

## Department of Education

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	229.9	232.9	232.9 <sup>1/</sup>
Personal Services	4,877,800	7,956,600	7,956,600
Employee Related Expenditures	1,793,500	3,039,400	3,039,400
Professional and Outside Services	401,100	11,201,900	1,456,900
Travel - In State	8,800	17,900	17,900
Travel - Out of State	15,500	25,500	25,500
Other Operating Expenditures	2,506,700	3,385,500	3,130,500
Equipment	43,100	0	0
<b>OPERATING SUBTOTAL</b>	<b>9,646,500</b>	<b>25,626,800</b>	<b>15,626,800 <sup>2/3/</sup></b>
<b>SPECIAL LINE ITEMS</b>			
<b>Formula Programs</b>			
Basic State Aid	6,710,668,900	7,091,644,500	7,368,194,200 <sup>4/-10/</sup>
Onetime State Aid Supplement	0	300,000,000	0
State Aid Supplement	75,000,000	75,000,000	75,000,000 <sup>11/</sup>
Results-Based Funding	68,600,000	0	0
Special Education Fund	36,029,200	36,029,200	36,029,200
Other State Aid to Districts	65,500	983,900	0
Classroom Site Fund	947,936,000	1,018,912,500	1,018,912,500 <sup>12/</sup>
Instructional Improvement Fund	41,482,700	80,425,700	80,425,700 <sup>13/</sup>
<b>Property Tax Relief</b>			
Additional State Aid	478,210,600	511,613,100	523,866,600
<b>Non-Formula Programs</b>			
Accountability and Achievement Testing	12,604,100	16,442,200	16,442,200 <sup>14/-16/</sup>
Adult Education	17,495,000	21,768,900	23,208,900 <sup>17/</sup>
Adult Education and Workforce Development Administration	250,100	0	0
Alternative Teacher Development Program	500,000	1,800,000	1,000,000
Arizona Civics Education and Leadership Development Program	0	300,000	0
Arizona Empowerment Scholarship Account Administration	4,390,300	0	0
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
Art Consumables	0	10,000,000	0
Broadband Expansion Fund Deposit	0	5,000,000	0
Center for High School Success	0	1,000,000	0
Code Writers Initiative Program	1,000,000	0	0
College Credit by Examination Incentive Program	7,472,100	7,472,100	7,472,100
College Placement Exam Fee Waiver	875,600	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	1,000,000	1,000,000
CTED Completion Grants	0	1,000,000	1,000,000 <sup>18/-20/</sup>
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 <sup>21/</sup>
Dual Enrollment Student Development Fund Deposit	0	15,000,000	0
Dual Enrollment Teacher Development Fund Deposit	0	500,000	0
Early Education and Career Exploration Program	0	5,000,000	0
Early Literacy	12,000,000	18,880,000	18,880,000
Education Learning and Accountability System	5,447,200	5,446,700	5,446,700
English Learner Administration	9,097,200	6,597,000	6,597,000 <sup>22/</sup>
Feminine Hygiene Products	0	2,000,000	0
Flagstaff Robotics Program	0	20,000	20,000
Foster Home Youth Transitional Housing	10,000,000	0	0

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
Geographic Literacy	100,000	100,000	100,000 <sup>23/</sup>
Gifted Assessments	404,000	850,000	850,000
Gila County Jail Education	0	10,000	0
Invest in Postsecondary Success Program Fund Deposit	1,000,000	0	0
Jobs for Arizona Graduates	100,000	500,000	500,000 <sup>24/</sup>
Juvenile Detention Centers	0	52,600	0
K-12 Transportation Formula Study	0	250,000	0
Live, Remote Instructional Courses	0	100,000	100,000
Nonprofit Education Initiatives	0	100,000	0
Nonprofit Low-Income Assistance	0	500,000	0
Office of Indian Education	56,100	0	0
Onetime Electronic Incident Prevention Programs	43,200	0	0
Phoenix Science Education Programs	0	2,500,000	0
Public School Campus Community Gardens	0	100,000	0
Public School Campus Trees	0	300,000	0
School Safety Program	34,198,000	81,992,400	81,992,400 <sup>25/26/</sup>
State Block Grant for Vocational Education	11,748,800	11,774,300	11,774,300
Student Level Data Access	357,800	359,000	359,000
Teacher Certification	1,756,200	2,544,600	2,544,600
Teacher Professional Development	0	3,000,000	0
<b>SPECIAL LINE ITEMS</b>			
Teacher Professional Development Pilot	37,300	0	0
Tribal College Dual Enrollment Program	110,500	325,000	325,000
Youth Summer Education Program	0	250,000	0
<b>AGENCY TOTAL</b>	<b>8,505,643,300</b>	<b>9,373,296,700</b>	<b>9,305,893,400 <sup>27/-30/</sup></b>
<b>FUND SOURCES</b>			
General Fund	7,002,099,600	7,761,079,000	7,679,442,600
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	357,800	359,000	359,000
Education Sales Tax - Accountability	1,661,700	7,000,000	7,000,000
Permanent State School Fund	328,895,600	342,797,300	357,030,400
Teacher Certification Fund	1,692,300	2,517,700	2,517,700
Tribal College Dual Enrollment Program Fund	110,500	325,000	325,000
SUBTOTAL - Other Appropriated Funds	332,717,900	352,999,000	367,232,100
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,334,817,500</b>	<b>8,114,078,000</b>	<b>8,046,674,700</b>
<u>Expenditure Authority Funds</u>			
Classroom Site Fund	947,936,000	1,018,912,500	1,018,912,500
Education Sales Tax - Basic State Aid	165,337,200	150,380,500	150,380,500
Education Sales Tax - Character Education	167,800	200,000	200,000
Education Sales Tax - Failing Schools Tutoring Fund	302,100	1,500,000	1,500,000
Education Sales Tax - School Safety	15,600,000	7,800,000	7,800,000
Instructional Improvement Fund	41,482,700	80,425,700	80,425,700
SUBTOTAL - Expenditure Authority Funds	1,170,825,800	1,259,218,700	1,259,218,700
<b>SUBTOTAL - Appropriated/Expenditure Authority Funds</b>	<b>8,505,643,300</b>	<b>9,373,296,700</b>	<b>9,305,893,400</b>
Other Non-Appropriated Funds	28,362,300	33,540,700	33,540,700
Federal Funds	2,420,796,800	2,628,730,900	2,628,730,900
<b>TOTAL - ALL SOURCES</b>	<b>10,954,802,400</b>	<b>12,035,568,300</b>	<b>11,968,165,000</b>

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

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**FOOTNOTES**

- 1/ Includes 90.6 GF and 34.4 OF FTE Positions funded from Special Line Items in FY 2025.
- 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 2023, Chapter 133 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 \$357,030,400 in expendable income derived from the permanent state school fund and from state trust lands pursuant to section 37-521, subsection B, Arizona Revised Statutes, for fiscal year 2024-2025. (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, 1<sup>st</sup> Special Session, Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 from the General Fund for school districts and charter schools.
- 12/ 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)
- 13/ 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)
- 14/ 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)
- 15/ 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)
- 16/ The department of education may use the appropriated amount for accountability and achievement testing in fiscal year 2024-2025 for costs of the English language proficiency assessments required by section 15-756.05, Arizona Revised Statutes.

