

Department of Education

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	232.9	232.9	232.9
Personal Services	6,394,000	7,542,800	7,542,800
Employee Related Expenditures	2,136,200	2,757,400	2,757,400
Professional and Outside Services	10,816,100	1,911,500	1,911,500
Travel - In State	17,600	16,000	16,000
Travel - Out of State	16,300	11,000	11,000
Other Operating Expenditures	4,052,500	3,121,600	3,121,600
Equipment	187,400	2,200	2,200
OPERATING SUBTOTAL	23,620,100	15,362,500	15,362,500 ^{1/2/}
SPECIAL LINE ITEMS			
Formula Programs			
Basic State Aid	7,184,026,500	7,288,548,000	7,594,705,000 ^{3/-8/}
Onetime Additional Assistance Supplement	0	29,000,000	0
Onetime FRPL Weight Supplement	0	37,000,000	0
Onetime State Aid Supplement	300,000,000	0	0
State Aid Supplement	75,000,000	75,000,000	75,000,000 ^{9/}
Special Education Fund	36,029,200	36,029,200	36,029,200
Other State Aid to Districts	41,800	0	0
Classroom Site Fund	1,010,776,400	1,053,335,300	1,053,335,300 ^{10/}
Instructional Improvement Fund	99,754,800	80,425,700	80,425,700 ^{11/}
Additional State Aid	416,032,000	526,653,100	530,408,900
Non-Formula Programs			
Accountability and Achievement Testing	16,442,200	16,444,800	16,444,800 ^{12/13/14/}
Adult Education	21,769,300	16,903,200	4,903,200
Alternative Teacher Development Program	1,800,000	1,000,000	1,000,000
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
Arizona Holocaust Education Center	0	7,000,000	0
Art Consumables	5,230,300	0	0
Center for High School Success	665,700	1,000,000	0
College Credit by Examination Incentive Program	7,470,700	3,772,100	3,772,100
College Placement Exam Fee Waiver	1,211,900	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	1,000,000	1,000,000	1,000,000 ^{15/16/17/}
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 ^{18/}
Early Literacy	18,519,800	17,386,200	17,386,200
Education Learning and Accountability System	5,374,900	5,470,200	5,470,200
English Learner Administration	6,597,000	11,608,800	6,608,800 ^{19/}
Feminine Hygiene Products	1,782,500	0	0
Flagstaff Robotics Program	20,000	10,000	10,000
Geographic Literacy	100,000	100,000	100,000 ^{20/}
Gifted Assessments	438,900	850,000	850,000
Gila County Jail Education	9,000	0	0
Jobs for Arizona Graduates	500,000	500,000	500,000 ^{21/}
Juvenile Detention Centers	52,600	0	0
K-12 Mental Health Telehealth Pilot Program	0	2,000,000	0
Live, Remote Instructional Courses	0	100,000	0
Low Income After School Program Grants	0	2,000,000	0
Nonprofit Education Initiatives	100,000	0	0
Nonprofit Low-Income Assistance	500,000	0	0

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
Office of Indian Education	44,100	0	0
Onetime School Meal Grants	0	3,800,000	0
Phoenix Science Education Programs	2,500,000	0	0
Public School Campus Community Gardens	59,200	0	0
Public School Campus Trees	198,800	0	0
School Safety Program	60,402,500	82,010,200	82,010,200 ^{22/23/}
Show Low Robotics Program	0	10,000	10,000
State Block Grant for Vocational Education	11,750,600	11,798,200	11,798,200
Student Level Data Access	359,000	359,000	359,000
Teacher Certification	1,657,200	2,403,600	2,403,600
Teacher Professional Development Pilot	2,999,700	0	0
Tribal College Dual Enrollment Program	178,900	325,000	325,000
Youth Summer Education Program	250,000	0	0
AGENCY TOTAL	9,322,226,000	9,338,431,300	9,549,444,100 ^{24/-27/}

FUND SOURCES

General Fund	7,699,669,300	7,676,669,800	8,173,308,600
<u>Other Appropriated Funds</u>			
Department of Education Empowerment Scholarship Account Fund	359,000	359,000	359,000
Education Sales Tax - Accountability	7,000,000	7,000,000	7,000,000
Permanent State School Fund	342,797,300	357,889,000	72,263,000
Teacher Certification Fund	1,809,800	2,547,000	2,547,000
Tribal College Dual Enrollment Program Fund	178,900	325,000	325,000
SUBTOTAL - Other Appropriated Funds	352,145,000	368,120,000	82,494,000
SUBTOTAL - Appropriated Funds	8,051,814,300	8,044,789,800	8,255,802,600
<u>Expenditure Authority Funds</u>			
Classroom Site Fund	1,010,776,400	1,053,335,300	1,053,335,300
Education Sales Tax - Basic State Aid	150,380,500	150,380,500	150,380,500
Education Sales Tax - Character Education	200,000	200,000	200,000
Education Sales Tax - Failing Schools Tutoring Fund	1,500,000	1,500,000	1,500,000
Education Sales Tax - School Safety	7,800,000	7,800,000	7,800,000
Instructional Improvement Fund	99,754,800	80,425,700	80,425,700
SUBTOTAL - Expenditure Authority Funds	1,270,411,700	1,293,641,500	1,293,641,500
SUBTOTAL - Appropriated/Expenditure Authority Funds	9,322,226,000	9,338,431,300	9,549,444,100
Other Non-Appropriated Funds	27,390,300	18,363,400	18,363,400
Federal Funds	2,406,383,300	2,194,690,900	2,194,690,900
TOTAL - ALL SOURCES	11,755,999,600	11,551,485,600	11,762,498,400

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

FOOTNOTES

- 1/ 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 Appropriations Act footnote)
- 2/ 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 Appropriations Act footnote)
- 3/ Laws 2024, Chapter 209 appropriated \$800,727,700 from the General Fund for the K-12 rollover.

