburse students at a level of \$50 per credit hour who obtain a passing grade in a qualifying dual enrollment course. Students enrolled in grades 9 or 10 can receive up to \$300 per school year from the fund, and students enrolled in grades 11 or 12 can receive up to \$600 from the fund. ADE must prioritize distributions to providers that serve students who are eligible for the federal Free and Reduced-Price Lunch (FRPL) program.

#### **Dual Enrollment Teacher Development Fund Deposit**

The budget includes \$500,000 from the General Fund in FY 2024 for deposit into the Dual Enrollment Teacher Development Fund. Adjustments are as follows:

##### **One-Time Funding**

The budget includes an increase of \$500,000 from the General Fund in FY 2024 to provide a one-time deposit in the Dual Enrollment Teacher Development Fund. The FY 2024 K-12 Education BRB establishes the fund to be used to provide an incentive bonus up to \$1,000 to qualified

teachers who teach a dual enrollment course. If monies in the fund are insufficient to fund all bonus awards, the reimbursement is reduced in proportion to each exam's cost.

#### **Early Education and Career Exploration Program**

The budget includes \$5,000,000 from the General Fund in FY 2024 for an Early Education and Career Exploration Program. Adjustments are as follows:

##### **One-Time Funding**

The budget includes an increase of \$5,000,000 from the General Fund in FY 2024 to provide one-time funding for the Early Education and Career Exploration Program. The FY 2024 K-12 Education BRB requires ADE to contract with a nonprofit entity to provide a career mapping tool for students and training and resources for public schools to create, monitor, review, and update career action plans for each student in grades 9 through 12.

#### **Early Literacy**

The budget includes \$18,880,000 and 3 FTE Positions from the General Fund in FY 2024 for Early Literacy. Adjustments are as follows:

##### **Literacy Coaches**

The budget includes an increase of \$3,100,000 from the General Fund in FY 2024 for literacy coaches. Based on an FY 2022 Executive Budget recommendation, these coaches would provide additional literacy support to K-3 students in the 50 districts and charter schools with the lowest reading scores on the statewide assessment. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

##### **Kindergarten Entry Assessment**

The budget includes an increase of \$1,500,000 from the General Fund in FY 2024 for a kindergarten entry assessment. A.R.S. § 15-701 authorizes the State Board of Education to adopt a statewide kindergarten entry evaluation tool to administer to kindergarten pupils within 45 days of enrollment. These monies would pay for the cost of the assessment. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

##### **Dyslexia Screening**

The budget includes an increase of \$1,280,000 and 3 FTE Positions from the General Fund in FY 2024 for dyslexia

screening and training. The K-3 reading program established A.R.S. § 15-211 (also called "Move On When Reading" (MOWR)) requires that each district and charter school has at least one K-3 teacher that has received training in screening, intervention, accommodation, use of technology, and advocacy for students with dyslexia pursuant to A.R.S. § 15-219. These monies would pay for ADE's costs of administering the trainings and 3 FTE Positions within the K-3 Reading Program. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

#### **Science of Reading Exam**

The budget includes an increase of \$1,000,000 from the General Fund in FY 2024 for a science of reading exam. A.R.S. § 15-501.01 requires, beginning August 1, 2025, that all certificated teachers providing literacy instruction in grades K-5 receive a literacy endorsement within 3 years of certification. The endorsement shall require the teacher to pass a literacy instruction assessment in the science of reading. These monies would cover each teacher's cost of taking the exam. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

*Background* – This line item funds the following early literacy programming:

- Deposits in the Early Literacy Grant Program Fund (ELGPF) established A.R.S. § 15-249.09. The fund provides grants to schools with at least 90% FRPL-eligibility on a per pupil basis to improve reading proficiency among K-3 pupils. Eligible expenses include literacy coaches and literacy specialists, reading curricula, kindergarten readiness assessments, summer programs, or tutoring.
- Literacy coaches to assist low-performing schools.
- Costs of administering the kindergarten entry assessment authorized by A.R.S. § 15-701.
- Dyslexia trainings required by the K-3 Reading Program established by A.R.S. § 15-211.
- Fees associated with the Science of Reading exam for K-5 literacy instructions pursuant to A.R.S. § 15-501.01.

The budget would add a new footnote that requires ADE to report its expenditure plan to JLBC and OSPB before spending the \$6,880,000 increase in FY 2024 for literacy coaches, kindergarten entry assessments, dyslexia trainings, and science of reading exams.

