

Department of Education

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	202.9	229.9	232.9
Personal Services	4,273,300	5,261,100	5,261,100
Employee Related Expenditures	1,532,900	1,845,100	1,845,100
Professional and Outside Services	963,800	1,057,500	1,057,500
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	2,858,200
Equipment	13,500	8,500	8,500
OPERATING SUBTOTAL	9,607,500	11,081,500	11,081,500 ^{2/3/10/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	5,386,065,800	6,517,782,700	7,010,233,200 ^{4/-10/}
State Aid Supplement	75,000,000	75,000,000	75,000,000 ^{11/}
Results-Based Funding	0	68,600,000	68,600,000 ^{12/}
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	946,524,800 ^{13/}
Instructional Improvement Fund	42,492,800	60,425,700	60,425,700 ^{14/}
Property Tax Relief			
Additional State Aid	343,499,100	510,093,700	509,801,100
Non-Formula Programs			
Accountability and Achievement Testing	17,906,700	20,442,300	16,442,300 ^{15/16/}
Adult Education	4,869,200	21,519,100	24,849,100 ^{17/}
Adult Education and Workforce Development Administration	0	250,000	0
Alternative Teacher Development Program	500,000	500,000	1,000,000
Arizona Empowerment Scholarship Account Administration	2,176,400	4,551,600	4,551,600
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
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 ^{18/-20/}
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{21/}
Early Literacy	12,000,000	12,000,000	18,880,000 ^{22/}
Education Learning and Accountability System	5,362,000	5,447,100	5,447,100
English Learner Administration	6,516,800	6,597,100	6,597,100 ^{23/}
Foster Home Youth Transitional Housing	0	10,000,000	0
Geographic Literacy	100,000	100,000	100,000 ^{24/}
Gifted Assessments	340,600	850,000	850,000
Invest in Postsecondary Success Program Fund Deposit	0	1,000,000	0
Jobs for Arizona Graduates	100,000	100,000	500,000 ^{25/}
Office of Indian Education	0	5,000,000	0
Onetime Electronic Incident Prevention Programs	0	150,000	0
School Safety Program	11,016,500	81,992,600	81,992,600 ^{26/27/}

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
State Block Grant for Vocational Education	11,521,700	11,774,700	11,774,700
Student Level Data Access	221,200	357,900	357,900
Teacher Certification	1,351,000	2,554,500	2,554,500
Teacher Professional Development Pilot	57,400	0	0
Tribal College Dual Enrollment Program	124,500	325,000	325,000
AGENCY TOTAL	6,909,583,800	8,429,831,700	8,912,599,600 ^{28/-31/}
FUND SOURCES			
General Fund	5,443,551,900	6,923,894,300	7,393,633,100
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	221,200	357,900	357,900
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	341,924,700
Teacher Certification Fund	1,211,400	2,527,900	2,527,900
Tribal College Dual Enrollment Program Fund	124,500	325,000	325,000
SUBTOTAL - Other Appropriated Funds	314,565,300	339,106,400	352,135,500
SUBTOTAL - Appropriated Funds	5,758,117,200	7,263,000,700	7,745,768,600
<u>Expenditure Authority Funds</u>			
Classroom Site Fund	962,508,400	946,524,800	946,524,800
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	1,166,831,000
SUBTOTAL - Appropriated/Expenditure Authority Funds	6,909,583,800	8,429,831,700	8,912,599,600
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
TOTAL - ALL SOURCES	9,379,766,800	10,913,059,800	11,395,827,700

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. ADE currently oversees 236 school districts, accommodation districts and Career Technological Education Districts and 435 charter schools in their provision of public education from preschool through grade 12.

FOOTNOTES

- 1/ Includes 142.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2024.
- D/ ~~The operating lump sum appropriation includes \$683,900 and 8.5 FTE positions for average daily membership auditing and \$200,000 and 2 FTE positions for information technology security services. (General Appropriation Act footnote)~~
- D/ ~~The amount appropriated for the department of education's operating budget includes \$500,000 for technical assistance and state level administration of the K-3 reading program established pursuant to section 15-211, Arizona Revised Statutes. (General Appropriation Act footnote)~~
- 2/ 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)
- 3/ 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)
- 4/ Laws 2022, Chapter 313 appropriated \$800,727,700 from the General fund for the K-12 rollover.
 - 5/ 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 \$341,924,700 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)
 - 6/ 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)
 - 7/ 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)
 - 8/ 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)
 - 9/ 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.
 - 10/ 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.
 - 11/ Laws 2015, 1st Special Session, Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 from the General Fund for school districts and charter schools.
 - 12/ Notwithstanding section 15-901.03, Arizona Revised Statutes, the superintendent of public instruction may transfer \$5,000,000 from the state general fund appropriation for basic state aid for fiscal year 2022-2023 to the results-based funding program for fiscal year 2022-2023 without review by the joint legislative budget committee. Any amount transferred to the results-based funding program under this section that exceeds the amount needed to address a funding shortfall for the results-based funding program for fiscal year 2022-2023 reverts to the state general fund on June 30, 2023. (General Appropriation Act footnote)
 - 13/ 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)
 - 14/ 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)
 - 15/ 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)
 - 16/ 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)
 - 17/ The appropriated amount for adult education includes \$7,700,000 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)
 - 18/ Monies appropriated for CTED completion grants are intended to help fund program completion for students who complete at least fifty percent of a career technical education program before graduating from high school and who successfully complete the career technical education district program after graduating from high school. The application procedures shall award grant funding only after an eligible student has successfully completed a career technical education district program. (General Appropriation Act footnote)