- 4/ 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 \$72,263,000 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 2025-2026. (General Appropriations Act footnote)
- 5/ 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 Appropriations Act footnote)
- 6/ 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 Appropriations Act footnote)
- 7/ 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 Appropriations Act footnote)
- 8/ The legislature intends that the state general fund appropriation to the department of education for basic state aid be increased by \$29,000,000 in fiscal year 2027-2028 to continue the funding allocated in subsection A, paragraph 2 and subsection B, paragraph 2 of this section on an ongoing basis. The legislature intends that the state general fund appropriation to the department of education for basic state aid be increased by \$37,000,000 in fiscal year 2027-2028 to continue the funding allocated in subsection C, paragraph 2 of this section on an ongoing basis. (FY 2023 General Appropriations Act footnote, as modified by FY 2025 General Appropriations Act)
- 9/ **NEW:** The department of education shall allocate the appropriated amount for the state aid supplement to school districts and charter schools on a pro rata basis using the weighted student count for the school district or charter school for the fiscal year pursuant to section 15-943, paragraph 2, subdivision (A), Arizona Revised Statutes, and increase the budget limits pursuant to section 15-947, Arizona Revised Statutes, accordingly. the weighted student count for a school district that serves as the district of attendance for nonresident pupils shall be increased to include nonresident pupils who attend school in the school district. (General Appropriations Act footnote)
- 10/ 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 Appropriations Act footnote)
- 11/ 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 Appropriations Act footnote)
- 12/ 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 Appropriations Act footnote)
- 13/ 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 Appropriations Act footnote)
- 14/ The department of education may use the appropriated amount for accountability and achievement testing in fiscal year 2025-2026 for costs of the English language proficiency assessments required by section 15-756.05, Arizona Revised Statutes. (General Appropriations Act footnote)
- 15/ 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 Appropriations Act footnote)
- 16/ 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 Appropriations Act footnote)
- 17/ 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, 2027. (General Appropriations Act footnote)

- 18/ 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 Appropriations Act footnote)
- 19/ 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 Appropriations Act footnote)
- 20/ 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 Appropriations Act footnote)
- 21/ 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 Appropriations Act footnote)
- 22/ The amount appropriated for the school safety program in fiscal year 2022-2023 pursuant to laws 2022, chapter 313, section 31 included an increase of \$50,000,000 for additional school safety grants. In allocating the \$50,000,000 increase, the department of education shall first distribute monies to schools on the school safety program waiting list to receive grants for the costs of placing school resource officers on school campuses. The awarded grants may not supplant funding provided by local governments for school resource officers. If the total cost of funding grants for school resource officers 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 Appropriations Act footnote)
- 23/ 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 Appropriations Act footnote)
- 24/ After review by the joint legislative budget committee, in fiscal year 2025-2026, the department of education may use a portion of its fiscal year 2025-2026 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 2024-2025. (General Appropriations Act footnote)
- 25/ 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 Appropriations Act footnote)
- 26/ 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 Appropriations Act footnote)
- 27/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Summary

ADE's FY 2026 General Fund spending increases by \$496,638,800, or 6.5%, above the original FY 2025 appropriation. The Baseline includes the following funding changes in FY 2026:

- An increase of \$117,193,900 for a Basic State Aid prior year rebase.
- A decrease of \$(58,340,500) for public school enrollment adjustments.
- An increase of \$129,564,000 for additional Empowerment Scholarship Account (ESA) awards.
- An increase of \$166,693,900 for a 2.0% inflator.
- A decrease of \$(48,954,300) for local property tax growth due to new construction
- An increase of \$285,626,000 to backfill reduced endowment earnings due to a decrease in the distribution rate of 6.9% to 2.5% under Proposition 123. This backfill is in accordance with the 3-year spending plan associated with the enacted FY 2025 budget and does not represent a prediction of

whether or how Proposition 123 will be extended beyond FY 2025.

- Increased Homeowner’s Rebate expenses of \$3,755,800.
- A decrease of \$(98,900,000) to remove funding from FY 2025 designated as one-time.

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase by \$183,935,800 in FY 2027 compared with FY 2026 and increase by \$306,002,300 in FY 2028 above FY 2027. (See *Other Issues for more information.*)

Operating Budget

The Baseline includes \$15,362,500 and 107.9 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	<u>FY 2026</u>
General Fund	\$13,519,100
Teacher Certification Fund	143,400
Education Sales Tax - Failing Schools	
Tutoring Fund	1,500,000
Education Sales Tax - Character Education	200,000

These amounts are unchanged from FY 2025.

Formula Programs

Basic State Aid

The Baseline includes \$7,594,705,000 in FY 2026 for Basic State Aid. This amount consists of:

General Fund	7,372,061,500
Permanent State School Fund	72,263,000
Education Sales Tax - Basic State Aid	150,380,500

Table 1
FY 2026 Basic State Aid Formula Summary (estimated)

<u>Sources</u>	
General Fund	\$7,372,061,500
Permanent State School Fund	72,263,000
Education Sales Tax	150,380,500
Local Property Taxes ^{1/}	<u>2,681,269,400</u>
Total	\$10,275,974,400
<u>Uses</u>	
School District Equalization	7,159,627,000
Charter Equalization	2,108,299,500
Empowerment Scholarships	1,002,152,300
Other Formulas/Miscellaneous	<u>5,895,600</u>
Total	\$10,275,974,400

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

The \$7,594,705,000 total does not include local property taxes that will help fund K-12 formula costs for FY 2026, as they are non-appropriated (see *Table 1*).

Adjustments are as follows:

Prior Year Base Adjustment

The Baseline includes an increase of \$117,193,900 from the General Fund in FY 2026 for a prior year base adjustment (see *Table 2*). The increase includes the following changes:

- \$43,107,900 for higher-than-budgeted expenses for district, charter, and other miscellaneous non-ESA formula expenses. The cost is primarily attributable to increased weighted student count growth in FY 2024 associated with higher-cost pupils.
- \$50,557,700 for higher-than-expected ESA enrollment. The enacted budget assumed the ESA program would have 82,452 enrollees in FY 2025. As of December 1st, ADE reports actual awardees in FY 2025 reached 86,660, or 4,208 above the budget assumption. We assume an additional 2,000 enrollees will join the program by June 2025, which we estimate would result in total FY 2025 year-end enrollment of 88,660 and awards of \$872,588,300.

Table 2
FY 2025 Basic State Aid Formula Base Adjustment (Estimate)

<u>Sources</u>	<u>FY 2025 Enacted</u>	<u>FY 2025 Revised</u>	<u>Change</u>
General Fund	\$6,780,278,500	\$6,897,472,400	\$117,193,900
Permanent State School Fund	357,889,000	357,889,000	0
Education Sales Tax	150,380,500	150,380,500	0
Local Property Taxes	<u>2,652,161,400</u>	<u>2,628,633,100</u>	<u>(23,528,300)</u>
Total	\$9,940,709,400	\$10,034,375,000	\$93,665,600
<u>Uses</u>			
School District Equalization	7,000,238,400	7,086,870,000	86,631,600
Charter Equalization	2,110,088,400	2,069,017,900	(41,070,500)
Empowerment Scholarships	822,030,600	872,588,300	50,557,700
Other Formulas/Miscellaneous	<u>8,352,000</u>	<u>5,898,800</u>	<u>(2,453,200)</u>
Total	\$9,940,709,400	\$10,034,375,000	\$93,665,600

- \$23,528,300 for lower-than-expected local property taxes raised via the Qualifying Tax Rate (QTR) to cover the district share of the formula in FY 2025. The lower QTR revenues result in a dollar-for-dollar increase in the General Fund cost of the Basic State Aid formula.