### **Education Learning and Accountability System**

The budget includes \$5,446,700 and 24.2 FTE Positions from the General Fund in FY 2024 for the Education Learning and Accountability System (ELAS) line item. Adjustments are as follows:

#### **Statewide Adjustments**

The budget includes a decrease of \$(400) from the General Fund in FY 2024 for statewide adjustments.

*Background* – The monies in this line item are for continued maintenance and operation of ELAS, 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 budget includes \$6,597,000 and 13.5 FTE Positions from the General Fund in FY 2024 for English Learner Administration. Adjustments are as follows:

#### **Statewide Adjustments**

The budget includes a decrease of \$(100) from the General Fund in FY 2024 for statewide adjustments.

*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.*)

### **Feminine Hygiene Products**

The budget includes \$2,000,000 from the General Fund in FY 2024 for feminine hygiene products. Adjustments are as follows:

#### **One-Time Funding**

The budget includes an increase of \$2,000,000 from the General Fund in FY 2024 to provide one-time funding to provide feminine hygiene products at no cost at Arizona public schools.

### **Flagstaff Robotics Program**

The budget includes \$20,000 from the General Fund in FY 2024 for the Flagstaff Robotics Program. Adjustments are as follows:

#### **One-Time Funding**

The budget includes an increase of \$20,000 from the General Fund in FY 2024 to provide one-time funding for a robotics program for Flagstaff Unified School District. The 3-year spending plan associated with the enacted budget assumes that the \$20,000 distribution would continue on a one-time basis in FY 2025 and FY 2026.

### **Foster Home Youth Transitional Housing**

The budget includes no funding in FY 2024 for Foster Home Youth Transitional Housing. Adjustments are as follows:

#### **Remove One-Time Funding**

The budget includes a decrease of \$(10,000,000) from the General Fund in FY 2024 to remove funding for a one-time distribution to the East Valley Institute of Technology (EVIT) for a transitional housing unit. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – A General Appropriation Act footnote stipulates that EVIT shall use the monies in this line item to construct and furnish a 64-bed transitional housing unit for foster youths who are 17-21 years of age and who need stable housing to obtain a high school diploma or GED and are earning an industry certification in a program offered by EVIT.

### **Geographic Literacy**

The budget includes \$100,000 from the General Fund in FY 2024 for Geographic Literacy. This amount is unchanged from FY 2023.

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

### **Gifted Assessments**

The budget includes \$850,000 from the General Fund in FY 2024 for Gifted Assessments. This amount is unchanged from FY 2023.

*Background* – Monies in this line item are used for a contract between ADE and a vendor to administer a gifted

screening assessment that is available to all 2<sup>nd</sup> graders in Arizona public schools at no charge.

### **Gila County Jail Education**

The budget includes \$10,000 from the General Fund in FY 2024 for Gila County Jail Education. Adjustments are as follows:

#### **One-Time Funding**

The budget includes an increase of \$10,000 from the General Fund in FY 2024 to provide one-time funding for the jail education program in Gila County. County jail education programs serve pupils aged 21 years old or younger who are currently in jail and who do not have a high school diploma or general equivalency diploma.

### **Invest in Postsecondary Success Program Fund Deposit**

The budget includes no funding in FY 2024 for an Invest in Postsecondary Success Program Fund Deposit. Adjustments are as follows:

#### **Remove One-Time Funding**

The budget includes a decrease of \$(1,000,000) from the General Fund in FY 2024 to remove funding for a one-time deposit in the Invest in Postsecondary Success Program Fund. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – The monies in this line item are deposited in the Invest in Postsecondary Success Program Fund established in A.R.S. § 15-249.18. ADE shall use monies in the fund to contract with a nonprofit vendor that establishes college match savings accounts in which a student's contributions are matched by \$8 for each dollar the student deposits per academic year.

### **Jobs for Arizona Graduates**

The budget includes \$500,000 from the General Fund in FY 2024 for a Jobs for Arizona Graduates program. Adjustments are as follows:

#### **Increased Funding**

The budget includes an increase of \$400,000 from the General Fund in FY 2024 for the Jobs for Arizona Graduates Program. Under the 3-year spending plan associated with the enacted FY 2022 budget, this increase was funded with Federal Funds in FY 2022 and FY 2023 and was assumed to be covered by the General Fund beginning in FY 2024.

The budget 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.