- 19/ If the appropriated amount for CTED completion grants is insufficient to fund all grant requests from career technical education districts, the department of education shall reduce grant amounts on a proportional basis in order to cap total statewide allocations at \$1,000,000. (General Appropriation Act footnote)
- 20/ The appropriated amount for CTED completion grants is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2025. (General Appropriation Act footnote)
- 21/ The department of education shall distribute the appropriated amount for CTED soft capital and equipment to career technical education districts with fewer than two thousand average daily membership pupils for soft capital and equipment expenses. The appropriated amount shall be allocated on a pro rata basis based on the average daily membership of eligible career technical education districts. (General Appropriation Act footnote)
- 22/ **NEW:** 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, and science of reading exams, the department of education shall submit an expenditure plan to the joint legislative budget committee for its review. (General Appropriation Act footnote)
- 23/ 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)
- 24/ 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)
- 25/ 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)
- 26/ The amount appropriated for the school safety program IN STATE FISCAL YEAR 2022-2023 ~~includes~~-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 ~~new~~ 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 section 15-154, Arizona Revised Statutes. (General Appropriation Act footnote)
- 27/ 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)
- 28/ 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)
- 29/ 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)
- 30/ 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)
- 31/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
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Table 1
FY 2024 Basic State Aid Formula Summary (estimated)

General Fund	
FY 2023 Appropriation	\$6,038,506,600
Enrollment Growth	402,495,100
2.0% Inflator	157,690,700
Property Taxes from New Construction	(44,585,300)
Endowment Earnings	(13,029,100)
Rollover Payoff	(65,000,000)
DAA/CAA Increase	29,000,000
FRPL Weight	13,000,000
Veterans Property Tax Exemption	(150,000)
FY 2024 Baseline	\$6,517,928,000
Permanent State School Fund	
FY 2023 Appropriation	\$ 328,895,600
Estimated FY 2024 Growth	<u>13,029,100</u>
FY 2024 Baseline	\$ 341,924,700
Education Sales Tax	
FY 2024 Baseline	\$ 150,380,500
Local Property Taxes ¹	
FY 2024 Baseline - estimated	<u>\$2,578,193,800</u>
Grand Total (all sources)	\$9,588,427,000

^{1/} Non-appropriated, so excluded from appropriated totals.

Summary

ADE’s FY 2024 General Fund spending increases by \$469,738,800, or 6.8% above the FY 2023 appropriation. The Baseline includes the following funding changes:

Standard Formula Adjustments

- An increase of \$402,495,100 for enrollment growth of 11,488 pupils (1.0% above FY 2023).
- An increase of \$157,690,700 for a 2.0% inflator.
- A decrease of \$(44,585,300) for local property tax growth due to new construction
- Increased Homeowner’s Rebate expenses of \$557,400.
- A decrease of \$(13,029,100) to offset higher available endowment earnings under Proposition 123.

Other Adjustments

The Baseline also includes other adjustments in accordance with the 3-year spending plan associated with the enacted FY 2023 budget:

- 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.
- 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 \$3,100,000 for literacy coaches.

- An increase of \$3,080,000 for adult education.
- An increase of \$1,500,000 for a kindergarten entry assessment.
- An increase of \$1,280,000 for dyslexia screening.
- An increase of \$1,000,000 for a science of reading exam.
- An increase of \$1,000,000 for CTED certification exam fee reimbursement.
- A decrease of \$(1,000,000) for a veterans property tax exemption.
- An increase of \$500,000 for the Alternative Teacher Development Program.
- An increase of \$400,000 for the Jobs for Arizona Graduates program.
- A decrease of \$(86,250,000) to remove other funding from the FY 2023 budget that was designated as one-time.

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$309,301,300 in FY 2025 above FY 2024 and \$544,907,200 in FY 2026 above FY 2025. (See *Other Issues for more information.*)

Operating Budget

The Baseline includes \$11,081,500 and 55.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	FY 2024
General Fund	\$9,228,600
Teacher Certification Fund	152,900
Education Sales Tax - Failing Schools	
Tutoring Fund	1,500,000
Education Sales Tax - Character Education	200,000

These amounts are unchanged from FY 2023.