- 17/ The appropriated amount for adult education includes \$6,160,000 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, 2026. (General Appropriation Act footnote)
- 21/ The department of education shall distribute the appropriated amount for CTED soft capital and equipment to career technical education districts with fewer than two thousand average daily membership pupils for soft capital and equipment expenses. The appropriated amount shall be allocated on a pro rata basis based on the average daily membership of eligible career technical education districts. (General Appropriation Act footnote)
- 22/ The department of education shall use the appropriated amount for English learner administration to provide English language acquisition services for the purposes of section 15-756.07, Arizona Revised Statutes, and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the department of education to school districts and charter schools for the purposes of title 15, chapter 7, article 3.1, Arizona Revised Statutes. The department may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of section 15-756.07, Arizona Revised Statutes. Notwithstanding section 41-192, Arizona Revised Statutes, the superintendent of public instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of Flores v. State of Arizona, No. CIV 92-596-TUC-RCC. (General Appropriation Act footnote)
- 23/ The department of education shall use the appropriated amount for geographic literacy to issue a grant to a statewide geographic alliance for strengthening geographic literacy in this state. (General Appropriation Act footnote)
- 24/ The department of education shall use the appropriated amount for jobs for Arizona graduates to issue a grant to a nonprofit organization for a JOBS for Arizona graduates program. (General Appropriation Act footnote)
- 25/ ~~The amount appropriated for the school safety program in fiscal year 2022-2023 pursuant to Laws 2022, chapter 313, section 31 included an increase of \$50,000,000 for additional school safety grants. In allocating the \$50,000,000 increase,~~ AMOUNT APPROPRIATED FOR THE SCHOOL SAFETY PROGRAM, the department of education shall first distribute monies to schools on the school safety program waiting list to receive grants for the costs of placing school resource officers on school campuses. The awarded grants may not supplant funding provided by local governments for school resource officers. ~~If the total cost of funding grants for school resource officer costs is less than \$50,000,000,~~ The department may allocate the remaining monies to grants to schools for the costs of placing school counselors and social workers on school campuses pursuant to section 15-154, Arizona Revised Statutes. (General Appropriation Act footnote)
- 26/ 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)
- 27/ After review by the joint legislative budget committee, in fiscal year 2024-2025, the department of education may use a portion of its fiscal year 2024-2025 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 2023-2024. (General Appropriation Act footnote)
- 28/ 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)
- 29/ 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)

**Summary**

ADE’s FY 2025 General Fund spending decreases by \$(81,636,400), or (1.1)% below the FY 2024 appropriation. The Baseline includes the following funding changes:

- A decrease of \$(36,962,900) for a Basic State Aid prior year rebase.
- An increase of \$15,551,500 for public school enrollment adjustments.
- An increase of \$121,298,300 for additional Empowerment Scholarship Account (ESA) awards.
- An increase of \$161,379,500 for a 2.0% inflator.
- A decrease of \$(51,624,600) for local property tax growth due to new construction
- A decrease of \$(14,233,100) to offset higher available endowment earnings under Proposition 123.
- Increased Homeowner’s Rebate expenses of \$12,253,500.
- An increase of \$37,000,000 to increase the Group B weight for students eligible for the federal Free and Reduced-Price Lunch (FRPL) program pursuant to section 128 of the FY 2023 General Appropriation Act.
- 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 128 of the FY 2023 General Appropriation Act.
- An increase of \$1,440,000 for Adult Education based on the 3-year spending plan associated with the enacted FY 2024 budget.
- A decrease of \$(356,738,600) to remove funding from FY 2024 designated as one-time.

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$488,024,000 in FY 2026 compared with FY 2025 and increase by \$175,439,500 in FY 2027 above FY 2026. (See Other Issues for more information.)

**Operating Budget**

The Baseline includes \$15,626,800 and 107.9 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	<b>FY 2025</b>
General Fund	\$13,774,200
Teacher Certification Fund	152,600
Education Sales Tax - Failing Schools	
Tutoring Fund	1,500,000

Education Sales Tax - Character Education 200,000

Adjustments are as follows:

**One-Time Funding**

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 to remove funding for a one-time increase to ADE's operating budget. A General Appropriation Act footnote stipulates that the \$10,000,000 is non-lapsing until June 30, 2026.

**Formula Programs**

**Basic State Aid**

The Baseline includes \$7,368,194,200 in FY 2025 for Basic State Aid. This amount consists of:

General Fund	6,860,783,300
Permanent State School Fund	357,030,400
Education Sales Tax - Basic State Aid	150,380,500

The \$7,368,194,300 total does not include local property taxes that will help fund K-12 formula costs for FY 2025, as they are non-appropriated (see Table 1).

Adjustments are as follows:

**Prior Year Base Adjustment**

The Baseline includes a decrease of \$(36,962,900) from the General Fund in FY 2025 for a prior year base adjustment. The enacted FY 2024 budget assumed that combined General Fund Basic State Aid formula expenses for school districts, charter schools, Empowerment Scholarship Accounts (ESAs), and other K-12 formula programs would reach \$6,598,466,700 in FY 2024.

**Table 1**  
**FY 2025 Basic State Aid Formula Summary (estimated)**

<u>Sources</u>	
General Fund	\$6,860,783,300
Permanent State School Fund	357,030,400
Education Sales Tax	150,380,500
Local Property Taxes <sup>1/</sup>	<u>2,642,147,600</u>
<b>Total</b>	<b>\$10,010,341,800</b>
<u>Uses</u>	
School District Equalization	7,055,883,100
Charter Equalization	2,121,614,600
Empowerment Scholarships	824,530,600
Other Formulas	<u>8,313,500</u>
<b>Total</b>	<b>\$10,010,341,800</b>

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

The \$6,598,466,700 cost assumed total public school Average Daily Membership (ADM) growth would be 0.4% in FY 2024. Through December 2023, ADE reports that actual public school ADM is (1.4)% below December of 2022 and (1.0)% below final FY 2023 ADM. Based on these data, we assume final FY 2024 ADM will be (1.0)% lower than final FY 2023 ADM.

The enacted FY 2024 budget also assumed total ESA program enrollment of 68,380 and awards of \$625,155,700. Through December, ADE reported that 70,012 pupils had received an ESA award disbursement in the second quarter. If all ESA pupils currently receiving an award continue to participate in the third and fourth quarters, their total annual awards would reach \$680,162,200. Based on mid-year program growth rates from FY 2023, we estimate that by the fourth quarter there will be 75,207 enrollees receiving an ESA award, which would result in final FY 2024 ESA awards of \$703,232,300.

With the above forecast adjustments, we estimate the total combined district/charter/ESA enrollment will generate savings of \$(36,962,900) in FY 2024 relative to the enacted budget. The estimated base adjustment is delineated by formula program in *Table 2*.

**Public School Enrollment Adjustments**

The Baseline includes an increase of \$15,551,500 from the General Fund in FY 2025 for public school enrollment adjustments. Based on year-to-date ADM data through December, we estimate that public school ADM for FY 2024 will be 1,086,074, or (1.0)% below June 2023 ADM. We assume there would be an additional decline of (0.4)% in FY 2025 compared with FY 2024, which would result in public school ADM of 1,082,095 in FY 2025, or a decrease of (3,979) in comparison with our June 2024 estimate. The declining enrollment still results in a net cost due to growth pupils qualifying for additional weighted funding via special education or English Language Learner programs.

The (0.4)% public school enrollment decline estimate is based on the following assumptions:

- We assume there would be a (0.1)% reduction in base public school enrollment due to demographic trends. The (0.1)% decline is consistent with the Arizona Office of Economic Opportunity medium-series population projections, which assume that Arizona's school-age population (ages 5-17) declines by (0.1)% in calendar year (CY) 2024.
- We assume an additional (0.3)% decline would be associated with students shifting their enrollment from public schools to the ESA program. As of this writing, ADE estimates that 40% of new entrants in the ESA program attended a public school in the prior year, but

the department has not published detailed data showing the number of switchers or their district/charter of origin.