### **Juvenile Detention Centers**

The budget includes \$52,600 from the General Fund in FY 2024 for juvenile detention centers. Adjustments are as follows:

#### **One-Time Funding**

The budget includes an increase of \$52,600 from the General Fund in FY 2024 to provide one-time funding for juvenile detention centers. A General Appropriation Act footnote stipulates that the appropriated amount includes \$22,600 for Yavapai County, \$20,000 for Pinal County and \$10,000 for Maricopa County. A.R.S. § 15-913 establishes a funding formula for county juvenile detention education programs not operated through an accommodation school. The appropriated amounts for Yavapai, Pinal, and Maricopa counties are in addition to that funding formula.

### **K-12 Transportation Formula Study**

The budget includes \$250,000 from the General Fund in FY 2024 for a K-12 Transportation Formula Study. Adjustments are as follows:

#### **One-Time Funding**

The budget includes an increase of \$250,000 from the General Fund in FY 2024 to provide one-time funding for a K-12 Transportation Formula study. A General Appropriation Act footnote requires ADE to use the appropriation to develop a per pupil weighted transportation funding formula for K-12 students. ADE shall report to the President of the Senate, the Speaker of the House, the Chairpersons of the House and Senate Education Committees, JLBC, and OSPB on the results of the study by December 31, 2023.

### **Live, Remote Instructional Courses**

The budget includes \$100,000 from the General Fund in FY 2024 for Live, Remote Instructional Courses. Adjustments are as follows:

#### **One-Time Funding**

The budget includes an increase of \$100,000 from the General Fund in FY 2024 to provide one-time funding for

live, remote instructional courses. The FY 2024 K-12 Education BRB allows a school district or charter to contract with another school district or charter to offer live, remote instruction to its own students in grades 9 through 12. ADE must pay an incentive bonus of \$500 for each student who receives a passing grade in a live, remote instruction course to a school district or charter school that acts as a live, remote instruction service provider. If the total cost of rewards exceeds the appropriation, ADE must reduce all awards proportionally to cover all eligible rewards. A General Appropriation Act footnote exempts the appropriation from lapsing until December 31, 2025.

The 3-year spending plan associated with the enacted budget assumes that an additional \$100,000 distribution would be made in FY 2025 on a one-time basis.

### **Nonprofit Education Initiatives**

The budget includes \$100,000 from the General Fund in FY 2024 for Nonprofit Education Initiatives. Adjustments are as follows:

#### **One-Time Funding**

The budget includes an increase of \$100,000 from the General Fund in FY 2024 to provide one-time funding for nonprofit education initiatives. A General Appropriation Act footnote requires ADE to distribute the appropriation to a Scottsdale-based 501(c)(3) nonprofit that provides scholarships and other education programming and promotes youth activities, sports, and cultural enrichment.

### **Nonprofit Low-Income Assistance**

The budget includes \$500,000 from the General Fund in FY 2024 for Nonprofit Low-Income Assistance. Adjustments are as follows:

#### **One-Time Funding**

The budget includes an increase of \$500,000 from the General Fund in FY 2024 to provide one-time funding for nonprofit low-income assistance. A General Appropriation Act footnote requires ADE to distribute the appropriation to a 501(c)(3) nonprofit that provides low-income children in kindergarten programs and grades 1 through 8 with new clothing and shoes, hygiene kits, and new books.

### **Office of Indian Education**

The budget includes no funding in FY 2024 for the Office of Indian Education. Adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(5,000,000) from the General Fund in FY 2024 to remove a one-time distribution to the Office of Indian Education. The appropriation was non-lapsing. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – A.R.S. § 15-244 stipulates that the Office of Indian Education shall provide technical assistance to school and Indian nations on curricula and instructional materials to meet the educational needs of Native American pupils.

**Onetime Electronic Incident Prevention Programs**

The budget includes no funding in FY 2024 for Onetime Electronic Incident Prevention Programs. Adjustments are as follows:

**Remove One-Time Funding**

The budget includes a decrease of \$(150,000) from the General Fund in FY 2024 to remove funding for onetime electronic incident prevention programs. The 3-year spending plan associated with the enacted FY 2023 budget designated this funding as one-time.

*Background* – A General Appropriation Act footnote stipulates that ADE shall use the monies in this line item to provide school safety grants to schools to procure and implement an electronic incident prevention program.

**Phoenix Science Education Programs**

The budget includes \$2,500,000 from the General Fund in FY 2024 for Phoenix Science Education Programs. Adjustments are as follows:

**One-Time Funding**

The budget includes an increase of \$2,500,000 from the General Fund in FY 2024 to provide one-time funding for Phoenix Science Education Programs. A General Appropriation Act footnote requires ADE to distribute the money to a Phoenix-based organization that provides STEM education programs and professional development training.