Formula Programs

Basic State Aid

The Baseline includes \$7,010,233,200 in FY 2024 for Basic State Aid. This amount consists of:

General Fund	6,517,928,000
Permanent State School Fund	341,924,700
Education Sales Tax - Basic State Aid	150,380,500

The \$7,010,233,200 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:

Enrollment Growth

The Baseline includes an increase of \$402,495,100 from the General Fund in FY 2024 for enrollment growth. The \$402,495,100 increase consists of:

- An increase of \$424,987,600 for enrollment growth in the ESA program. The enacted budget assumed that enrollment in the ESA program would reach 13,200 in FY 2023 and did not include any enrollment increases in the program associated with universal ESA eligibility, which was enacted as part of separate legislation outside of the budget (Laws 2022, Chapter 388.) We assume that final enrollment in the Universal ESA program reaches 42,700 in FY 2023 and 52,500 in FY 2024. Under the above assumptions, total ESA enrollment (including participants in the original program) would increase to 68,380 in FY 2024, or an increase of 55,180 above the enacted FY 2023 budget. (See *Universal Empowerment Scholarship Eligibility in Other Issues for more information on ESA enrollment projections*).
- A decrease of \$(22,492,500) for lower public school enrollment than projected in the FY 2023 budget. The enacted budget assumed public school Average Daily Membership would reach 1,106,238, or an increase of 0.9% above final FY 2022 ADM. Based on preliminary enrollment information from ADE, the Baseline assumes that FY 2023 public school enrollment will instead be 1,101,685, or only 0.5% higher than final FY 2022 ADM. The Baseline further assumes that public school enrollment reaches 1,101,705 in FY 2024, or flat in comparison to FY 2023. While public school enrollment would be flat in aggregate, district enrollment is assumed to decline by (1.0)%, while charters would grow by 4.0% based on recent trends.

Total enrollment across ESAs and public schools would reach an estimated 1,158,597 in FY 2023 (4.6% increase above FY 2022) and 1,170,085 in FY 2024 (1.0% increase

above FY 2023) (See *Table 2*). We estimate that the 4.6% enrollment growth in FY 2023 will result in ADE formula expenses exceeding the original FY 2023 General Fund Appropriation (See *Other Issues* for more information).

2.0% Inflation Adjustment

The Baseline 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 Baseline 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*).

Property Taxes from New Construction

The Baseline includes a decrease of \$(44,585,300) from the General Fund in FY 2024 due to a 2.01% 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 \$44,585,300 in FY 2024. It also will decrease state costs by \$(44,585,300), since QTR revenues offset state formula costs on a dollar for dollar basis.

We estimate that statewide NAV for property already on the tax rolls (“existing property”) will increase by 2.98% in FY 2024, resulting in a net 4.99% NAV increase for new construction and existing property combined for FY 2024.

The 2.98% NAV increase for existing property will not affect net QTR collections in FY 2024 because A.R.S. § 41-

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	875,114	226,571	1,101,685	14,212	42,700	56,912	1,158,597	51,002	4.6%
2024 est	866,154	235,551	1,101,705	15,880	52,500	68,380	1,170,085	11,488	1.0%
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%

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 \$3.3274 (from \$3.4266 currently) in FY 2024 to offset the estimated 2.98% NAV increase for existing property (see Table 3).

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

TNT Tax Rates			
Tax Rate	FY 2023	FY 2024	
Qualifying Tax Rate (QTR)			
• High School districts and elementary districts located within a high school district	\$1.7133	\$1.6637	
• Unified districts and elementary districts not located within a high school district	\$3.4266	\$3.3274	

Veterans Property Tax Exemption

The Baseline 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 Baseline includes a decrease of \$(13,029,100) from the General Fund and an increase of \$13,029,100 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 \$341,924,700 for FY 2024, which would be \$13,029,100 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, 1st Special Session, Chapter 1 appropriates for Basic State Aid any increase in State Treasurer land trust distributions from the new 4.4% distribution starting in FY 2016. (See Other Issues section on Endowment Earnings and Proposition 123 Background on JLBC website for more information).

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>269,661,700</u>	<u>13,029,100</u>
Total	\$328,895,600	\$341,924,700	\$13,029,100

^{1/} These earnings also fund the Classroom Site Fund (see Table 8).

Rollover

The Baseline 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 Baseline would continue the ongoing \$800,727,700 rollover amount in FY 2024. The FY 2024 General Appropriation Act would advance appropriate \$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 Baseline includes an increase of \$29,000,000 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. The DAA allocation is \$23,122,000 while the CAA allocation is \$5,878,000. Based on current DAA/CAA enrollment, these allocations are sufficient for an average increase in Additional Assistance funding of \$26 per pupil for both districts and charter schools. These monies were advance-appropriated in Section 127 of the FY 2023 General Appropriation Act, and therefore will 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 Baseline 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 will 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.