Sources	FY 2024 Enacted	FY 2024 Revised	Change
General Fund	\$6,598,466,700	\$6,561,503,800	\$(36,962,900)
Permanent State School Fund	342,797,300	342,797,300	0
Education Sales Tax	150,380,500	150,380,500	0
Local Property Taxes	<u>2,590,507,100</u>	<u>2,583,947,400</u>	<u>(6,559,700)</u>
<b>Total</b>	<b>\$9,682,151,600</b>	<b>\$9,638,629,000</b>	<b>\$(43,522,600)</b>
<b>Uses</b>			
School District Equalization	6,951,918,000	6,916,863,800	(35,054,200)
Charter Equalization	2,094,366,100	2,010,143,300	(84,222,800)
Empowerment Scholarships	625,155,700	703,232,300	78,076,600
Other Formulas	<u>10,711,800</u>	<u>8,389,600</u>	<u>(2,322,200)</u>
<b>Total</b>	<b>\$9,682,151,600</b>	<b>\$9,638,629,000</b>	<b>\$(43,522,600)</b>

In FY 2024, however, the estimated public school enrollment decline of (1.0)% is (1.2)% below the 0.2% growth that we would have been anticipated based on OEO demographic projections, which may indicate that ESA switchers are impacting public school enrollment. We assume that public school enrollment changes would only be (0.3)% below broader demographic trends in FY 2025, as the number of switchers may be higher in FY 2024 since it is the first full year of the availability of universal ESAs (ADE opened universal ESA applications in late September of 2022).

**Empowerment Scholarship Account Growth**

The Baseline includes an increase of \$121,298,300 from the General Fund in FY 2025 for enrollment growth in the ESA program. Total ESA enrollment would increase to 82,452 in FY 2025, or an increase of 7,245 above our June 2024 estimate of 75,207. We estimate the 82,452 ESA enrollees would be eligible for total awards of \$824,530,600 in FY 2025.

Our 7,245 growth estimate assumes that switchers from public school would represent approximately 40% of ESA enrollment growth while the remaining 60% would be current private schoolers and homeschoolers. The 40% switcher assumption is based on ADE's analysis of previous public school attendance among new entrants into the ESA program in FY 2024.

Given that ESA enrollment growth would continue to include pupils who were not previously funded in a public school, we anticipate that the combined growth rate in the ESA program and public schools would exceed OEO's estimates of growth in the school-age population. As a result, our total K-12 enrollment growth estimate (including both ESAs and public schools) for FY 2025 is 0.3%, or 0.4% above OEO's estimate of a (0.1)% decline.

Under our assumptions, total enrollment across ESAs and public schools would reach an estimated 1,162,281 in FY 2024. In FY 2025, we assume a 0.3% increase from FY 2024, which would result in total K-12 enrollment of 1,164,547 in FY 2025 (See *Table 3*).

Fiscal Year	District	Charter	Public Subtotal	ESA	Grand Total	Change
2018	913,665	189,869	1,103,534	5,042	1,108,576	0.9%
2019	906,004	201,757	1,107,761	6,450	1,114,211	0.5%
2020	907,121	208,438	1,115,559	7,781	1,123,340	0.8%
2021	857,139	220,678	1,077,817	9,777	1,087,594	(3.2)%
2022	875,517	220,379	1,095,896	12,049	1,107,945	1.9%
2023	873,827	223,660	1,097,487	53,364	1,150,851	3.9%
2024 est	862,710	223,364	1,086,074	75,207	1,161,281	0.9%
2025 est	852,149	229,946	1,082,095	82,452	1,164,547	0.3%
2026 est	837,191	235,457	1,072,648	89,697	1,162,345	(0.2)%
2027 est	818,804	240,018	1,058,823	96,942	1,155,765	(0.6)%

### 2.0% Inflation Adjustment

The Baseline includes an increase of \$161,379,500 from the General Fund in FY 2025 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 2023, the current estimated increase in the GDP price deflator is 3.55%. 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 \$(51,624,600) from the General Fund in FY 2025 due to a 2.10% increase in statewide Net Assessed Value (NAV) from new construction. This will increase local property tax revenues from the K-12 “Qualifying Tax Rate” (QTR) by an estimated \$51,624,600 in FY 2025. It also will decrease state costs by \$(51,624,600), since QTR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls (“existing property”) will increase by an estimated 2.94% in FY 2025, resulting in a net 5.04% NAV increase for new construction and existing property combined for FY 2025.

The 2.94% NAV increase for existing property will not affect net QTR collections in FY 2025 because A.R.S. § 41-

1276 (the “Truth in Taxation” or “TNT” law) requires the QTR to be adjusted each year to offset NAV changes for existing properties. As a result, the QTR will decrease to \$3.2152 (from \$3.3098 currently) in FY 2025 to offset the estimated 2.94% NAV increase for existing property (see *Table 4*).

Tax Rate	FY 2024	FY 2025
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	\$1.6549	\$1.6076
• Unified districts and elementary districts not located within a high school district	\$3.3098	\$3.2152

### Endowment Earnings Growth

The Baseline includes a decrease of \$(14,233,100) from the General Fund and an increase of \$14,233,100 from the Permanent State School Fund in FY 2025 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 \$357,030,400 for FY 2025, which would be \$14,233,100 more than the \$342,797,300 total assumed for FY 2024 (see *Table 5*).

Source	FY 2024	FY 2025	Change
Original 2.5%	\$72,263,000	\$72,263,000	\$0
Prop 123 4.4%	270,534,300	284,767,400	14,233,100
<b>Total</b>	<b>\$342,797,300</b>	<b>\$357,030,400</b>	<b>\$14,233,100</b>

<sup>1/</sup> These earnings also fund the Classroom Site Fund (see *Table 7*).

A.R.S. § 37-521 caps the amount of K-12 endowment earnings that may be used for SFB debt service and Basic State Aid combined at the FY 2001 level of endowment earnings, which was \$72,263,000. All endowment earnings above \$72,263,000 go to the Classroom Site Fund established by A.R.S. § 15-977, except that Laws 2015, 1<sup>st</sup> Special Session, Chapter 1 appropriates for Basic State Aid any increase in State Treasurer land trust distributions from the new 4.4% distribution starting in FY 2016. (See *Other Issues section on Endowment Earnings and Proposition 123 Background on JLBC website for more information*).

### Rollover

The Baseline includes no net funding change to continue the ongoing \$800,727,700 rollover amount in FY 2025. The FY 2025 General Appropriations Act would advance appropriate \$800,727,700 from the General Fund in FY 2026 to fund the \$800,727,700 deferred obligation

from FY 2025 and would continue to exclude districts with less than 4,000 pupils from the rollover.

#### **Additional Assistance Formula Increase**

The Baseline includes an increase of \$29,000,000 from the General Fund in FY 2025 to increase the per pupil formula amounts for District Additional Assistance (DAA) and Charter Additional Assistance (CAA) in FY 2025, including:

- \$23,142,000 for DAA, which will result in an estimated 4.62% increase in the DAA per pupil amounts in FY 2025 above FY 2024.
- \$5,858,000 for CAA. Including the standard 2.0% inflation adjustment for CAA, the total increase in the CAA per pupil amounts is 3.19% in FY 2025.

The above increases were advance-appropriated in Section 128 of the FY 2023 General Appropriations Act and therefore will not appear in the FY 2025 General Appropriations Act.

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

The Baseline includes an increase of \$37,000,000 from the General Fund in FY 2025 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 \$70 in FY 2025. These monies were advanced appropriated in Section 128 of the FY 2023 General Appropriation Act, and therefore will not appear in the FY 2025 General Appropriation Act.

#### **Remove One-Time County Jail Education Increase**

The Baseline includes a decrease of \$(76,000) from the General Fund in FY 2025 to remove one-time funds that were used to suspend the 72% formula funding factor for county jail education programs in FY 2024 pursuant to section 19 of the FY 2024 K-12 BRB. Such programs will instead be funded at 100% for FY 2024. The 3-year spending plan associated with the enacted budget designates this increase as one-time.