**Public School Campus Community Gardens**

The budget includes \$100,000 from the General Fund in FY 2024 for Public School Campus Community Gardens. Adjustments are as follows:

**One-Time Community Gardens**

The budget includes an increase of \$100,000 from the General Fund in FY 2024 to provide one-time funding for public school campus community gardens. The appropriation is non-lapsing.

**Public School Campus Trees**

The budget includes \$300,000 from the General Fund in FY 2024 for Public School Campus Trees. Adjustments are as follows:

**One-Time Public School Campus Trees**

The budget includes an increase of \$300,000 from the General Fund in FY 2024 to provide one-time funding for public school campus trees. A General Appropriation Act footnote requires ADE to distribute the appropriation until December 31, 2023 for grants to public schools where at least 75% of students are FRPL-eligible to plant low-biogenic volatile organic compound-emitting trees that are appropriate for each school's respective climate. After December 31, 2023, ADE may distribute the monies to public schools on a first-come, first-served basis. The appropriation is non-lapsing.

**School Safety Program**

The budget includes \$81,992,400 and 4 FTE Positions in FY 2024 for the School Safety program. These amounts consist of:

General Fund	74,192,400
Education Sales Tax - School Safety	7,800,000

Adjustments are as follows:

**Statewide Adjustments**

The budget includes a decrease of \$(200) from the General Fund in FY 2024 for statewide adjustments.

*Background* – The School Safety Program established in A.R.S. § 15-154 allows schools to apply for grant monies to support the costs of placing school resource officers (SROs), juvenile probation officers (JPOs), school counselors, and school social workers on school campuses.

Funding is allocated by the Department of Education and is subject to review and approval by the State Board of Education pursuant to A.R.S. § 15-154. 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. A General Appropriation Act footnote requires the additional \$50,000,000 for school safety grants from the FY 2023 budget to first be

used to fund SROs. If the total cost of SROs is less than \$50,000,000, ADE may use the remainder for school counselors and social workers.

In May 2023, the State Board of Education approved ADE's proposed awards for the School Safety Grant Program for FY 2024 through FY 2026. Those awards include 869 positions, consisting of \$39,299,100 for 303 SROs and JPOs and \$45,223,400 for 566 school counselors and social workers. The department reports that all SRO and JPO applications were funded, while there are a remaining 182 school counselor and social worker positions on the program waiting list.

ADE may also make additional awards by October 1, 2023 depending on available carryforward from the prior year. If schools fail to fill their funded positions by December 31, 2023, ADE will make additional reallocations.

### **State Block Grant for Vocational Education**

The budget includes \$11,774,300 and 27 FTE Positions from the General Fund in FY 2024 for the State Block Grant for Vocational Education. Adjustments are as follows:

#### **Statewide Adjustments**

The budget includes a decrease of \$(400) from the General Fund in FY 2024 for statewide adjustments.

*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 budget includes \$359,000 from the Department of Education Empowerment Scholarship Account Fund in FY 2024 for Student Level Data Access. Adjustments are as follows:

#### **Statewide Adjustments**

The budget includes an increase of \$1,100 from Department of Education Empowerment Scholarship Account Fund in FY 2024 for statewide adjustments.

*Background* – This line item provides funding for ADE's costs associated with providing student level data access pursuant to A.R.S. § 15-1043, which 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 budget includes \$2,544,600 and 22.9 FTE Positions in FY 2024 for Teacher Certification. These amounts consist of:

General Fund	179,500
Teacher Certification Fund	2,365,100

Adjustments are as follows:

#### **Statewide Adjustments**

The budget includes a decrease of \$(9,900) from the Teacher Certification Fund in FY 2024 for statewide adjustments.

*Background* – 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**

The budget includes \$3,000,000 from the General Fund in FY 2024 for Teacher Professional Development.

Adjustments are as follows:

#### **One-Time Funding**

The budget includes an increase of \$3,000,000 from the General Fund in FY 2024 to provide one-time funding for the Professional Development and Support Personnel Pilot Program established by the K-12 Education BRB. The program will provide funding for school districts with a low teacher experience index to hire professional development and support staff for new and transferring teachers. In FY 2024, ADE is required to distribute 50% of the appropriation to Maricopa and Pima Counties, and the remaining 50% to all other counties.

### **Tribal College Dual Enrollment Program**

The budget includes \$325,000 from the Tribal College Dual Enrollment Program Fund in FY 2024 for the Tribal College Dual Enrollment Program. This amount is unchanged from FY 2023.

*Background* – 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.