State Aid Supplement

The Baseline 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, 1st Special Session Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 for State Aid Supplement funding. The monies are distributed to districts and charter schools based on weight student counts, adjustments 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 Baseline includes \$68,600,000 from the General Fund in FY 2024 for Results-Based Funding. This amount is unchanged from FY 2023.

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

The Baseline continues session law provisions from the FY 2023 K-12 Education bill (Laws 2022, Chapter 317) establishing Results-Based Funding per pupil funding levels and eligibility, including:

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

These session law provisions continue to notwithstanding A.R.S. § 15-249.08 in FY 2024, which would otherwise make schools eligible for program funding in FY 2024 if they had a letter designation of A in the prior fiscal year (FY 2023) under the State Board of Education's A-F performance rating system pursuant to A.R.S. § 15-241. The State Board of Education will not determine letter grades for FY 2023 until November 1, 2023. As a result, the cost of the statutory formula for FY 2024 is unknown.

The Baseline continues to include a General Appropriation Act Footnote to allow the Superintendent of Public Instruction to transfer up to \$5,000,000 from the state General Fund appropriation for Basic State Aid for FY 2024 to this program, if needed, without JLBC review, to address any FY 2023 shortfalls.

Special Education Fund

The Baseline 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.

Other State Aid to Districts

The Baseline 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 Baseline includes \$946,524,800 in FY 2024 from Classroom Site Fund (CSF) expenditure authority for the Classroom Site Fund. This amount is unchanged from FY 2023.

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. The amount in this line item will be updated when the JLBC Staff calculates the FY 2024 CSF per pupil amount on March 30, 2023 pursuant to A.R.S. § 15-977G1.

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

Instructional Improvement Fund

The Baseline includes \$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 Baseline includes \$509,801,100 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 Baseline 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 Baseline 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 Baseline 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 Baseline includes an increase of \$12,235,800 from the General Fund in FY 2024 for increased Additional State Aid costs associated with new home construction. The \$12,235,800 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 Baseline includes \$16,442,300 and 24.4 FTE Positions in FY 2024 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,442,300
Education Sales Tax - Accountability	7,000,000

Adjustments are as follows:

Remove One-Time Funding

The Baseline 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.

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). The costs of administering the AZELLA exam, however, are funded in the English Learner Administration line item.

Adult Education

The Baseline includes \$24,849,100 and 4 FTE Positions from the General Fund in FY 2024 for Adult Education. Adjustments are as follows:

Increase Continuing High School Program Enrollment

The Baseline includes an increase of \$3,080,000 from the General Fund in FY 2024 to fund an additional 400 enrollees in the Continuing High School and Workforce Training program. Pursuant to A.R.S. § 15-217.01, the total number of students authorized to be served by the program will increase from 600 in FY 2023 to 1,000 in FY 2024. Given the \$7,700 per student statutory funding level, the additional 400 enrollees will generate additional costs of \$3,080,000 in FY 2024 above FY 2023. The 3-year spending plan associated with the enacted FY 2023 budget included funding for the enrollment increase.

Administrative Funding Transfer

The Baseline 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.

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 Baseline would continue a General Appropriation Act footnote that stipulates minimum allocations to specific Adult Education programs:

- \$7,700,000 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. No more than 1,000 students may participate in the program in FY 2024.
- \$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 Baseline includes no funding in FY 2024 for Adult Education and Workforce Development Administration. Adjustments are as follows:

Administrative Funding Transfer

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

Increased Funding

The Baseline includes an increase of \$500,000 from the General Fund in FY 2024 for the Alternative Teacher Development 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.

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 are distributed to the Teach for America program.

Arizona Empowerment Scholarship Account Administration

The Baseline includes \$4,551,600 and 52 FTE Positions from the General Fund in FY 2024 for Arizona Empowerment Scholarship Account Administration. These amounts are unchanged from FY 2023.

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 English Language Learner Fund

The Baseline 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.

Childhood Trauma Awareness and Prevention Training Grants

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

Remove One-Time Funding

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

Remove One-Time Funding

The Baseline 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 Baseline 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 2022, ADE reports that districts and charter schools qualified for \$6,257,900 in program awards. This amount includes \$5,201,700 for awards for 17,339 exams passed in schools with less than 50% FRPL-eligibility (\$300 per exam) and \$1,056,200 for 2,352 exams passed in schools with 50% or more FRPL-eligibility (\$450 per exam). Given that the \$6,257,900 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 Baseline 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 Baseline 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 Baseline includes \$1,000,000 from the General Fund in FY 2024 for CTED Certification Exam Fee Reimbursement. Adjustments are as follows:

Increase Funding

The Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline continues this footnote for FY 2024.

Early Literacy

The Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline would add a new footnote that requires ADE to submit an expenditure plan for review 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 Baseline includes \$5,447,100 and 24.2 FTE Positions from the General Fund in FY 2024 for the Education Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2023.