All 3 of these prior year base adjustments are ongoing. There will also be a one-time adjustment of \$61,000,000 associated with the *Qasimyar v. Maricopa County* property tax litigation.

After including the *Qasimyar* funding and \$(14,003,300) in Homeowner's Rebate savings (see below), ADE would have an estimated General Fund supplemental for Basic State Aid of \$164,190,600 in FY 2025. (See *Other Issues for additional information*).

Public School Enrollment Decline

The Baseline includes a decrease of \$(58,340,500) from the General Fund in FY 2026 for public school enrollment adjustments. The Baseline assumes there would be a public school enrollment decline of (1.2)% in FY 2026 compared with FY 2025, which would result in public school ADM of 1,066,995 in FY 2026, or a decrease of (12,578) in comparison with our revised June 2025 estimates (See *Table 3*). In comparison with the original enacted budget, the decrease for enrollment declines is \$(15,232,600).

Through the 1st quarter of FY 2025 ADE estimates that approximately 57% of students who newly enrolled in the Universal ESA program in FY 2025 were enrolled in a public school in the year preceding their switch to the ESA program. We assume the switcher rate for these students would continue to be 57% in FY 2026.

Empowerment Scholarship Account Growth

The Baseline includes an increase of \$129,564,000 from the General Fund in FY 2026 for enrollment growth in the ESA program. As noted above, we estimate that year-end ESA enrollment of 88,660 and \$872,588,300 of awards. The Baseline assumes an additional 9,245 enrollees would join the program for FY 2026. As a result, total ESA enrollment would increase to 97,905 in FY 2026. The Baseline assumes that 97,905 ESA enrollees would be eligible for total awards of \$1,002,152,300 in FY 2026. In comparison to the original FY 2025 budget, the \$1,002,152,300 represents an increase of \$180,121,700. Due to the uncertainty of when the program will reach a more "steady state" of enrollment, all ESA projections remain highly speculative.

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 change estimate (including both ESAs and public schools) for FY 2026 is a decline of (0.3)%, or 0.3% above OEO's estimate of a (0.6)% decline. Under the Baseline assumptions, total enrollment across ESAs and public schools would reach 1,164,900 in FY 2026 (See *Table 3*).

2.0% Inflation Adjustment

The Baseline includes an increase of \$166,693,900 from the General Fund in FY 2026 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 2024, the current estimated increase in the GDP price deflator is 2.39%. 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*).

The (1.2)% public school enrollment decline estimate is based on the following assumptions:

- The Baseline assumes there would be a (0.6)% reduction in base public school enrollment due to demographic trends. The (0.6)% 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 (0.6)% in calendar year (CY) 2025.
- The Baseline assumes an additional (0.6)% decline would be associated with students shifting their enrollment from public schools to the ESA program.

Fiscal Year	District	Charter	Public Subtotal	ESA	Grand Total	Change
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	863,144	222,964	1,086,108	76,427	1,162,535	1.0%
2025 est	855,890	223,683	1,079,573	88,660	1,168,233	0.5%
2026 est	844,280	222,715	1,066,995	97,905	1,164,900	(0.3)%
2027 est	830,946	221,881	1,052,827	105,150	1,157,977	(0.6)%
2028 est	820,948	221,930	1,042,878	112,395	1,155,273	(0.2)%

Property Taxes from New Construction

The Baseline includes a decrease of \$(48,954,300) from the General Fund in FY 2026 due to a 2.15% 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 \$48,954,300 in FY 2026. It also will decrease state costs by \$(48,954,300), 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 3.20% in FY 2026, resulting in a net 5.35% NAV increase for new construction and existing property combined for FY 2026. The 3.20% NAV increase for existing property will not affect net QTR collections in FY 2026 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 \$3.0872 (from \$3.1860 currently) in FY 2026 to offset the estimated 3.20% NAV increase for existing property (see Table 4).

		TNT Tax Rates	
Tax Rate		FY 2025	FY 2026
Qualifying Tax Rate (QTR)			
• High School districts and elementary districts located within a high school district		\$1.5930	\$1.5436
• Unified districts and elementary districts not located within a high school district		\$3.1860	\$3.0872

Endowment Earnings Distribution Decrease

The Baseline includes an increase of \$285,626,000 from the General Fund and a decrease of \$(285,626,000) from the Permanent State School Fund in FY 2026 for reduced endowment earnings funding for Basic State Aid. These amounts are consistent with the 3-year spending plan associated with the enacted FY 2025 budget, which assumed the General Fund would backfill reduced endowment earnings for Basic State Aid in FY 2026 as a result of a lower distribution rate required under current law by Proposition 123. The backfill was intended to ensure that ADE's General Fund appropriation would be sufficient to cover the cost of Basic State Aid in FY 2026 in the event that no further changes are made to current law. It was not intended to reflect a prediction of the final resolution of whether or how to continue Proposition 123.

Proposition 123 raised the distribution rate from endowment earnings from the previous 2.5% rate in FY 2015 to 6.9%, or an increase of 4.4%, from FY 2016 through FY 2025. The initiative also required any monies from the 4.4% increment to be appropriated for Basic State Aid. The 4.4% increment generates \$285,626,000 for Basic State Aid in FY 2025. (see Table 5).

Source	FY 2025	FY 2026	Change
Original 2.5%	\$72,263,000	\$72,263,000	\$0
Prop 123 4.4%	<u>285,626,000</u>	<u>0</u>	<u>(285,626,000)</u>
Total	\$357,889,000	\$72,263,000	\$(285,626,000)

^{1/} These earnings also fund the Classroom Site Fund (see Table 7).

Beginning in FY 2026, under current law the 6.9% distribution rate would revert to the prior 2.5% rate, resulting in a decrease of \$(285,626,000) for Basic State Aid from the elimination of the 4.4% increment. A.R.S. § 37-521 caps the amount of K-12 endowment earnings from the remaining 2.5% distribution 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. (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 2026. The FY 2026 General Appropriations Act would advance appropriate \$800,727,700 from the General Fund in FY 2027 to fund the \$800,727,700 deferred obligation from FY 2026 and would continue to exclude districts with less than 4,000 pupils from the rollover.