**Youth Summer Education Program**

The budget includes \$250,000 from the General Fund in FY 2024 for a Youth Summer Education Program. Adjustments are as follows:

**One-Time Funding**

The budget includes an increase of \$250,000 from the General Fund in FY 2024 for a Youth Summer Education Program. A General Appropriation Act footnote requires ADE to distribute the appropriation to a nonprofit based in Globe that provides summer education programs for youth.

**Other Issues**

This section includes information on the following topics:

General Issues

- FY 2023 Supplemental
- Statutory Changes
- Long-Term Budget Impacts
- Universal Empowerment Scholarship Eligibility

Ballot Proposition

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

Basic State Aid

- Basic State Aid Formula Description

Information on these various issues is as follows:

**FY 2023 Supplemental**

The FY 2024 budget includes an FY 2023 supplemental appropriation of \$180,624,300 from the General Fund for higher-than-budgeted K-12 formula expenses. This amount consists of:

- An increase of \$274,831,900 for higher ESA enrollment. The enacted budget did not include funding adjustments for enrollment increases for

universal eligibility for the ESA program as enacted in Laws 2022, Chapter 388. The budget assumes that total ESA program expenses (original and universal) reach \$475,000,000 in FY 2023 (an increase of \$274,831,900 in comparison to the \$200,168,100 originally budgeted) (*See Universal Empowerment Scholarship Eligibility Other Issues section for additional information*).

- A decrease of \$(77,929,200) for lower-than-budgeted public school formula costs. The enacted budget assumed public school enrollment would reach 1,106,328 in FY 2023, an increase of 0.9% above final FY 2022 ADM. As of June 2023, actual public school ADM is only 1,097,487, or 0.1% above FY 2022.
- A decrease of \$(16,278,400) for lower-than-budgeted expenses for the Homeowner’s Rebate and 1% cap (Additional State Aid). According to the Department of Revenue, the Homeowner’s Rebate and 1% cap combined cost in FY 2023 will be \$493,815,300, which is \$(16,278,400) below the original FY 2023 appropriation.

**Statutory Changes**

The K-12 BRB makes the following statutory changes:

*Formula Requirements*

- As permanent law, increases 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. Increase base level by additional 0.92% for a total of 2.92%
- As permanent law, allocates \$13,000,000 to increase Group B weight in Basic State Aid formula for children eligible for the federal Free and Reduced-Price Lunch (FRPL) program as part of the enacted FY 2023 budget’s 3-year plan.
- As permanent law, allocates \$20,000,000 General Fund to increase the DAA per pupil formula amounts by an additional 4.35% in FY 2024. Including the \$23,122,000 already allocated to increase DAA pursuant to Section 127 of the FY 2023 General Appropriation Act, the total DAA per pupil formula increase for FY 2024 above FY 2023 is 9.38%.
- As permanent law, allocates \$5,878,000 to increase Charter Additional Assistance (CAA) per pupil formula allocations as part of the enacted FY 2023 budget’s 3-year plan. Including regular 2.0% inflation adjustment, results in total CAA increase of 3.20% for FY 2024.
- As permanent law, updates the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2024.

- As permanent law, repeals A.R.S. § 15-961 as enacted by Laws 2022, Chapter 285 and merge its provisions with A.R.S. § 15-961 as enacted by Laws 2022, Chapter 317 (the FY 2023 K-12 Education Budget Bill). Technical change that consolidates 2 existing statutes.
- As permanent law, repeals Results-Based Funding.

*Other*

- As session law, continues 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, requires ADE to report to the Governor, the President of the Senate, the Speaker of the House, the JLBC Director, and the OSPB director within 60 days of the end of each calendar quarter on specified metrics related to the Empowerment Scholarship Account (ESA) program. The metrics includes the number of ESA students disaggregated by eligibility category, previous public school attendance, grade level, the number of English language learners, the number of students with a disability, and zip code of permanent residence. The report would also include the annual award amount associated with each ESA account and approved ESA expenses disaggregated by type of expense.
- As session law, establishes the non-appropriated Dual Enrollment Student Development Fund to provide financial assistance to high school students enrolled in a dual enrollment course. For FY 2024, the Department of Education shall use monies in the fund to pay community colleges, universities, or other institution that provides a dual enrollment to reimburse students up to \$50 per credit hour for each passing grade in a dual enrollment course. The department shall prioritize distributions to students eligible for Free or Reduced-Price Lunches (FRPL). Total reimbursement is capped at \$300 for 9th and 10th grade students and at \$600 for 11th grade and 12th grade students.
- As session law, establishes the non-appropriated Dual Enrollment Teacher Development Fund to provide incentive bonuses to high school teachers that provide instruction in at least one dual enrollment course in FY 2024. ADE shall administer the fund. If the appropriation exceeds the actual cost of the bonuses, ADE shall reduce bonuses proportionately to cover all eligible awards.
- As permanent law, requires community colleges offering dual enrollment courses to provide access for pupils with disabilities to any supplementary aid, service, or accommodation provided in a student's Individualized Education Plan (IEP) or section 504

plan, as allowable under community college accreditation guidelines.