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 Baseline includes \$6,597,100 and 13.5 FTE Positions from the General Fund in FY 2024 for English Learner Administration. These amounts are unchanged from FY 2023.

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.*)

Foster Home Youth Transitional Housing

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

Remove One-Time Funding

The Baseline 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 Baseline 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 Baseline 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 2nd graders in Arizona public schools at no charge.

Invest in Postsecondary Success Program Fund Deposit

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

Remove One-Time Funding

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

Increased Funding

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

Office of Indian Education

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

Remove One-Time Funding

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

Remove One-Time Funding

The Baseline 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.

School Safety Program

The Baseline includes \$81,992,600 and 4 FTE Positions in FY 2024 for the School Safety program. These amounts consist of:

General Fund	74,192,600
Education Sales Tax - School Safety	7,800,000

These amounts are unchanged from FY 2023.

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, 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.

As of October 2022, ADE reports that school safety grants are funding a total of 613 positions at 676 school sites (some positions serve multiple sites), including 309 school counselors, 169 social workers, 133 SROs, and 2 juvenile probation officers. These positions are currently funded by the state monies in this line item as well as one-time federal pandemic funds allocated by ADE. The department received SBE's approval in October 2022 to open the grant to currently non-participating schools beginning January 2023. The department is also opening the grant cycle for currently participating schools to receive a 3-year extension on their existing grants beginning in FY 2024.

State Block Grant for Vocational Education

The Baseline includes \$11,774,700 and 27 FTE Positions from the General Fund in FY 2024 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2023.

Background – The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. ADE also receives federal funding each year for CTE programs pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006, most of which is passed on to local CTE programs. For FY 2022, the department will receive an estimated \$32,635,500 in Perkins funding. Perkins funding is subject to a federal maintenance-of-effort (MOE) provision that requires a state to continue to spend at least as much on CTE in a given fiscal year as it did in the prior fiscal year.

Student Level Data Access

The Baseline includes \$357,900 from the Department of Education Empowerment Scholarship Account Fund in FY

2024 for Student Level Data Access. This amount is unchanged from FY 2023.

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 Baseline includes \$2,554,500 and 22.9 FTE Positions in FY 2024 for Teacher Certification. These amounts consist of:

General Fund	179,500
Teacher Certification Fund	2,375,000

These amounts are unchanged from FY 2023.

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.

Tribal College Dual Enrollment Program

The Baseline 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.

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 Baseline includes a supplemental appropriation of \$200,000,000 from the General Fund in FY 2023 for higher-than-budgeted K-12 formula expenses. This amount consists of:

- An increase of \$274,063,300 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 Baseline assumes that total ESA program expenses (original and universal) reach \$474,231,400 in FY 2023 (an increase of \$274,063,300 in comparison to the \$200,168,100 originally budgeted) based on an estimated 56,912 ESA program enrollees by the end of FY 2023, including 42,700 enrollees in the universal ESA program. (*See Universal Empowerment Scholarship Eligibility Other Issues section for additional information*).
- A decrease of \$(57,784,900) 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 November FY 2022, actual public school ADM is only 1,097,263, or 0.1% above FY 2022. We assume that final FY 2023 ADM will only be 1,101,685, or 0.5% 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.

The actual amount of the supplemental could be higher or lower depending on how actual ESA and public school enrollment compare to the assumptions outlined above.

Statutory Changes

The Baseline would:

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.
- As permanent law, allocate \$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 permanent law, allocate \$23,122,000 to increase District Additional Assistance (DAA) per pupil formula allocations.
- As permanent law, allocate \$5,878,000 to increase Charter Additional Assistance (CAA) per pupil formula allocations.
- 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.

Results-Based Funding

- As session law, continue to notwithstanding A.R.S. § 15-249.08 to fund Results-Based Funding in FY 2024 as follows:
 - \$225 per pupil to schools with statewide assessment scores in the top 13% statewide
 - \$225 per pupil to schools with statewide assessment scores between the top 13% and 27% among schools with at least 60% FRPL-eligibility
 - \$400 per pupil to schools with statewide assessment scores in the top 13% among schools with at least 60% FRPL-eligibility
 - \$400 per pupil for alternative schools in the top 27% among schools with at least 60% FRPL-eligibility.

Other

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

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$309,301,300 in FY 2025 above FY 2024 and \$544,907,200 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 \$(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).

The Baseline assumes that enrollment in the universal ESA program will reach 42,700 by the end of FY 2023. By comparison, as of December 2022, ADE reported that it had made disbursements to approximately 29,400 ESA accounts and that an additional 900 individuals applied and were either awaiting disbursement or having their applications reviewed. Statute permits individuals to apply for enrollment in the ESA program at any point during the year.