Onetime Additional Assistance Supplement

The Baseline includes no funding in FY 2026 for a Onetime Additional Assistance Supplement. Adjustments are as follows:

Remove Onetime Funding

The Baseline includes a decrease of \$(29,000,000) from the General Fund in FY 2026 to remove one-time funding for a onetime supplement to District Additional Assistance (DAA) and Charter Additional Assistance (CAA) as follows:

- \$23,142,000 for a DAA supplement. A General Appropriations Act footnote requires ADE to distribute the monies on a proportional basis based on the DAA funding that each district receives in FY 2025, and authorizes districts to budget the supplement for maintenance and operations or unrestricted capital.
- \$5,858,000 for a CAA supplement. A General Appropriations Act footnote requires ADE to distribute the monies on a proportional basis based on the CAA each charter receives in FY 2025.

A FY 2025 General Appropriations Act footnote stipulates that the Legislature intends to increase General Fund appropriation for Basic State Aid by \$29,000,000 in FY 2028 to make the onetime additional supplements ongoing beginning in that year.

Onetime FRPL Group B Weight Supplement

The Baseline includes no funding in FY 2026 for a Onetime FRPL Weight Supplement. Adjustments are as follows:

Remove Onetime Funding

The Baseline includes a decrease of \$(37,000,000) from the General Fund in FY 2026 to remove onetime funding for a onetime supplement to 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). An FY 2025 General Appropriations Act footnote requires that ADE distribute the \$37,000,000 on a pro-rata basis to school districts and charter schools based on FRPL counts and authorizes school districts to budget the monies for maintenance and operations or unrestricted capital. It also stipulates that the Legislature intends to appropriate \$37,000,000 from the General Fund in FY 2028 for an ongoing increase to the FRPL weight that year.

State Aid Supplement

The Baseline includes \$75,000,000 from the General Fund in FY 2026 for State Aid Supplement funding. This amount is unchanged from FY 2025.

Laws 2015, 1st Special Session Chapter 1 appropriated \$50,000,000 annually for FY 2016 through FY 2020 and \$75,000,000 annually for FY 2021 through FY 2025 for State Aid Supplement funding. The monies are distributed to districts and charter schools based on weighted 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 Appropriations Acts for those years, since they already were advance appropriated by Chapter 1.

Given that the 3-year spending plan associated with the enacted FY 2025 budget labeled the State Aid Supplement as ongoing, the \$75,000,000 appropriation would continue in FY 2026 and would appear in the FY 2026 General Appropriations Act. The Baseline would continue the prior footnote language from Laws 2015, 1st Special Session, Chapter 1 in the FY 2026 GAA concerning the distribution of the appropriation.

The State Aid Supplement, in conjunction with Proposition 123, serves to provide additional funding for school districts and charter schools 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 2026 for the Special Education Fund Line Item. These amounts are unchanged from FY 2025.

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.

Classroom Site Fund

The Baseline includes \$1,053,335,300 in FY 2026 from Classroom Site Fund (CSF) expenditure authority for the Classroom Site Fund. This amount is unchanged from FY 2025. The FY 2026 funding level will be calculated by the JLBC Staff on March 30, 2025 pursuant A.R.S. § 15-977G1.

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

Expenditure Authority does not affect the department's access to funding from the education sales tax or land trust endowment earnings, as a General Appropriations 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 2026 for the Instructional Improvement Fund. This amount is unchanged from FY 2025.

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.

Additional State Aid

The Baseline includes \$530,408,900 from the General Fund in FY 2026 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 \$(14,003,300) from the General Fund in FY 2026 to reflect lower-than-budgeted costs for Additional State Aid for FY 2025. The FY 2025 budget assumed that Additional State Aid would cost \$526,653,100 for FY 2025 for the Homeowner's Rebate and 1% Cap combined. Based on ADE payment data through December 2024, the actual combined cost, however, is \$512,649,800. Starting point costs for Additional State Aid for FY 2026 therefore will be \$(14,003,300) less than the FY 2025 appropriation.

Decrease Commercial Assessment Ratio

The Baseline includes an increase of \$4,600,000 from the General Fund in FY 2026 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 16.5% in FY 2025 to 16.0% in FY 2026. 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. The 3-year spending plan included \$4,600,000 for this change in FY 2026.

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 \$13,159,100 from the General Fund in FY 2026 for increased Additional State Aid costs associated with new home construction. The \$13,159,100 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2026.

Background – The Additional State Aid program funds the Homeowner's Rebate and any portion of a homeowner's primary property taxes for all taxing jurisdictions combined (not just schools) that exceeds 1% of the full cash value of their home (the "1% Cap").

The "1% cap" pertains to Article IX, Section 18 of the State Constitution, which caps Class 3 primary property taxes at no more than 1% of a home's full cash value and was added to the State Constitution in 1980. It applies any time a homeowner's net combined primary property tax rate for all taxing jurisdictions combined exceeds \$10 per \$100 of NAV even after the Homeowner's Rebate is applied.

The 1% cap historically has been implemented by having the state backfill any primary property tax costs for homeowners that exceed the 1% cap, rather than by requiring all taxing jurisdictions in an area (such as cities, counties, school districts and community colleges) to coordinate their respective primary property tax rates to keep their combined primary rate below \$10 per \$100 of NAV. Related language in the State Constitution, however, does not specify a mechanism for enforcing the 1% cap.

The Arizona Supreme Court ruled in July 2024 that the funding for K-12 desegregation program must be financed with secondary property taxes. The ruling confirmed the constitutionality of a policy enacted pursuant to the FY 2019 Revenue BRB (Laws 2018, Chapter 283) that re-classified desegregation monies as secondary property tax levies, thereby excluding such levies from 1% cap funding calculations under the Additional State Aid program. Given that the Department of Revenue already implemented the requirements of Chapter 283 concerning desegregation monies, the Court ruling does not have a fiscal impact on Additional State Aid costs compared to current practice.

Non-Formula Programs

Accountability and Achievement Testing

The Baseline includes \$16,444,800 and 24.4 FTE Positions in FY 2026 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,444,800
Education Sales Tax - Accountability	7,000,000

These amounts are unchanged from FY 2025.

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 2026:

- 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 Appropriations Act footnote also permits ADE to use monies in the Accountability and Achievement Testing line item for AZELLA expenses.