#### **Funding Shift**

The Baseline includes an increase of \$983,900 from the General Fund in FY 2025 to consolidate funding for Other State Aid to Districts to the Basic State Aid line item. This shift would include \$880,200 for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

### **Onetime State Aid Supplement**

The Baseline includes no funding in FY 2025 for Onetime State Aid Supplement funding. Adjustments are as follows:

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

The Baseline includes a decrease of \$(300,000,000) from the General Fund in FY 2025 to remove funding for Onetime State Aid Supplement funding. A General Appropriation Act footnote stipulates that these monies shall be distributed to school districts and charter schools on a pro-rata basis using Group A weighted student counts, including nonresident attending students at school districts (same allocation as State Aid Supplement monies appropriated in conjunction with Proposition 123). Districts and charter schools may budget the monies for maintenance and operations or capital purposes. The 3-year spending plan associated with the enacted FY 2024 budget designates these monies as onetime.

### **State Aid Supplement**

The Baseline includes \$75,000,000 from the General Fund in FY 2025 for State Aid Supplement funding. This amount is unchanged from FY 2024.

Laws 2015, 1<sup>st</sup> Special Session Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 for State Aid Supplement funding. The monies are distributed to districts and charter schools based on weight student counts, adjusted for nonresident pupils attending district schools. The State Aid Supplement amounts for FY 2016 through FY 2025 do not appear in the General Appropriation Acts for those years, since they already were advance appropriated by Chapter 1.

The State Aid Supplement, in conjunction with Proposition 123, serves to provide additional funding for school districts and charter schools through FY 2025 as part of the state's resolution with plaintiffs in the *Cave Creek Unified School District V. Ducey* litigation (See the FY 2017 Appropriations Report).

### **Special Education Fund**

The Baseline includes \$36,029,200 and 2 FTE Positions from the General Fund in FY 2025 for the Special Education Fund Line Item. These amounts are unchanged from FY 2024.



*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 no funding from the General Fund in FY 2025 for Other State Aid to Districts. Adjustments are as follows:

#### **Funding Shift**

The Baseline includes a decrease of \$(983,900) from the General Fund in FY 2025 to shift funding for other state aid to districts to the Basic State Aid line item. This shift would include \$880,200 for Certificates of Educational Convenience pursuant to A.R.S. § 15-825 and \$103,700 for Assistance to School Districts for Children of State Employees (ASDCSE) pursuant to A.R.S. § 15-976.

### **Classroom Site Fund**

The Baseline includes \$1,018,912,500 in FY 2025 from Classroom Site Fund (CSF) expenditure authority for the Classroom Site Fund. This amount is unchanged from FY 2024.

*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. Funding for this line item will be adjusted after the JLBC Staff calculates the FY 2025 Classroom Site Fund per pupil amount on March 30, 2024 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 \$80,425,700 from Instructional Improvement Fund Expenditure Authority in FY 2025 for the Instructional Improvement Fund. This amount is unchanged from FY 2024.

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 \$523,866,600 from the General Fund in FY 2025 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 \$(6,896,600) from the General Fund in FY 2025 to reflect lower-than-budgeted costs for Additional State Aid for FY 2024. The FY 2024 budget assumed that Additional State Aid would cost \$511,613,100 for FY 2024 for the Homeowner’s Rebate and 1% Cap combined. The actual combined cost, however, is \$504,716,500 as reported by the Arizona Department of Revenue (DOR) in October 2023 pursuant to A.R.S. § 15-972H. Starting point costs for Additional State Aid for FY 2025 therefore will be \$(6,896,600) less than the FY 2024 appropriation.

#### **Decrease Commercial Assessment Ratio**

The Baseline includes an increase of \$4,600,000 from the General Fund in FY 2025 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 17.0% in FY 2024 to 17.5% in FY 2025. 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 2025.

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

**New Homes**

The Baseline includes an increase of \$14,550,100 from the General Fund in FY 2025 for increased Additional State Aid costs associated with new home construction. The \$14,550,100 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2025.

*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 \$16,442,200 and 24.4 FTE Positions in FY 2025 for Accountability and Achievement Testing. These amounts consist of:

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

These amounts are unchanged from FY 2024.

*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 2024:

- Arizona Academic Standards Assessment (AASA), which assesses proficiency in reading, writing and math. Pupils in grades 3 through 8 take an English and language arts and math exam administered annually, while High School pupils instead take the ACT Aspire exam in grade 9 and the ACT in grade 11.
- AzSCI, which assesses proficiency in science in grades 5, 8, and 11. Pupils are not required, however, to meet or exceed the science standards tested by the exam.
- Multi-State Alternative Assessment (MSAA), which assesses proficiency in English and language arts, math, and science for students with cognitive disabilities.

Students who are English Language Learners (ELL) must also take the Arizona English Language Learner Assessment (AZELLA). While AZELLA costs are funded in the English Learner Administration line item, a General Appropriation Act footnote also permits ADE to use monies in the Accountability and Achievement Testing line item for AZELLA expenses.

**Adult Education**

The Baseline includes \$23,208,900 and 4 FTE Positions from the General Fund in FY 2025 for Adult Education. Adjustments are as follows:

**Enrollment Increase**

The Baseline includes an increase of \$1,540,000 from the General Fund in FY 2025 for an enrollment increase in the Continuing High School and Workforce Training Program. Pursuant to Section 14 of the FY 2024 K-12 BRB, the enrollment cap for the program increases from 600 in FY 2024 to 800 in FY 2025. Given that statute requires ADE to provide \$7,700 per participating student, the cost of the additional 200 students would be \$1,540,000.

**Administrative Funding Adjustment**

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2025 to adjust the administrative funding level for the Continuing High School and Workforce Training Program, the Adult Workforce Diploma Program, and the Community College Adult Education Workforce Development Program from \$250,000 in FY 2024 to \$150,000 in FY 2025. This change was included in the 3-year spending plan associated with the FY 2024 budget.

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

- \$6,160,000 is for the Continuing High School and Workforce Training Program established in A.R.S. § 15-217.01. The program provides \$7,700 per student to districts and charter schools that contract with a nonprofit organization to provide adults with alternative study services that lead to a high school diploma and industry-recognized credentials. Section 14 of the FY 2024 K-12 BRB limits total participation in the program to 600 in FY 2024, 800 in FY 2025, and 1,400 in FY 2026 and each year thereafter. The original authorizing language in the FY 2023 K-12 BRB had an earlier phase-in of the program caps, which would have reached 1,400 students by FY 2025. The delay in the full phase-in to 1,400 students is due to lower-than anticipated enrollment in the first year of the program (FY 2023).
- \$6,000,000 is for deposit in the Adult Workforce Diploma Program Fund established in A.R.S. § 15-217.02. The Adult Workforce Diploma Program is established to assist adults in earning a high school diploma and earning career and technical skills in a campus-based, online, or blended format. Payments to providers range from \$250 to \$1,000 per program milestone completed by participating students.
- \$6,000,000 is for deposit in the Community College Adult Education Workforce Development Program Fund established in A.R.S. § 15-217.03. The Community College Adult Education Workforce Development Program authorizes Community College Districts to establish programs for adults to provide a high school diploma or high school equivalency diploma and an industry-recognized credential or community college degree. Participating community college districts may receive up to \$3,000 per full-time student and may use a portion of the monies to provide support services to participating adults, such as transportation and child care.

#### **Alternative Teacher Development Program**

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for an Alternative Teacher Development Program. Adjustments are as follows:

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

The Baseline includes a decrease of \$(800,000) from the General Fund in FY 2025 to remove one-time funding for the Alternative Teacher Development Program. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

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

#### **Arizona Civics Education and Leadership Development Program**

The Baseline includes no funding in FY 2025 for the Arizona Civics Education and Leadership Development Program. Adjustments are as follows:

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

The Baseline includes a decrease of \$(300,000) from the General Fund in FY 2025 to remove one-time funding for the Arizona Civics Education and Leadership Development Program. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – The FY 2024 K-12 Education BRB established the Program to fund grants to nonprofit organizations to provide civics education and leadership development training to middle school and high school students.