We further expect universal ESA enrollment would increase to 52,500 in FY 2024, 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 \$256,000,000 in FY 2023, \$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 our 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 our estimates. 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.

We expect that most of the growth in universal ESA participation will likely occur among current private school and home school students because they have already decided to opt out of the public school system and would be likely to receive a financial gain from ESA program participation.

There could be additional ESA participation among the newly-eligible 859,000 public schoolers, but we would expect their 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 Baseline, we estimate total endowment earnings will increase to \$481,372,200 in FY 2024 and \$502,095,300 in FY 2025. In FY 2026, earnings distributed would decrease to \$227,228,100 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>422.9</u>	<u>443.6</u>	<u>168.7</u>
Total	430.5	460.9	481.4	502.1	227.2

1/ Final year prior to Proposition 123.

Table 6 shows K-12 endowment earning uses. In FY 2024, the \$481,372,200 of expendable earnings would include \$341,924,700 for Basic State Aid and the remaining \$139,447,500 would be deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. Under the Baseline, the amount distributed for Basic State Aid would be \$355,139,400 in FY 2025 (increase of \$13,214,700 above FY 2024) and \$72,263,000 in FY 2026 (decrease of \$(282,876,400) 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 \$(282,876,400) 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 \$(282,876,400), 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*).

Table 6
Use of K-12 Endowment Earnings by Fiscal Year
(\$ in Millions)

Source	2022	2023	2024	2025	2026
Basic State Aid	309.5	328.9	341.9	355.1	72.3
Classroom Site Fund	<u>121.0</u>	<u>132.0</u>	<u>139.4</u>	<u>147.0</u>	<u>154.9</u>
Total	430.5	460.9	481.4	502.1	227.2

Proposition 123 Triggers

Economic Downturn

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

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

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

Lower Trust Fund Balance

The proposition:

- Allows the state to reduce the 6.9% distribution rate to no less than 2.5% for the following fiscal year if the 5-year average balance of the State Land Trust Permanent Fund fell below the average balance of the preceding 5 years.

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

K-12 Percent of Budget

Beginning in FY 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 Baseline K-12 spending level would constitute approximately 47.0% of total state General Fund appropriations in FY 2024, 47.4% 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, 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. To override the limit, the Legislature would need to adopt a concurrent resolution by March 1, 2023.

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

Table 7

**Education Sales Tax Monies
(FY 2023 Estimate)
(\$ in Millions)**

EDUCATION SALES TAX REVENUES

<u>Recipient</u>	<u>Amount</u>	<u>Comment</u>
Universities	123.3	Receive 12% of monies remaining after Basic State Aid distribution is deducted.
Community Colleges	30.8	Receive 3% of monies after BSA distribution.
Tribal Colleges	1.2	Same formula as for community colleges.
Income Tax Credit	<u>25.0</u>	For income tax credit authorized by A.R.S. § 43.1072.01.
Subtotal - Non-ADE Programs	\$180.4	
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	<u>744.3</u>	Receives all monies remaining after other distributions are made.
Subtotal - ADE Programs	\$911.1	
Total - Prop 301 Sales Tax	\$1,091.5	
CLASSROOM SITE FUND REVENUES (ALL SOURCES)		
Education Sales Tax (from above)	744.3	
Prop 301/CSF - Land Trust	128.5	
Prop 301/CSF - Carry-Forward	<u>123.3</u>	
Total - Classroom Site Fund	\$996.3 ^{1/}	

^{1/} Total estimated disbursements reported for FY 2023 in JLBC's Classroom Site Fund memo from March 2022. Amounts may not add due to rounding.

Table 7 shows how education sales tax revenues are earmarked in FY 2023. 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 \$744,264,700 (68.2%) of the \$1,091,495,300 of estimated collections for FY 2022