- As session law, establishes the Arizona Civics Education and Leadership Development Program within ADE to provide civics education and leadership development training to middle and high school students. Establishes the Arizona Civics Education and Leadership Development Fund consisting of legislative appropriations to implement the program. Creates reporting requirements.
- As session law, stipulates that the State Board of Education shall require public schools to complete an education and career action plan for high school students. Requires ADE to establish an Early Education and Career Exploration Program to assist public schools in completing an Arizona Education and Career Action Plan for high school pupils. Stipulates that ADE shall contract with a nonprofit entity to provide a career mapping tool to public schools. Establishes the Early Education and Career Exploration Program Fund consisting of legislative appropriations to implement the program. Requires ADE to report on program outcomes to the Governor, President of the Senate, and the Speaker of the House by June 30, 2024.
- As session law, authorizes districts and charters to offer a live, remote instruction course for its high school students in FY 2024 and FY 2025. Authorizes the service provider to receive an incentive bonus under the College Credit by Examination Incentive Program of up to \$500 for each student for receives a passing grade in the course. The actual award amount would be pro-rated downward if the total amount of qualifying students exceeds the appropriation for the program. Requires ADE to report to the President of the Senate, the Speaker of the House, the Governor, and JLBC on participation and spending on the program by June 30th of FY 2024 and FY 2025.
- As session law, notwithstanding A.R.S. § 15-913.01 to stipulate that county jail education programs be funded at 100% of the statutory formula amount instead of 72% for FY 2024.
- As session law, establishes the Teacher Professional Development and Support Personnel Pilot program within ADE to provide grants to districts with a low Teacher Experience Index (TEI). Half of program monies would be distributed to districts in counties with less than 500,000 residents and the remainder would be distributed to larger counties. Creates reporting requirements.
- As session law, reduces the statutory enrollment caps in the Continuing High School and Workforce Training program from 1,000 to 600 in FY 2024 and from 1,400

to 800 in FY 2025. The cap would return to 1,400 beginning in FY 2026.

- As session law, increase the General Budget Limit for Duncan Unified by \$752,000 and for Blue Elementary by \$34,000 to allow each district to expend one-time balances previously accumulated from the State Equalization Tax in Greenlee County. Stipulates that the general budget limit increases shall be funded by prior-year carryforward instead of primary or secondary property tax increases.
- As session law, notwithstanding A.R.S. 15-241 to allow ADE to expend monies in FY 2024 from the Failing Schools Tutoring Fund for school improvement. Requires ADE to report on its proposed expenditures for school improvement from the fund to the Governor, Speaker of the House, the President of the Senate, JLBC, and OSPB by September 1, 2023.

### Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADE General Fund costs are projected to decrease by \$(48,977,300) in FY 2025 compared with FY 2024 and increase by \$549,427,200 in FY 2026 above FY 2025. These estimates are based on:

- Enrollment growth of 0.6% in FY 2025 and FY 2026. The 0.6% estimate assumes total enrollment in the ESA program would grow to 74,948 in FY 2025 and 81,415 in FY 2026, while total public school enrollment would be 1,101,682 in FY 2025 and 1,101,736 in FY 2026.
- GDP inflators of 2.0% for FY 2025 and FY 2026. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.0% for FY 2025 and FY 2026.
- General Fund decrease of \$(13,214,700) in FY 2025 and an increase of \$282,876,400 in FY 2026 for endowment earnings changes. The General Fund increase in FY 2026 assumes the increase in land trust endowment earnings distributions from 2.5% to 6.9% required by Proposition 123 would expire in FY 2026.
- An increase of \$4,600,000 each of FY 2025 and FY 2026 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.
- An increase of \$29,000,000 in FY 2025 above FY 2024 for further increases to the DAA/CAA formulas pursuant to Section 128 of the FY 2023 General Appropriation Act.
- An increase of \$37,000,000 in FY 2025 above FY 2024 for additional increases to the Group B weight for FRPL-eligible pupils pursuant to section 128 of the FY 2023 General Appropriation Act.