#### **Arizona English Language Learner Fund**

The Baseline includes \$4,960,400 from the General Fund in FY 2025 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2024.

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 \$4,609,600 to public schools from the fund in FY 2023.

#### **Art Consumables**

The Baseline includes no funding in FY 2025 for art consumables. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(10,000,000) from the General Fund in FY 2025 to remove one-time funding for art consumables. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* - A General Appropriation Act footnote required ADE to use the FY 2024 appropriation to provide grants of up to \$1,000 per recipient to public school art teachers and teachers for preschool through third grade for consumable art supplies, materials, and instructional aids.

**Broadband Expansion Fund Deposit**

The Baseline includes no funding in FY 2025 for a Broadband Expansion Fund deposit. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes an decrease of \$(5,000,000) from the General Fund in FY 2025 to remove funding for a one-time deposit in the Broadband Expansion Fund. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – Monies in the Fund are used to provide state matching monies to schools, school districts, and libraries for broadband connectivity construction projects eligible for the federal E-Rate Program. Under the program, eligible schools, school districts, and libraries may receive a discount from the federal government, ranging from 20% to 90% based on school poverty levels, for costs associated with telecommunications, Internet access, and internal connections. A.R. S. § 15-249.07 requires ADE to report to JLBC by December 31<sup>st</sup> and June 30<sup>th</sup> annually on broadband projects funded with fund monies and the number of students served.

**Center for High School Success**

The Baseline includes no funding in FY 2025 for a Center for High School Success. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(1,000,000) from the General Fund in FY 2025 to remove one-time funding for a Center for High School Success. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

**College Credit by Examination Incentive Program**

The Baseline includes \$7,472,100 from the General Fund in FY 2025 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2024.

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

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

**College Placement Exam Fee Waiver**

The Baseline includes \$1,265,800 from the General Fund in FY 2025 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2024.

*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 2025 for a Computer Science Professional Development Program. This amount is unchanged from FY 2024.

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 2025 for CTED Certification Exam Fee Reimbursement. This amount is unchanged from 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 2025 for CTED Completion Grants. This amount is unchanged from FY 2024.

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 2026).

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

The Baseline includes \$1,000,000 from the General Fund in FY 2025 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2024.

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 2025.

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

The Baseline includes no funding in FY 2025 for a Dual Enrollment Student Development Fund deposit. Adjustments are as follows:

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

The Baseline includes a decrease of \$(15,000,000) from the General Fund in FY 2025 to remove funding for a one-time deposit in the Dual Enrollment Student Development Fund. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – The FY 2024 K-12 Education BRB established the fund to be used to reimburse students at a level of \$50 per credit hour who obtain a passing grade in a qualifying dual enrollment course. Students enrolled in grades 9 or 10 can receive up to \$300 per school year from the fund, and students enrolled in grades 11 or 12 can receive up to \$600 from the fund. ADE must prioritize distributions to providers that serve students who are eligible for the federal Free and Reduced-Price Lunch (FRPL) program.

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

The Baseline includes no funding in FY 2025 for a Dual Enrollment Teacher Development Fund deposit. Adjustments are as follows:

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

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 to remove funding for a one-time deposit in the Dual Enrollment Teacher Development Fund. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – The FY 2024 K-12 Education BRB established the fund to be used to provide an incentive bonus up to \$1,000 to qualified teachers who teach a dual enrollment course. If monies in the fund are insufficient to fund all bonus awards, the reimbursement is reduced in proportion to each exam's cost.

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

The Baseline includes no funding in FY 2025 for an Early Education and Career Exploration Program. Adjustments are as follows:

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

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2025 to remove one-time funding for the Early Education and Career Exploration Program. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – The FY 2024 K-12 Education BRB requires ADE to contract with a nonprofit entity to provide a career mapping tool for students and training and resources for public schools to create, monitor, review, and update career action plans for each student in grades 9 through 12.

#### **Early Literacy**

The Baseline includes \$18,880,000 and 3 FTE Positions from the General Fund in FY 2025 for Early Literacy. These amounts are unchanged from 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.

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

The Baseline includes \$5,446,700 and 24.2 FTE Positions from the General Fund in FY 2025 for the Education Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2024.

*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 \$6,597,000 and 13.5 FTE Positions from the General Fund in FY 2025 for English Learner Administration. These amounts are unchanged from FY 2024.

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

#### **Feminine Hygiene Products**

The Baseline includes no funding in FY 2025 for feminine hygiene products. Adjustments are as follows:

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

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2025 to remove one-time funding to provide feminine hygiene products at no cost at Arizona public schools. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

#### **Flagstaff Robotics Program**

The Baseline includes \$20,000 from the General Fund in FY 2025 for the Flagstaff Robotics Program. This amount is unchanged from FY 2024.

*Background* – The 3-year spending plan associated with the enacted budget assumes that the \$20,000 distribution

would continue on a one-time basis in FY 2025 and FY 2026.

### **Geographic Literacy**

The Baseline includes \$100,000 from the General Fund in FY 2025 for Geographic Literacy. This amount is unchanged from FY 2024.

*Background* – 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 2025 for Gifted Assessments. This amount is unchanged from FY 2024.

*Background* – Monies in this line item are used for a contract between ADE and a vendor to administer a gifted screening assessment that is available to all 2<sup>nd</sup> graders in Arizona public schools at no charge.

### **Gila County Jail Education**

The Baseline includes no funding in FY 2025 for Gila County Jail Education. Adjustments are as follows:

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

The Baseline includes a decrease of \$(10,000) from the General Fund in FY 2025 to remove one-time funding for the jail education program in Gila County. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – County jail education programs serve pupils aged 21 years old or younger who are currently in jail and who do not have a high school diploma or general equivalency diploma.

### **Jobs for Arizona Graduates**

The Baseline includes \$500,000 from the General Fund in FY 2025 for a Jobs for Arizona Graduates program. This amount is unchanged from 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.

### **Juvenile Detention Centers**

The Baseline includes no funding in FY 2025 for juvenile detention centers. Adjustments are as follows:

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

The Baseline includes a decrease of \$(52,600) from the General Fund in FY 2025 to remove one-time funding for juvenile detention centers. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

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

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

The Baseline includes no funding in FY 2025 for a K-12 Transportation Formula Study. Adjustments are as follows:

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

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2025 to remove one-time funding for a K-12 Transportation Formula study. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – A General Appropriation Act footnote requires ADE to use the FY 2024 appropriation to develop a per pupil weighted transportation funding formula for K-12 students. ADE must report to the President of the Senate, the Speaker of the House, the Chairpersons of the House and Senate Education Committees, JLBC, and OSPB on the results of the study by December 31, 2023.

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

The Baseline includes \$100,000 from the General Fund in FY 2025 for Live, Remote Instructional Courses. This amount is unchanged from FY 2024.

*Background* – The FY 2024 K-12 Education BRB allows a school district or charter to contract with another school district or charter to offer live, remote instruction to its own students in grades 9 through 12. ADE must pay an incentive bonus of \$500 for each student who receives a passing grade in a live, remote instruction course to a

school district or charter school that acts as a live, remote instruction service provider. If the total cost of rewards exceeds the appropriation, ADE must reduce all awards proportionally to cover all eligible rewards. A General Appropriation Act footnote exempts the appropriation from lapsing until December 31, 2025.

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

### **Nonprofit Education Initiatives**

The Baseline includes no funding in FY 2025 for Nonprofit Education Initiatives. Adjustments are as follows:

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

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2025 to remove one-time funding for nonprofit education initiatives. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – A General Appropriation Act footnote requires ADE to distribute the appropriation to a Scottsdale-based 501(c)(3) nonprofit that provides scholarships and other education programming and promotes youth activities, sports, and cultural enrichment.