Adult Education

The Baseline includes \$4,903,200 and 4 FTE Positions from the General Fund in FY 2026 for Adult Education. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(12,000,000) from the General Fund in FY 2026 to remove one-time funding for adult education programs. An FY 2025 General Appropriations Act footnote required ADE to distribute \$4,000,000 for the Continuing High School and Workforce

Training Program, \$4,000,000 for the Community College Adult Education Workforce Development Program, and \$4,000,000 for the Adult Workforce Development Program, for total one-time funding of \$12,000,000. *(Please see the FY 2025 Appropriations Report for additional information on these three programs.)*

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.

Alternative Teacher Development Program

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for an Alternative Teacher Development Program. This amount is unchanged from FY 2025.

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 English Language Learner Fund

The Baseline includes \$4,960,400 from the General Fund in FY 2026 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2025.

Background – 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 \$4,999,200 to public schools from the fund in FY 2024.

Arizona Holocaust Education Center

The Baseline includes no funding in FY 2026 for the Arizona Holocaust Education Center. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(7,000,000) from the General Fund in FY 2026 to remove one-time funding for a distribution to the Arizona Holocaust Education Center. An FY 2025 General Appropriations Act footnote stipulates that the distribution shall be used for the creation and operation of the center as a resource for

fulfilling statutory requirements related to instruction on the Holocaust and other genocides. The Arizona Department of Administration (ADOA) shall allot the appropriation and ADE shall distribute the monies in this line item by August 15, 2024. ADE reports that it signed a contract with a vendor on August 9, 2024 that would require the Arizona Holocaust Education Center to use the monies in this line item to provide access to the Center to public school students free of charge for a period of 10 years.

Center for High School Success

The Baseline includes no funding in FY 2026 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 2026 to remove one-time funding for a Center for High School Success.

Background – ADE allocates the monies in this line item to a Ninth Grade Success Grant. Grant monies are distributed to districts and charter schools to establish a Ninth Grade Success Team, data systems, instructional supports, transition programs, to assist ninth graders in advancing to tenth grade on time. ADE prioritizes grants to schools with a high school graduation rate that was within the lowest 25% of high schools in Arizona and caps the grant amount per school at \$50,000.

College Credit by Examination Incentive Program

The Baseline includes \$3,772,100 from the General Fund in FY 2026 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2025.

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 2024, ADE reports that districts and charter schools qualified for \$8,006,900 in program awards. This amount includes \$6,896,700 for awards for 22,989 exams passed in schools with less than 50% FRPL-eligibility (\$300 per

exam) and \$1,110,200 for 2,467 exams passed in schools with 50% or more FRPL-eligibility (\$450 per exam). ADE paid the full statutory award in FY 2024 using monies from the FY 2024 appropriation (\$7,472,100) and unspent balances in the College Credit by Examination Development Fund.

College Placement Exam Fee Waiver

The Baseline includes \$1,265,800 from the General Fund in FY 2026 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2025.

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 2026 for a Computer Science Professional Development Program. This amount is unchanged from FY 2025.

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 2026 for CTED Certification Exam Fee Reimbursement. This amount is unchanged from FY 2025.

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 2026 for CTED Completion Grants. This amount is unchanged from FY 2025.

Background – A footnote in the General Appropriations 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 2027).

CTED Soft Capital and Equipment

The Baseline includes \$1,000,000 from the General Fund in FY 2026 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2025.

Background – The line item provides additional funding to small CTEDs for soft capital and equipment. A footnote in the General Appropriations 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 2026.

Early Literacy

The Baseline includes \$17,386,200 and 3 FTE Positions from the General Fund in FY 2026 for Early Literacy. These amounts are unchanged from FY 2025.

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.
- 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 \$5,470,200 and 24.2 FTE Positions from the General Fund in FY 2026 for the Education Learning and Accountability System (ELAS) line item. These amounts are unchanged from FY 2025.

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).

English Learner Administration

The Baseline includes \$6,608,800 and 13.5 FTE Positions from the General Fund in FY 2026 for English Learner Administration. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(5,000,000) from the General Fund in FY 2026 to remove one-time funding for increased costs of ADE's contract for the Arizona English Language Learner Assessment (AZELLA).

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.*)

Flagstaff Robotics Program

The Baseline includes \$10,000 from the General Fund in FY 2026 for the Flagstaff Robotics Program. This amount is unchanged from FY 2025.

Background – The 3-year spending plan associated with the enacted FY 2025 budget designated this funding as one-time in both FY 2025 and FY 2026.

Geographic Literacy

The Baseline includes \$100,000 from the General Fund in FY 2026 for Geographic Literacy. This amount is unchanged from FY 2025.

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 2026 for Gifted Assessments. This amount is unchanged from FY 2025.

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

Jobs for Arizona Graduates

The Baseline includes \$500,000 from the General Fund in FY 2026 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2025.

Background – 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 Arizona students with college and career readiness services as well as interventions for students at risk of dropping out of high school.

K-12 Mental Health Telehealth Pilot

The Baseline includes no funding in FY 2026 for a K-12 Mental Health Telehealth Pilot. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2026 to remove one-time funding for a K-12 Mental Health Telehealth Pilot. A General Appropriations Act footnote requires that the program serve individuals outside Maricopa and Pima counties.

Live, Remote Instructional Courses

The Baseline includes no funding in FY 2026 for Live, Remote Instructional Courses. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(100,000) from the General Fund in FY 2026 to remove one-time funding for live, remote instructional courses.

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.

Low-Income After School Program Grants

The Baseline includes no funding in FY 2026 for Low-Income After School Program Grants. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(2,000,000) from the General Fund in FY 2026 to remove one-time funding for grants for entities that provide after school programs to low-income individuals.

Onetime School Meal Grants

The Baseline includes no funding in FY 2026 for Onetime School Meal Grants. Adjustments are as follows:

Remove One-Time Funding

The Baseline includes a decrease of \$(3,800,000) from the General Fund in FY 2026 for one-time funding for school meal grants. A General Appropriations Act footnote stipulates that the monies shall be distributed to school districts and charter schools that participate in the National School Lunch Program or School Breakfast Program for grants to reduce or eliminate copayments that would otherwise be charged to children eligible for reduced-price meals. If the appropriation is insufficient to cover all eligible grantees, ADE shall reduce the grants proportionately to cover all eligible grantees.

School Safety Program

The Baseline includes \$82,010,200 and 4 FTE Positions in FY 2026 for the School Safety program. These amounts consist of:

General Fund	74,210,200
Education Sales Tax - School Safety	7,800,000

These amounts are unchanged from FY 2025.

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.

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 reported 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. A General Appropriations Act Footnote directs ADE to prioritize grants for schools to hire SROs and JPOs, and allows ADE to use any remaining money from the appropriated amount to fund the costs of placing school counselors and social workers on school campuses.