- A decrease of \$(356,738,600) in FY 2025 to remove funding designated as one-time from FY 2024.
- A decrease of \$(100,000) in FY 2025 to remove Adult Education administrative funding designated as one-time.

### Universal Empowerment Scholarship Eligibility

Laws 2022, Chapter 388 expanded eligibility for the Empowerment Scholarship Account program to include any student who is a resident of Arizona and who is eligible to enroll in a public school. The enacted FY 2023 budget did not include any adjustments to Basic State Aid funding to account for universal ESAs program, as the program was enacted in separate legislation (Chapter 388).

As of June 2023, ADE reported that total approved ESA enrollment for FY 2024 (including both universal and original) reached 61,095. The department further estimates total ESA enrollment will grow to 100,000 by the end of FY 2024. *(Please see Empowerment Scholarship Account Funding Report Background on the JLBC website for additional information on ADE's estimates).*

By comparison, the budget assumes total ESA enrollment reaches 68,380, including universal ESA enrollment of 52,500 in FY 2024. The 3-year spending plan assumes further increases in universal ESA enrollment to 57,400 in FY 2025, and 62,200 in FY 2026. Under these assumptions, we estimate that total General Fund spending on the universal ESA program would reach \$376,000,000 in FY 2024, \$421,000,000 in FY 2025, and \$465,000,000 in FY 2026. These amounts are in addition to expenditures on the original ESA program, which reached \$176,000,000 in FY 2022.

We consider both ADE's estimates and the enacted budget estimates to be highly speculative because the future participation rate of newly-eligible students is difficult to determine in advance. As a result, the actual impact on ESA program spending could be significantly higher or lower than is assumed in the budget. We estimate that the universe of eligible students includes the following 3 groups:

- 60,000 or more private school students. The National Center for Education Statistics reported that Arizona's private school enrollment reached 59,171 for FY 2020 (latest data available).
- 40,000 or more current homeschooled pupils. The Arizona Families for Home Education estimates that there are at least 38,000 homeschooled pupils in Arizona.
- 859,000 current public school students who did not meet the categorical eligibility criteria (e.g. special education eligibility, residing within the attendance

boundaries of a D or F school, etc.) prior to enactment of Chapter 388.

The budget assumes that approximately 49,500 of the estimated 52,500 universal ESA enrollees were already enrolled in private school or homeschool prior to universal ESA expansion, while the remaining 3,000 would be switchers from public school.

We expect the public school participation rate would be lower than existing private schoolers and homeschoolers, as public schoolers would have to change their current school and would potentially face out-of-pocket education expenses (tuition, tutoring, etc.) if the cost of their private school or homeschool exceeds the value of their ESA award. As well, private schools would face at least short-term capacity constraints in adding significant numbers of public school students to their facilities.

In addition, we estimate that the net impact to Basic State Aid from a pupil switching from a public school to the ESA program in FY 2024 is approximately \$500 due to partially offsetting savings from public school ADM declines. As a result, we expect most of the fiscal impact of universal ESAs to be associated with current private school and homeschool students.

**Endowment Earnings**

In FY 2022, endowment earnings from state trust lands funded \$430,496,900 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 2023, public schools will receive an estimated \$460,940,200 of expendable land trust monies from the State Land Department and State Treasurer combined. That total includes \$58,493,600 from the Land Department and \$402,446,600 from the State Treasurer. Under the budget, we estimate total endowment earnings will increase to \$482,740,600 in FY 2024 and \$504,917,200 in FY 2025. In FY 2026, earnings distributed would decrease to \$228,803,000 as a result of the expiration of the 4.4% factor in that year (see Table 5).

<u>Source</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Land Department	58.5	58.5	58.5	58.5	58.5
Treasurer	<u>372.0</u>	<u>402.4</u>	<u>424.2</u>	<u>446.4</u>	<u>170.3</u>
<b>Total</b>	<b>430.5</b>	<b>460.9</b>	<b>482.7</b>	<b>504.9</b>	<b>228.8</b>

<sup>1/</sup> Final year prior to Proposition 123.

Table 6 shows K-12 endowment earning uses. In FY 2024, the \$482,740,600 of expendable earnings includes \$342,797,300 for Basic State Aid and the remaining \$139,943,300 would be deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. Under the budget, the amount distributed for Basic State

Aid is \$356,938,900 in FY 2025 (increase of \$14,141,600 above FY 2024) and \$72,263,000 in FY 2026 (decrease of \$(284,675,900) compared with FY 2025) as a result of the expiration of the 4.4% factor from Proposition 123. A.R.S. § 37-521 stipulates that the distribution of endowment earnings from the 2.5% distribution may not exceed \$72,263,000.