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

The Baseline includes no funding in FY 2025 for Nonprofit Low-Income Assistance. Adjustments are as follows:

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

The Baseline includes a decrease of \$(500,000) from the General Fund in FY 2025 to remove one-time funding for nonprofit low-income assistance. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – A General Appropriation Act footnote requires ADE to distribute the appropriation to a 501(c)(3) nonprofit that provides low-income children in kindergarten programs and grades 1 through 8 with new clothing and shoes, hygiene kits, and new books.

### **Phoenix Science Education Programs**

The Baseline includes no funding in FY 2025 for Phoenix Science Education Programs. Adjustments are as follows:

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

The Baseline includes a decrease of \$(2,500,000) from the General Fund in FY 2025 to remove one-time funding for Phoenix Science Education Programs. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – A General Appropriation Act footnote requires ADE to distribute the money to a Phoenix-based organization that provides STEM education programs and professional development training.

### **Public School Campus Community Gardens**

The Baseline includes no funding in FY 2025 for Public School Campus Community Gardens. Adjustments are as follows:

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

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2025 to remove one-time funding for public school campus community gardens. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time. The appropriation is non-lapsing.

### **Public School Campus Trees**

The Baseline includes no funding in FY 2025 for Public School Campus Trees. Adjustments are as follows:

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

The Baseline includes a decrease of \$(300,000) from the General Fund in FY 2025 to remove one-time funding for public school campus trees. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – A General Appropriation Act footnote requires ADE to distribute the appropriation until December 31, 2023 for grants to public schools where at least 75% of students are FRPL-eligible to plant low-biogenic volatile organic compound-emitting trees that are appropriate for each school's respective climate. After December 31, 2023, ADE may distribute the monies to public schools on a first-come, first-served basis. The appropriation is non-lapsing.

### **School Safety Program**

The Baseline includes \$81,992,400 and 4 FTE Positions in FY 2025 for the School Safety program. These amounts consist of:



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

These amounts are unchanged from FY 2024.

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

Funding is allocated by the Department of Education and is subject to review and approval by the State Board of Education pursuant to A.R.S. § 15-154. School district and charter schools receive funding for up to a 3-year period and may annually submit a modified spending plan if they are approved for a grant. The Baseline modifies a General Appropriation Act footnote that requires ADE to prioritize grants for school districts and charter schools that are on the waiting list to receive funding for an SRO or JPO, by removing references to a specific appropriated amount.

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

In October 2023, ADE announced its plan to contract with a third party to fill SRO positions in schools that have been selected to receive a grant. If schools fail to fill their funded positions by December 31, 2023, ADE will make additional reallocations.

**State Block Grant for Vocational Education**

The Baseline includes \$11,774,300 and 27 FTE Positions from the General Fund in FY 2025 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2024.

*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 2024, the department will receive an estimated \$33,726,600 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 \$359,000 from the Department of Education Empowerment Scholarship Account Fund in FY 2025 for Student Level Data Access. This amount is unchanged from FY 2024.

*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 \$2,544,600 and 22.9 FTE Positions in FY 2025 for Teacher Certification. These amounts consist of:

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

These amounts are unchanged from FY 2024.

*Background* – The program processes applications for teacher and administrator certification, including certification renewal. It is funded through fees paid by certification applicants pursuant to A.R.S. § 15-531.

**Teacher Professional Development**

The Baseline includes no funding in FY 2025 for Teacher Professional Development. Adjustments are as follows:

**Remove One-Time Funding**

The Baseline includes a decrease of \$(3,000,000) from the General Fund in FY 2025 to remove one-time funding for the Professional Development and Support Personnel Pilot Program established by the FY 2024 K-12 Education BRB. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – The program will provide funding for school districts with a low teacher experience index to hire professional development and support staff for new and transferring teachers. In FY 2024, ADE is required to distribute 50% of the appropriation to Maricopa and Pima Counties, and the remaining 50% to all other counties.

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

The Baseline includes \$325,000 from the Tribal College Dual Enrollment Program Fund in FY 2025 for the Tribal College Dual Enrollment Program. This amount is unchanged from FY 2024.

*Background* – A.R.S. § 15-244.01 establishes the Tribal College Dual Enrollment Program Fund and authorizes it to annually receive 15% of unclaimed lottery prize monies up to \$325,000, subject to legislative appropriation, pursuant to A.R.S. § 5-568, plus any other appropriations, gifts, grants, devices and other contributions. The fund compensates tribal colleges for tuition and fees that they waive for high school students who are dual enrolled in tribal college classes.

### **Youth Summer Education Program**

The Baseline includes no funding in FY 2025 for a Youth Summer Education Program. Adjustments are as follows:

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

The Baseline includes a decrease of \$(250,000) from the General Fund in FY 2025 for a Youth Summer Education Program. The 3-year spending plan associated with the enacted FY 2024 budget designated this funding as one-time.

*Background* – A General Appropriation Act footnote requires ADE to distribute the appropriation to a nonprofit based in Globe that provides summer education programs for youth.

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### **Other Issues**

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This section includes information on the following topics:

#### General Issues

- FY 2024 Ex-Appropriation
- Statutory Changes
- Long-Term Budget Impacts

#### 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 2024 Ex-Appropriation**

The Baseline assumes that ADE will incur a General Fund surplus in its formula programs of \$(43,859,500) in FY 2024. The estimated surplus consists of:

- \$(36,962,900) from lower-than-budgeted expenses for Basic State Aid formula programs. This amount consists of a net surplus of \$(115,039,500) for lower public school enrollment (actual of (1.0)% decline versus originally assumed growth of 0.4%), partially offset by ESA awards exceeding the original allocation by \$78,076,600 (*Please see Basic State Aid line item for additional details*).
- \$(6,896,600) for lower-than-anticipated expenses for the Homeowner's Rebate.

The Baseline assumes the surplus will be realized via a General Fund ex-appropriation. The final estimated surplus could be higher or lower than \$(43,859,500) as additional caseload and spending data become available during FY 2024.

### **Statutory Changes**

The Baseline would:

#### *Formula Requirements*

- As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation.
- As permanent law, allocate \$37,000,000 to increase Group B weight in Basic State Aid formula for children eligible for the federal Free and Reduced-Price Lunch (FRPL) program as part of the enacted FY 2023 budget's 3-year plan.
- As permanent law, allocate \$23,142,000 to increase DAA pursuant to Section 128 of the FY 2023 General Appropriation Act. The estimated increase in the per pupil amounts in the DAA formula for FY 2025 above FY 2024 will be 4.62%.
- As permanent law, allocate \$5,858,000 to increase Charter Additional Assistance (CAA) per pupil formula allocations as part of the enacted FY 2023 budget's 3-year plan. Including regular 2.0% inflation adjustment, results in total CAA increase of 3.19% for FY 2025.
- As permanent law, update the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2025.

*Other*

- As session law, continue stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.
- As session law, continue to notwithstand A.R.S. 15-241 to allow ADE to expend monies in FY 2025 from the Failing Schools Tutoring Fund for school improvement.

<b>Long-Term Budget Impacts</b>
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As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase \$488,124,000 in FY 2026 compared with FY 2025 and increase by \$175,439,500 in FY 2027 above FY 2026. These estimates are based on:

- Enrollment declines of (0.2)% in FY 2026 and (0.6)% in FY 2027.
- GDP inflators of 2.0% for FY 2026 and FY 2027. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.05% for FY 2026 and 1.95% for FY 2027.
- General Fund increase of \$284,767,400 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 2026 and FY 2027 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.
- A decrease of \$(100,000) in FY 2026 and \$(20,000) in FY 2027 to remove funding designated as one-time.