ADE reports that as of December 2024, the program is funding 303 filled SRO/JPO positions and 526 school counselor/social worker positions. The department also announced in December 2024 that it intends to allocate \$47,900,000 for additional positions using prior year unspent balances for the program, including \$39,400,000 for 198 SRO positions and \$8,500,000 for 66 new school counselor and social worker positions.

Show Low Robotics Program

The Baseline includes \$10,000 from the General Fund in FY 2026 for the Show Low Robotics Program. This amount is unchanged from FY 2025.

Background – The 3-year spending plan associated with the enacted FY 2025 budget designated this funding as one-time in both FY 2025 and FY 2026.

State Block Grant for Vocational Education

The Baseline includes \$11,798,200 and 27 FTE Positions from the General Fund in FY 2026 for the State Block Grant for Vocational Education. These amounts are unchanged from FY 2025.

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 2025, the department will receive an estimated \$34,315,900 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 2026 for Student Level Data Access. This amount is unchanged from FY 2025.

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 \$2,403,600 and 22.9 FTE Positions from the Teacher Certification Fund in FY 2026 for Teacher Certification. These amounts are unchanged from FY 2025.

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

Tribal College Dual Enrollment Program

The Baseline includes \$325,000 from the Tribal College Dual Enrollment Program Fund in FY 2026 for the Tribal

College Dual Enrollment Program. This amount is unchanged from FY 2025.

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

Other Issues

This section includes information on the following topics:

General Issues

- FY 2025 Supplementals
- 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 2025 Supplementals

The Baseline includes a supplemental appropriation of \$164,190,600 from the General Fund in FY 2025 for ADE formula programs. This amount consists of:

- An increase of \$61,000,000 for Basic State Aid due to prior year recalculations as a result of court-ordered property tax judgments in the *Qasimyar v. Maricopa County* litigation (*see FY 2025 Appropriations Report for more information.*)

In addition to the *Qasimyar* settlement, there is a net supplemental requirement of \$103,190,600 for formula programs consisting of:

- An increase of \$117,193,900 for a prior year base adjustment to Basic State Aid (*Please see Basic State Aid line item for additional information.*)
- A decrease of \$(14,003,300) due to lower-than-anticipated costs for the Homeowner's Rebate program in FY 2025.

Statutory Changes

The K-12 Budget BRB makes the following statutory changes:

Formula Requirements

- As permanent law, increases the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation.
- 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 2026.

Other

- As session law, continue to notwithstanding A.R.S. 15-241 to allow ADE to expend monies in FY 2025 from the Failing Schools Tutoring Fund for school improvement. Require ADE to report on proposed expenditures from the fund to the Governor, Speaker of the House, President of the Senate, JLBC and OSPB by September 1, 2025.
- As session law, continues stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, ADE General Fund costs are projected to increase \$183,935,800 in FY 2027 compared with FY 2026 and increase by \$306,002,300 in FY 2028 above FY 2027. These estimates are based on:

- Public school enrollment declines of (1.3)% in FY 2027 and (0.9)% in FY 2028.
- ESA enrollment growth of 7,245 in each of FY 2027 and FY 2028.
- GDP inflators of 2.2% for FY 2027 and FY 2028. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.1% for FY 2027 and 2.0% for FY 2028.
- An increase of \$4,600,000 each of FY 2027 and FY 2028 for Homeowner's Rebate expenses associated with a reduction in the assessment ratio for commercial property by 0.5% each year pursuant to Laws 2022, Chapter 171.
- A decrease of \$(20,000) in FY 2027 to remove FY 2026 funding designated as one-time.
- An increase of \$66,000,000 in FY 2028 for ongoing increases to the FRPL Group B weight and Additional

Assistance pursuant to Section 4 of the FY 2025 General Appropriations Act.

Endowment Earnings

In FY 2024, endowment earnings from state trust lands funded \$491,602,000 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% (8.0 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 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 2025, public schools will receive an estimated \$515,268,500 of expendable land trust monies from the State Land Department and State Treasurer combined. That total includes \$67,355,000 from the Land Department and \$447,913,600 from the State Treasurer. Under the Baseline, we estimate total FY 2026 earnings distributed would decrease to \$240,661,400 as a result of the expiration of the 4.4% factor beginning in FY 2026. (see Table 6).

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

Source	2024	2025	2026	2027	2028
Land Department	67.4	67.4	67.4	67.4	67.4
Treasurer	424.2	447.9	173.3	185.7	194.8
Total	491.6	515.3	240.7	253.1	262.2

Table 7 shows K-12 endowment earning uses. In FY 2026, the \$240,661,400 of expendable earnings includes \$72,263,000 for Basic State Aid and the remaining \$168,398,400 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 each year thereafter due to 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 to Basic State Aid may not exceed \$72,263,000.

Table 7
Use of K-12 Endowment Earnings by Fiscal Year
(\$ in Millions)

Source	2024	2025	2026	2027	2028
Basic State Aid	342.8	357.9	72.3	72.3	72.3
Classroom Site Fund	148.8	157.4	168.4	180.9	189.9
Total	491.6	515.3	240.7	253.1	262.2

The \$(285,626,000) 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 \$(285,626,000), meaning by default the General Fund would have to backfill the reduced endowment earnings distribution on a dollar-for-dollar basis. The Baseline includes this General Fund backfill to ensure that ADE’s General Fund appropriation is sufficient to cover the cost of Basic State Aid in FY 2026 in the event that no further changes are made to current law. This policy is not intended to reflect a prediction of the final resolution of

whether or how to continue Proposition 123. (See *Proposition 123 Background on JLBC Website for more information*).

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 Baseline K-12 spending level constitutes approximately 48.9% of total state General Fund appropriations in FY 2026, 48.1% in FY 2027, and 48.1% in FY 2028. (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. A.R.S. § 15-911C2 allows the Legislature to authorize statewide spending above the AEL for that year with a two-thirds majority vote in both the House of Representatives and Senate.