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 \$996,341,900

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.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Adult Workforce Diploma Program Fund (EDA1125/A.R.S. § 15-217.02)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and other donations.		
Purpose of Fund: To pay approved program providers in the Adult Workforce Diploma Program pursuant to A.R.S. § 15-217.02E. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
American Civics Education Fund (EDA2612/Laws 2018, Chapter 289)		Non-Appropriated
Source of Revenue: Legislative appropriations and other monies transferred into the fund. Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund to this fund for the program in FY 2020.		
Purpose of Fund: To fund the American Civics Education pilot program established by Laws 2018, Chapter 289. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	276,400	138,200
Arizona Agricultural Youth Organization Special Plate Fund (EDA2651/A.R.S. § 15-791)		Non-Appropriated
Source of Revenue: A deposit of \$17 of each \$25 original and annual renewal Arizona agricultural youth organization special plate fee, and interest earnings. The remaining \$8 is deposited to the State Highway Fund for special plate administration.		
Purpose of Fund: To issue Arizona agricultural youth organization special plates. ADOT is to annually deposit these monies, excluding administrative fees, into the Arizona Agricultural Youth Organization Special Plate Fund for disbursement by the State Board of Education acting as the State Board for Vocational and Technological Education.		
Funds Expended	170,200	170,200
Year-End Fund Balance	0	2,300
Arizona English Language Learner Fund (EDA2535/A.R.S. § 15-756.04)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,832,800	1,348,100
Arizona Industry Credentials Incentive Fund (EDA2685/A.R.S. § 15-249.15)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide incentive awards to school districts, charter schools, and career technical education districts for high school graduates who obtain a certification, credential, or license that is accepted by a vocation or industry through a career technical education course or program. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	6,634,400	3,600,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Arizona Youth Farm Loan Fund (EDA2136/A.R.S. § 15-1172)		Non-Appropriated
Source of Revenue: The investment of trust funds held by the United States as trustee for the Arizona Rural Rehabilitation Corporation.		
Purpose of Fund: To furnish financial assistance to deserving young persons, under 25 years of age, who are students or former students of vocational education or to young farmers in organized vocational agriculture classes who are interested in becoming established in farming. The financial assistance is provided as guaranteed loans for those who cannot obtain financing elsewhere.		
Funds Expended	0	0
Year-End Fund Balance	172,800	173,800
Assistance for Education Fund (EDA2420/A.R.S. § 15-973.01)		Non-Appropriated
Source of Revenue: State income tax refunds that are donated to the fund via a check-off box on state income tax forms pursuant to A.R.S. § 43-617.		
Purpose of Fund: To fund solutions teams assigned to schools pursuant to A.R.S. § 15-241.02.		
Funds Expended	47,100	47,100
Year-End Fund Balance	0	900
Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)		Non-Appropriated
Source of Revenue: Monies appropriated from the Automation Projects Fund.		
Purpose of Fund: To provide state matching monies for certified broadband connectivity construction projects for qualified applicants. Expenditures are not displayed to avoid double counting of the Automation Projects Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,228,600	625,300
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.		
Funds Expended	22,300	22,300
Year-End Fund Balance	0	600
Classroom Site Fund (EDA2471/A.R.S. § 15-977)		Expenditure Authority
Source of Revenue: A portion of the Education sales tax pursuant to A.R.S. § 42-5029.02A10 and Permanent State School Fund expendable earnings that exceed the FY 2001 level pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To provide additional funding for class size reduction, teacher compensation (including base pay and performance pay), assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, and student support services.		
Funds Expended	962,508,400	946,524,800
Year-End Fund Balance	156,525,200	100,000,000
College Credit by Examination Development Fund (EDA2641/A.R.S. § 15-249.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the Arizona Department of Education for the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06, but that are not distributed by the end of the fiscal year in which they are appropriated.		
Purpose of Fund: To help schools with 50%+ eligibility rates for free or reduced-price lunches develop and operate classes that offer qualifying examinations under the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,241,700	1,266,000