<b>Endowment Earnings</b>
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In FY 2023, endowment earnings from state trust lands funded \$459,807,000 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 2024, public schools will receive an estimated \$481,607,600 of expendable land trust monies from the State Land Department and State Treasurer combined. That total includes \$57,360,600 from the Land Department and \$424,247,000 from the State Treasurer. Under the Baseline, we estimate total endowment earnings will increase to \$503,927,700 in FY 2025. In FY 2026 earnings distributed would decrease to \$227,777,200 as a result of the expiration of the 4.4% factor beginning in FY 2026. (*see Table 6*).

Source	2023	2024	2025	2026	2027
Land Department	57.4	57.4	57.4	57.4	57.4
Treasurer	402.4	424.2	446.5	170.4	180.3
<b>Total</b>	<b>459.8</b>	<b>481.6</b>	<b>503.9</b>	<b>227.8</b>	<b>237.7</b>

Table 6 shows K-12 endowment earning uses. In FY 2025, the \$503,927,700 of expendable earnings includes \$357,030,400 for Basic State Aid and the remaining \$146,897,300 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 is \$72,263,000 in FY 2026 and FY 2027 as a result of the expiration of the 4.4% factor from Proposition 123. A.R.S. § 37-521 stipulates that the distribution of endowment earnings from the 2.5% distribution may not exceed \$72,263,000.

The \$(284,767,400) 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 \$(284,767,400), 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).

Source	2023	2024	2025	2026	2027
Basic State Aid	328.9	342.8	357.0	72.3	72.3
Classroom Site Fund	130.9	138.8	146.9	155.5	165.4
<b>Total</b>	<b>459.8</b>	<b>481.6</b>	<b>503.9</b>	<b>227.8</b>	<b>237.7</b>

**Proposition 123 Triggers**

Economic Downturn

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

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

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

Lower Trust Fund Balance

The proposition:

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

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

K-12 Percent of Budget

Beginning in FY 2025, the proposition:

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

The triggers continue to be in effect following the expiration of the 4.4% increase of the land trust endowment distribution. The budgeted K-12 spending level constitutes approximately 43.4% of total state General Fund appropriations in FY 2024, 47.5% in FY 2025, and 49.7% in FY 2026. (Please see the FY 2017 Appropriations Report for more information on Proposition 123.)

**Aggregate Expenditure Limit**

Article IX, Section 21 of the State Constitution establishes an Aggregate Expenditure Limit (AEL) that caps spending

for all school districts combined at the FY 1980 statewide level adjusted for subsequent statewide enrollment growth and inflation plus 10%. The AEL does not apply to exempted items like overrides, bonding, or charter school funding.

Pursuant to A.R.S. § 15-911B, the Department of Education computed in November 2021 that budgeted expenditures for school districts collectively were \$1,154,029,000 above the AEL for FY 2022. A.R.S. § 15-911C2 allows the Legislature to authorize statewide school district spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate. Pursuant to House Concurrent Resolution 2039 in the 55<sup>th</sup> Legislature, Second Regular Session, the Legislature authorized district expenditures of \$1,154,029,000 above the AEL for FY 2022.

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

A permanent increase in the AEL would require a voter-approved change to the State Constitution or adoption of a 2/3 resolution by the Legislature revising the inflation measure used to calculate the limit.

**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. The Proposition 301 sales tax expired at the end of FY 2021.

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

Table 8 shows how education sales tax revenues are earmarked in FY 2024. Laws 2018, Chapter 74 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies

<b>EDUCATION SALES TAX REVENUES</b>		<b>Education Sales Tax Monies (FY 2024 Estimate) (\$ in Millions)</b>
<b>Recipient</b>	<b>Amount</b>	<b>Comment</b>
Universities	133.5	Receive 12% of monies remaining after Basic State Aid distribution is deducted.
Community Colleges	33.4	Receive 3% of monies after BSA distribution.
Tribal Colleges	1.3	Same formula as for community colleges.
DOR Tax System	0.8	
Income Tax Credit	<u>25.0</u>	For income tax credit authorized by A.R.S. § 43.1072.01.
<b>Subtotal - Non-ADE Programs</b>	<b>\$194.0</b>	
Basic State Aid Distribution	\$64.1	
Additional School Days	86.3	To add 5 days to K-12 school year (180 days total).
School Safety and Character Education	8.0	\$7.8 million for School Safety (A.R.S. § 15-154) and \$0.2 million for Character Education (A.R.S. § 15-154.01).
School Accountability	7.0	For school accountability pursuant to A.R.S. § 15-241 and § 15-1041.
Failing Schools	1.5	To Failing Schools Tutoring Fund (A.R.S. § 15-241CC).
Classroom Site Fund	<u>815.5</u>	Receives all monies remaining after other distributions are made.
<b>Subtotal - ADE Programs</b>	<b>\$982.4</b>	
<b>Total - Education Sales Tax</b>	<b>\$1,176.4</b>	
<b>CLASSROOM SITE FUND REVENUES (ALL SOURCES)</b>		
Education Sales Tax (from above)	815.5	
Prop 301/CSF - Land Trust	139.9	
Prop 301/CSF - Carry-Forward	<u>117.1</u>	
<b>Total - Classroom Site Fund</b>	<b>\$1,072.5 <sup>1/</sup></b>	

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

remaining after all other distributions are made. Its share equaled \$815,542,600 (69.3%) of the \$1,176,353,900 of estimated collections for FY 2024.

Classroom Site Fund

Proposition 301 also amended A.R.S. § 37-521B4 to dedicate to the Classroom Site Fund all growth in K-12 expendable land trust earnings above the amount generated by the State Treasurer and State Land Department combined for FY 2001 (the last year before Proposition 301 took effect), which equaled \$72,300,000.

Total estimated available revenues to the CSF for FY 2023 are \$1,072,539,500.

**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 2023 Actual	FY 2024 Estimate
<b>Adult Workforce Diploma Program Fund (EDA1125/A.R.S. § 15-217.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, and other donations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	4,670,800	6,000,000
<b>American Civics Education Fund (EDA2612/Laws 2018, Chapter 289)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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	0

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SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
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**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	175,200	175,200
Year-End Fund Balance	0	2,800

**Arizona Civics Education and Leadership Development Fund (EDA2613/Laws 2023, Chapter 142) Non-Appropriated**

**Source of Revenue:** Legislative appropriations, gifts, grants, and donations.

**Purpose of Fund:** For administering the Arizona Civics and Leadership Development program established in Laws 2023, Chapter 142, Section 12 and for disbursing monies to eligible nonprofit organizations participating in the program. Eligible nonprofit organizations shall use monies in the fund for civics leaders and counselors, wages for program staff, educational materials, food, beverages, clothing and transportation. Expenditures are not displayed to avoid double counting of the General Fund.

Funds Expended	0	0
Year-End Fund Balance	0	0

**Arizona English Language Learner Fund (EDA2535/A.R.S. § 15-756.04) Non-Appropriated**

**Source of Revenue:** Legislative appropriations from the state General Fund.

**Purpose of Fund:** To fund additional instructional costs of English Language Learners. Expenditures are not displayed to avoid double counting General Fund.

Funds Expended	0	0
Year-End Fund Balance	2,183,700	1,561,600

**Arizona Industry Credentials Incentive Fund (EDA2685/A.R.S. § 15-249.15) Non-Appropriated**

**Source of Revenue:** Legislative appropriations.

**Purpose of Fund:** To provide incentive awards to school districts, charter schools, and career technical education districts for high school graduates who obtain a certification, credential, or license that is accepted by a vocation or industry through a career technical education course or program. Expenditures are not displayed to avoid double counting of the General Fund.