Since FY 2022, the Legislature has authorized the following AEL exceedances:

- For FY 2022, 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. Pursuant to House Concurrent Resolution (HCR) 2039 in the 55th 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 HCR 2001 in the 56th Legislature, First Regular Session, the Legislature authorized district expenditures of \$1,385,809,600 above the AEL for FY 2023.
- For FY 2024, the Legislature pre-emptively authorized districts to exceed the AEL in FY 2024 pursuant to Senate Concurrent Resolution (SCR) 1041 in the 56th Legislature, First Regular Session. ADE subsequently estimated that district budgets would have exceeded the AEL for FY 2024 by \$1,362,757,300 without the override authorized by SCR 1041.
- For FY 2025, the Legislature again pre-emptively authorized districts to exceed the AEL in FY 2025 pursuant to HCR 2065 adopted during the 56th Legislature, Second Regular Session. ADE reported in October 2024 that district budgets would have exceeded the AEL for FY 2025 by \$1,203,661,500 without the override authorized by HCR 2065.

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

Table 8

**Education Sales Tax Monies
(FY 2025 Estimate)
(\$ in Millions)**

EDUCATION SALES TAX REVENUES

<u>Recipient</u>	<u>Amount</u>	<u>Comment</u>
Universities	141.4	Receive 12% of monies remaining after Basic State Aid distribution is deducted.
Community Colleges	35.3	Receive 3% of monies after BSA distribution.
Tribal Colleges	1.4	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.
Subtotal - Non-ADE Programs	\$203.9	
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>871.5</u>	Receives all monies remaining after other distributions are made.
Subtotal - ADE Programs	\$1,038.4	
Total - Education Sales Tax	\$1,242.3	
CLASSROOM SITE FUND REVENUES (ALL SOURCES)		
Education Sales Tax (from above)	871.5	
Prop 301/CSF - Land Trust	147.4	
Prop 301/CSF - Carry-Forward	<u>89.8</u>	
Total - Classroom Site Fund	\$1,108.8^{1/}	

^{1/} Total estimated disbursements reported for FY 2025 in JLBC's Classroom Site Fund memo from March 2024. Amounts may not add due to rounding.

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 2025. Laws 2018, Chapter 74 dedicates to the Classroom Site Fund all 0.6¢ sales tax monies remaining after all other distributions are made. Its share equaled \$871,549,800 (70.2%) of the \$1,242,345,900 of estimated collections for FY 2025.

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 2025 are \$1,108,774,000.