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Community College Adult Education Workforce Development Program Fund (EDA1124/A.R.S. § 15-217.03)		Non-Appropriated
Source of Revenue: Legislative appropriations and any other monies.		
Purpose of Fund: To provide up to \$3,000 per full-time equivalent student to each community college district participating in the Community College Adult Education Workforce Development Program. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Computer Science Professional Development Program Fund (EDA2635/A.R.S. § 15-249.12)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
Purpose of Fund: To fund computer science professional development for school districts and charter schools that do not currently provide high school computer science instruction. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,732,600	4,376,600
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid through FY 2020 pursuant to A.R.S. § 15-2402C. Laws 2020, Chapter 12 eliminated the Basic State Aid transfer to the fund beginning in FY 2021. As a result, the fund has received no new revenues since FY 2020.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. In addition, ADE previously transferred Basic State Aid (BSA) monies to the State Treasurer to fund the Treasurer's ESA administrative costs and students' ESA distributions. Non-appropriated monies in the fund are prior year carry-forward		
Funds Expended	221,200	357,900
Year-End Fund Balance	8,537,200	8,179,300
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Non-Appropriated
Source of Revenue: Prior year carry-forward from monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Department of Education Production Revolving Fund (EDA4211/A.R.S. § 15-237)		Non-Appropriated
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: To fund agency print shop expenditures.		
Funds Expended	796,700	1,068,600
Year-End Fund Balance	685,700	317,100
Department of Education Professional Development Revolving Fund (EDA2580/A.R.S. § 15-237.01)		Appropriated
Source of Revenue: Tuition paid for professional development, pursuant to A.R.S. § 15-237.01.		
Purpose of Fund: To offset the cost of providing professional development.		
Funds Expended	42,300	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Early Literacy Program Fund (EDA2181/A.R.S. § 15-249.09)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: Provide support to improve reading skills, literacy and proficiency for students in Grades K-3 in addition to monies received pursuant to A.R.S. § 15-211. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	258,400	884,200
Year-End Fund Balance	933,300	472,300
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities sponsored by donor organizations.		
Funds Expended	84,400	28,300
Year-End Fund Balance	9,100	30,800
Education Sales Tax - Accountability (EDA1114/A.R.S. § 42-5029.02A7)		Appropriated
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A7.		
Purpose of Fund: To fund school accountability. The entire \$7,000,000 typically is appropriated to the Accountability and Achievement Testing line item in the department's budget.		
Funds Expended	3,483,400	7,000,000
Year-End Fund Balance	11,467,700	5,760,700
Education Sales Tax - Basic State Aid (EDA1115/A.R.S. 42-5029.02A1 and A.R.S. § 42-5029.02A5)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A1 and A.R.S. § 42-5029.02A5.		
Purpose of Fund: For increased cost of basic state aid due to additional school days and teacher salary increases.		
Funds Expended	135,423,800	150,380,500
Year-End Fund Balance	14,956,700	14,956,700
Education Sales Tax - Character Education (EDA1117/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154.01)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
Purpose of Fund: To provide state matching grants to any public school that teaches a character education curriculum pursuant to A.R.S. § 15-719.		
Funds Expended	207,100	200,000
Year-End Fund Balance	236,800	201,100
Education Sales Tax - Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A8.		
Purpose of Fund: To fund tutoring for students who attend "failing" schools and to purchase materials designed to help students meet Arizona Academic Standards, pursuant to A.R.S. § 15-241.		
Funds Expended	830,800	1,500,000
Year-End Fund Balance	4,242,900	4,628,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Education Sales Tax - School Safety (EDA1116/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
Purpose of Fund: To provide grants to schools for the costs of placing school resource officers, juvenile probation officers, school counselors, and school social workers on school campuses.		
Funds Expended	10,003,700	7,800,000
Year-End Fund Balance	15,602,400	13,402,400
Extraordinary Special Education Needs (EDA2483/A.R.S. § 15-774)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide grants to school districts and charter schools with students receiving special education services that have incurred costs of at least the statewide per pupil funding average multiplied by 3. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,400,800	1,700,400
Federal Funds (EDA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	2,442,722,000	2,453,663,000
Year-End Fund Balance	0	2,944,900
Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	228,400	228,400
Year-End Fund Balance	0	1,600
Governor's Emergency Education Relief Fund (EDA2980/U.S. P.L. 116-136)		Federal Funds
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	9,331,500	8,100,000
Year-End Fund Balance	0	0
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	2,824,300	2,164,100
Year-End Fund Balance	5,085,500	5,626,400
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	10,273,600	10,237,200
Year-End Fund Balance	5,686,600	3,899,400

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Industry-Recognized Certification and Licensure Reimbursement Fund (EDA2780/A.R.S. § 15-1265)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and other donations.		
Purpose of Fund: To eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for students eligible for Free or Reduced-Price Lunches.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Expenditure Authority
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 15-979.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	42,492,800	60,425,700
Year-End Fund Balance	20,746,100	14,746,100
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	3,424,100	6,614,700
Year-End Fund Balance	1,843,000	954,900
Invest in Postsecondary Success Program Fund (EDA2196/A.R.S. § 15-249.18)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To administer the Invest in Postsecondary Success Program and for distributing monies to a contracted vendor that administers college match savings accounts. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Permanent State School Fund (EDA3138/A.R.S. § 37-521)		Appropriated
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, up to \$72,263,000 of expendable earnings in the fund are available for Basic State Aid. Expendable earnings beyond the \$72,263,000 are automatically deposited into the Classroom Site Fund pursuant to A.R.S. § 37-521B4, except that expendable earnings above \$72,263,000 that are attributable to Proposition 123 are instead used for Basic State Aid.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To support common schools.		
Funds Expended	309,482,500	328,895,600
Year-End Fund Balance	7,963,500	7,963,500
Results-Based Funding Fund (EDA2151/A.R.S. § 15-249.08)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: Provide additional funding to high performing schools under a formula prescribed in A.R.S. § 15-249.08. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	3,259,600	3,259,600

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Special Education Fund (EDA1009/A.R.S. § 15-1182)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	10,967,900	8,683,900
Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)		Appropriated
Source of Revenue: Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	1,211,400	2,527,900
Year-End Fund Balance	1,683,700	1,260,800
Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)		Appropriated
Source of Revenue: Unclaimed lottery prize monies pursuant to A.R.S. § 5-568, other monies appropriated by the Legislature and gifts, grants, devices and other contributions. Laws 2021, Chapter 404 allows \$325,000 of unclaimed lottery prize monies to be transferred to the fund annually.		
Purpose of Fund: To provide choice and access to higher education for high school students in this state by compensating tribal colleges for tuition and fees that are waived to allow high school students to attend classes at tribal colleges.		
Funds Expended	124,500	325,000
Year-End Fund Balance	672,800	672,800