Funds Expended	0	0
Year-End Fund Balance	3,394,900	0

**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	178,400	184,400

**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	42,300	12,000
Year-End Fund Balance	0	33,000

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
<b>Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To provide state matching monies for certified broadband connectivity construction projects for qualified applicants. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	864,700	2,932,900
<b>Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for Character Education license plates.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	20,300	20,000
<b>Year-End Fund Balance</b>	0	0
<b>Classroom Site Fund (EDA2471/A.R.S. § 15-977)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	947,936,000	1,018,912,500
<b>Year-End Fund Balance</b>	144,352,600	4,195,200
<b>College Credit by Examination Development Fund (EDA2641/A.R.S. § 15-249.06)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,241,700	1,041,700
<b>Community College Adult Education Workforce Development Program Fund (EDA1124/A.R.S. §15-217.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and any other monies.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	5,231,300	6,000,000
<b>Computer Science Professional Development Program Fund (EDA2635/A.R.S. § 15-249.12)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	4,481,500	5,104,300



SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
<b>Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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		
<b>Funds Expended</b>	357,800	359,000
<b>Year-End Fund Balance</b>	3,729,400	3,370,400
<b>Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Prior year carry-forward from monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,100	0
<b>Year-End Fund Balance</b>	0	0
<b>Department of Education Production Revolving Fund (EDA4211/A.R.S. § 15-237)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Print shop collections from in-house and interagency publishing.		
<b>Purpose of Fund:</b> To fund agency print shop expenditures.		
<b>Funds Expended</b>	958,100	935,300
<b>Year-End Fund Balance</b>	686,600	701,300
<b>Department of Education Professional Development Revolving Fund (EDA2580/A.R.S. § 15-237.01)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition paid for professional development, pursuant to A.R.S. § 15-237.01.		
<b>Purpose of Fund:</b> To offset the cost of providing professional development.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	1,000	1,000
<b>Dual Enrollment Student Development Fund (EDA2605/Laws 2023, Chapter 142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To provide reimbursements to community colleges, universities, or other institutions providing a qualifying dual enrollment course of up to \$50 per credit hour for each student that obtains a passing grade in a dual enrollment course. Total reimbursements may not exceed \$300 per student for grades 9 and 10 and may not exceed \$600 per student for grades 11 and 12. Reimbursements shall be prioritized for providers who serve students eligible for free or reduced-price lunches. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Dual Enrollment Teacher Development Fund (EDA2607/Laws 2023, Chapter 142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> To distribute monies in FY 2024 to provide an incentive bonus up to \$1,000 per teacher who provides instruction in at least one dual enrollment course. If the statewide sum of bonuses exceeds the amount of monies available in the fund, the bonus monies shall be reduced proportionately to cover all eligible bonus awards. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
<b>Early Education and Career Exploration Program Fund (EDA2690/Laws 2023, Chapter 142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> For implementing and administering the Early Education and Career Exploration Program established in Laws 2023, Chapter 142, Section 13. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Education Commodity Fund (EDA4210/A.R.S. § 15-1152)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees from school districts participating in the federal Food Commodities Program.		
<b>Purpose of Fund:</b> To pay for costs of administering the federal Food Commodities Program.		
<b>Funds Expended</b>	340,000	909,000
<b>Year-End Fund Balance</b>	1,041,600	569,400
<b>Education Donations Fund (EDA2025/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants received by the department from foundations or other private sector donors.		
<b>Purpose of Fund:</b> To help pay for conferences, programs or other activities sponsored by donor organizations.		
<b>Funds Expended</b>	32,000	26,000
<b>Year-End Fund Balance</b>	1,900	2,200
<b>Education Sales Tax - Accountability (EDA1114/A.R.S. § 42-5029.02A7)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A7.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	1,661,700	7,000,000
<b>Year-End Fund Balance</b>	5,338,500	2,684,400
<b>Education Sales Tax - Basic State Aid (EDA1115/A.R.S. 42-5029.02A1 and A.R.S. § 42-5029.02A5)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A1 and A.R.S. § 42-5029.02A5.		
<b>Purpose of Fund:</b> For increased cost of basic state aid due to additional school days and teacher salary increases.		
<b>Funds Expended</b>	165,337,200	150,380,500
<b>Year-End Fund Balance</b>	0	0
<b>Education Sales Tax - Character Education (EDA1117/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154.01)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
<b>Purpose of Fund:</b> To provide state matching grants to any public school that teaches a character education curriculum pursuant to A.R.S. § 15-719.		
<b>Funds Expended</b>	167,800	200,000
<b>Year-End Fund Balance</b>	269,000	201,200
<b>Education Sales Tax - Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A8.		
<b>Purpose of Fund:</b> 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. For FY 2024 only, Section 21 of Laws 2023, Chapter 142 authorizes ADE to use monies in the fund for professional development and coaching for teachers and principals, to monitor progress on academic outcomes, and outreach efforts for tutoring services.		
<b>Funds Expended</b>	302,100	1,500,000
<b>Year-End Fund Balance</b>	5,440,800	5,214,100

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
<b>Education Sales Tax - School Safety</b> (EDA1116/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154)		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	15,600,000	7,800,000
<b>Year-End Fund Balance</b>	7,802,400	7,802,400
<b>Extraordinary Special Education Needs</b> (EDA2483/A.R.S. § 15-774)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,592,800	1,592,800
<b>Federal Funds</b> (EDA2000/A.R.S. § 35-142)		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
<b>Purpose of Fund:</b> To be expended as stipulated by federal statutes that authorize the Federal grants.		
<b>Funds Expended</b>	2,407,328,100	2,628,304,700
<b>Year-End Fund Balance</b>	4,550,100	(304,600)
<b>Golden Rule Special Plate Fund</b> (EDA2366/A.R.S. § 15-243)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for Golden Rule license plates.		
<b>Purpose of Fund:</b> To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
<b>Funds Expended</b>	242,400	240,000
<b>Year-End Fund Balance</b>	0	5,000
<b>Governor's Emergency Education Relief Fund</b> (EDA2980/U.S. P.L. 116-136)		<b>Federal Funds</b>
<b>Source of Revenue:</b> 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).		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	13,468,700	426,200
<b>Year-End Fund Balance</b>	74,100	82,900
<b>IGA and ISA Fund</b> (EDA2500/A.R.S. § 35-142E)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
<b>Funds Expended</b>	4,970,500	8,652,400
<b>Year-End Fund Balance</b>	4,528,300	4,307,700
<b>Indirect Cost Recovery Fund</b> (EDA9000/A.R.S. § 35-142)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
<b>Purpose of Fund:</b> To fund overhead and other indirect costs associated with state level administration of federal programs.		
<b>Funds Expended</b>	9,641,300	8,733,800
<b>Year-End Fund Balance</b>	3,148,300	1,574,500

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
<b>Industry-Recognized Certification and Licensure Reimbursement Fund (EDA2780/A.R.S. § 15-1265)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, gifts, grants, and other donations.		
<b>Purpose of Fund:</b> To eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for students eligible for Free or Reduced-Price Lunches. Expenditures are not displayed to avoid double counting of the General Fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)</b>		<b>Expenditure Authority</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
<b>Funds Expended</b>	41,482,700	80,425,700
<b>Year-End Fund Balance</b>	56,936,000	36,936,000
<b>Internal Services Fund (EDA4209/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
<b>Purpose of Fund:</b> Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
<b>Funds Expended</b>	11,939,100	13,837,000
<b>Year-End Fund Balance</b>	2,008,100	1,093,800
<b>Invest in Postsecondary Success Program Fund (EDA2196/A.R.S. § 15-249.18)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Permanent State School Fund (EDA3138/A.R.S. § 37-521)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support common schools.		
<b>Funds Expended</b>	328,895,600	342,797,300
<b>Year-End Fund Balance</b>	7,963,500	7,963,500
<b>Special Education Fund (EDA1009/A.R.S. § 15-1182)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations from the state General Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	12,498,900	13,867,700

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
<b>Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
<b>Purpose of Fund:</b> To provide monies for operation of the department's Teacher Certification program.		
<b>Funds Expended</b>	1,692,300	2,517,700
<b>Year-End Fund Balance</b>	1,975,000	1,457,300
 <b>Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)</b>		 <b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	110,500	325,000
<b>Year-End Fund Balance</b>	916,200	916,200