The \$(284,675,900) decrease in endowment earnings distributions to Basic State Aid in FY 2026 would require a corresponding General Fund increase of the same amount under current state statute. Without a statutory change to the Basic State Aid formula, ADE would have no legal authority to reduce Basic State Aid allocations to account for the \$(284,675,900), meaning by default the General Fund would have to backfill the reduced endowment earnings distribution on a dollar-for-dollar basis.

The Legislature, however, could reduce or eliminate this backfill requirement by either 1) reauthorizing the current 6.9% distribution level via a legislatively-referred ballot measure to amend the state constitution or 2) offsetting the backfill with other adjustments in spending. Under Proposition 301, the Legislature would not be permitted to reduce either the Base Level or Transportation Support Level funding, as both amounts must be adjusted annually for inflation. As a result, the Legislature's main options within the funding formula would be reductions to District Additional Assistance or Charter Additional Assistance. The Legislature would also have the option of reducing or discontinuing the \$75,000,000 state aid supplement funding that was advance-appropriated in companion legislation with Proposition 123. (See *Proposition 123 Background on JLBC Website for more information*).

Source	2022	2023	2024	2025	2026
Basic State Aid	309.5	328.9	342.8	356.9	72.3
Classroom Site Fund	121.0	132.0	139.9	148.0	156.5
<b>Total</b>	<b>430.5</b>	<b>460.9</b>	<b>482.7</b>	<b>504.9</b>	<b>228.8</b>

**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 2025, 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.

The budgeted K-12 spending level constitutes approximately 43.4% of total state General Fund appropriations in FY 2024, 47.5% in FY 2025, and 49.7% in FY 2026. (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. Pursuant to House Concurrent Resolution 2039 in the 55<sup>th</sup> Legislature,

Second Regular Session, the Legislature authorized district expenditures of \$1,154,029,000 above the AEL for FY 2022.

For FY 2023, ADE has reported that budgeted district expenditures exceed the AEL by \$1,385,809,600. Pursuant to House Concurrent Resolution 2001 in the 56<sup>th</sup> Legislature, First Regular Session, the Legislature authorized district expenditures of \$1,385,809,600 above the AEL for FY 2023. In addition, the Legislature pre-emptively authorized districts to exceed the AEL in FY 2024 pursuant to Senate Concurrent Resolution 1041 in the 56<sup>th</sup> Legislature, First Regular Session.

A permanent increase in the AEL would require a voter-approved change to the State Constitution.

**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 were redirected to ADE for the costs of Basic State Aid. All other distributions remain unchanged.

Table 7 shows how education sales tax revenues are earmarked in FY 2024. 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 \$815,542,600 (69.3%) of the \$1,176,353,900 of estimated collections for FY 2024.

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 2023 are \$1,072,539,500.

Table 7

EDUCATION SALES TAX REVENUES		Education Sales Tax Monies (FY 2024 Estimate) (\$ in Millions)
Recipient	Amount	Comment
Universities	133.5	Receive 12% of monies remaining after Basic State Aid distribution is deducted.
Community Colleges	33.4	Receive 3% of monies after BSA distribution.
Tribal Colleges	1.3	Same formula as for community colleges.
DOR Tax System	0.8	
Income Tax Credit	25.0	For income tax credit authorized by A.R.S. § 43.1072.01.
<b>Subtotal - Non-ADE Programs</b>	<b>\$194.0</b>	
Basic State Aid Distribution	\$64.1	
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	815.5	Receives all monies remaining after other distributions are made.
<b>Subtotal - ADE Programs</b>	<b>\$982.4</b>	
<b>Total - Education Sales Tax</b>	<b>\$1,176.4</b>	
<b>CLASSROOM SITE FUND REVENUES (ALL SOURCES)</b>		
Education Sales Tax (from above)	815.5	
Prop 301/CSF - Land Trust	139.9	
Prop 301/CSF - Carry-Forward	117.1	
<b>Total - Classroom Site Fund</b>	<b>\$1,072.5 <sup>1/</sup></b>	

<sup>1/</sup> Total estimated disbursements reported for FY 2024 in JLBC's Classroom Site Fund memo from March 2023. Amounts may not add due to rounding.

### **Basic State Aid Formula Description**

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

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

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

If the district's combined QTR 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.