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 2024 Actual	FY 2025 Estimate
Adult Workforce Diploma Program Fund (EDA1125/A.R.S. § 15-217.02)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and other donations.		
Purpose of Fund: To pay approved program providers in the Adult Workforce Diploma Program pursuant to A.R.S. § 15-217.02E. This fund is repealed from and after June 30, 2025. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
American Civics Education Fund (EDA2612/Laws 2018, Chapter 289)		Non-Appropriated
Source of Revenue: Legislative appropriations and other monies transferred into the fund. Laws 2018, Chapter 289 appropriated \$500,000 from the General Fund to this fund for the program in FY 2020.		
Purpose of Fund: To fund the American Civics Education pilot program established by Laws 2018, Chapter 289. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	328,500	300,000
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	162,400	162,400
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
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. This fund is repealed from and after June 30, 2025. 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	2,144,900	2,141,600
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	1,707,100	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	186,400	194,400
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	42,700	42,500
Year-End Fund Balance	0	0
Broadband Expansion Fund (EDA2145/A.R.S. § 15-249.07)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To provide state matching monies for certified broadband connectivity construction projects for qualified applicants. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	2,638,400	1,912,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Character Education Special Plate Fund (EDA2522/A.R.S. § 15-719)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Character Education license plates.		
Purpose of Fund: To fund character education programs in schools. Not more than 10% of monies deposited in the fund annually shall be used for the cost of administering the fund.		
Funds Expended	18,700	19,000
Year-End Fund Balance	0	1,000
Classroom Site Fund (EDA2471/A.R.S. § 15-977)		Expenditure Authority
Source of Revenue: A portion of the Education sales tax pursuant to A.R.S. § 42-5029.02A10 and Permanent State School Fund expendable earnings that exceed the FY 2001 level pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To provide additional funding for class size reduction, teacher compensation (including base pay and performance pay), assessment intervention programs, teacher development, dropout prevention programs, teacher liability insurance premiums, and student support services.		
Funds Expended	1,010,776,400	1,053,335,300
Year-End Fund Balance	118,052,500	118,052,500
College Credit by Examination Development Fund (EDA2641/A.R.S. § 15-249.06)		Non-Appropriated
Source of Revenue: Monies appropriated to the Arizona Department of Education for the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06, but that are not distributed by the end of the fiscal year in which they are appropriated.		
Purpose of Fund: To help schools with 50%+ eligibility rates for free or reduced-price lunches develop and operate classes that offer qualifying examinations under the College Credit by Examination Incentive Program authorized by A.R.S. § 15-249.06. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,028,300	0
Community College Adult Education Workforce Development Program Fund (EDA1124/A.R.S. §15-217.03)		Non-Appropriated
Source of Revenue: Legislative appropriations and any other monies.		
Purpose of Fund: To provide up to \$3,000 per full-time equivalent student to each community college district participating in the Community College Adult Education Workforce Development Program. This fund is repealed from and after June 30, 2025. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Computer Science Professional Development Program Fund (EDA2635/A.R.S. § 15-249.12)		Non-Appropriated
Source of Revenue: Monies appropriated by the Legislature and grants, gifts, devises and donations from any public or private source.		
Purpose of Fund: To fund computer science professional development for school districts and charter schools that do not currently provide high school computer science instruction. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	526,000	1,334,100
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Appropriated
Source of Revenue: Monies transferred from Basic State Aid through FY 2020 pursuant to A.R.S. § 15-2402C. Laws 2020, Chapter 12 eliminated the Basic State Aid transfer to the fund beginning in FY 2021. As a result, the fund has received no new revenues since FY 2020.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. In addition, ADE previously transferred Basic State Aid (BSA) monies to the State Treasurer to fund the Treasurer's ESA administrative costs and students' ESA distributions. Non-appropriated monies in the fund are prior year carry-forward		
Funds Expended	359,000	359,000
Year-End Fund Balance	3,397,300	3,038,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Department of Education Empowerment Scholarship Account Fund (EDA2570/A.R.S. § 15-2402)		Non-Appropriated
Source of Revenue: Prior year carry-forward from monies transferred from Basic State Aid pursuant to A.R.S. § 15-2402C.		
Purpose of Fund: To fund ADE's costs of administering the Empowerment Scholarships Accounts (ESA) program authorized by A.R.S. § 15-2402. Please see the Appropriated portion of the fund for additional information.		
Funds Expended	0	0
Year-End Fund Balance	3,397,300	3,038,300
Department of Education Production Revolving Fund (EDA4211/A.R.S. § 15-237)		Non-Appropriated
Source of Revenue: Print shop collections from in-house and interagency publishing.		
Purpose of Fund: To fund agency print shop expenditures.		
Funds Expended	1,100,400	1,106,900
Year-End Fund Balance	637,700	442,700
Dual Enrollment Student Development Fund (EDA2605/Laws 2023, Chapter 142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: 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. This fund is repealed from and after September 14, 2024. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	460,000	460,000
Dual Enrollment Teacher Development Fund (EDA2607/Laws 2023, Chapter 142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: 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. This fund is repealed from and after September 14, 2024. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Early Education and Career Exploration Program Fund (EDA2690/Laws 2023, Chapter 142)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: For implementing and administering the Early Education and Career Exploration Program established in Laws 2023, Chapter 142, Section 13. This fund is repealed from and after June 30, 2025. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,069,500	0
Education Commodity Fund (EDA4210/A.R.S. § 15-1152)		Non-Appropriated
Source of Revenue: Fees from school districts participating in the federal Food Commodities Program.		
Purpose of Fund: To pay for costs of administering the federal Food Commodities Program.		
Funds Expended	567,700	600,100
Year-End Fund Balance	832,400	637,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Education Donations Fund (EDA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Grants received by the department from foundations or other private sector donors.		
Purpose of Fund: To help pay for conferences, programs or other activities sponsored by donor organizations.		
Funds Expended	34,200	34,600
Year-End Fund Balance	1,700	2,100
Education Sales Tax - Accountability (EDA1114/A.R.S. § 42-5029.02A7)		Appropriated
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A7.		
Purpose of Fund: To fund school accountability. The entire \$7,000,000 typically is appropriated to the Accountability and Achievement Testing line item in the department's budget.		
Funds Expended	7,000,000	7,000,000
Year-End Fund Balance	1,558,800	200
Education Sales Tax - Basic State Aid (EDA1115/A.R.S. 42-5029.02A1 and A.R.S. § 42-5029.02A5)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A1 and A.R.S. § 42-5029.02A5.		
Purpose of Fund: For increased cost of basic state aid due to additional school days and teacher salary increases.		
Funds Expended	150,380,500	150,380,500
Year-End Fund Balance	0	0
Education Sales Tax - Character Education (EDA1117/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154.01)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
Purpose of Fund: To provide state matching grants to any public school that teaches a character education curriculum pursuant to A.R.S. § 15-719.		
Funds Expended	200,000	200,000
Year-End Fund Balance	245,600	238,100
Education Sales Tax - Failing Schools Tutoring Fund (EDA2470/A.R.S. § 15-241)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A8.		
Purpose of Fund: To fund tutoring for students who attend "failing" schools and to purchase materials designed to help students meet Arizona Academic Standards, pursuant to A.R.S. § 15-241. For FY 2025, Section 21 of Laws 2024, Chapter 218 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.		
Funds Expended	1,500,000	1,500,000
Year-End Fund Balance	5,413,100	5,338,200
Education Sales Tax - School Safety (EDA1116/A.R.S. § 42-5029.02A6 and A.R.S. § 15-154)		Expenditure Authority
Source of Revenue: A portion of the 0.6% Education sales tax, pursuant to A.R.S. § 42-5029.02A6.		
Purpose of Fund: To provide grants to schools for the costs of placing school resource officers, juvenile probation officers, school counselors, and school social workers on school campuses.		
Funds Expended	7,800,000	7,800,000
Year-End Fund Balance	7,802,400	2,400
Extraordinary Special Education Needs (EDA2483/A.R.S. § 15-774)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide grants to school districts and charter schools with students receiving special education services that have incurred costs of at least the statewide per pupil funding average multiplied by 3. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	344,500	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Federal Funds (EDA2000/A.R.S. § 35-142)		Federal Funds
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To be expended as stipulated by federal statutes that authorize the Federal grants.		
Funds Expended	2,405,961,200	2,194,686,800
Year-End Fund Balance	4,207,100	7,770,300
Golden Rule Special Plate Fund (EDA2366/A.R.S. § 15-243)		Non-Appropriated
Source of Revenue: \$17 of the \$25 fee for Golden Rule license plates.		
Purpose of Fund: To fund programs that demonstrate the promotion of the golden rule in schools and communities.		
Funds Expended	236,200	245,000
Year-End Fund Balance	0	0
Governor's Emergency Education Relief Fund (EDA2980/U.S. P.L. 116-136)		Federal Funds
Source of Revenue: Federal monies appropriated in the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) and the Consolidated Appropriations Act of 2021 (P.L. 116-260).		
Purpose of Fund: To provide emergency support through grants to local educational agencies that the State educational agency deems have been most significantly impacted by coronavirus to support the ability of such local educational agencies to continue to provide educational services to their students and to support the ongoing functionality of the local educational agency.		
Funds Expended	422,100	4,100
Year-End Fund Balance	4,100	0
IGA and ISA Fund (EDA2500/A.R.S. § 35-142E)		Non-Appropriated
Source of Revenue: Monies transferred into the fund from Federal Funds (EDA2000) and the Internal Services Fund (EDA4209).		
Purpose of Fund: Clearing account for monies expended under Intergovernmental Agreements (IGA's) and Intergovernmental Service Agreements (ISA's).		
Funds Expended	5,780,600	661,400
Year-End Fund Balance	3,136,700	2,750,800
Indirect Cost Recovery Fund (EDA9000/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal grants for programs such as Title I, Child Nutrition Assistance, Special Education and Vocational Education.		
Purpose of Fund: To fund overhead and other indirect costs associated with state level administration of federal programs.		
Funds Expended	7,929,800	8,157,300
Year-End Fund Balance	3,654,100	2,946,800
Industry-Recognized Certification and Licensure Reimbursement Fund (EDA2780/A.R.S. § 15-1265)		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and other donations.		
Purpose of Fund: To eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for students eligible for Free or Reduced-Price Lunches. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	1,000,000	500,000
Instructional Improvement Fund (EDA2492/A.R.S. § 15-979)		Expenditure Authority
Source of Revenue: Shared revenue from Indian gaming, as authorized by Proposition 202 from the 2002 General Election. The Instructional Improvement Fund receives 56% of total shared revenue from Proposition 202. This is distributed among school districts, charter schools and ASDB based on student counts. Any monies received by the department in excess of the budgeted amount are allocated to uses pursuant to A.R.S. § 15-979.		
Purpose of Fund: To provide for classroom size reduction, teacher salary increases, dropout prevention, and instructional improvement.		
Funds Expended	99,754,800	80,425,700
Year-End Fund Balance	37,250,200	37,250,200

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Internal Services Fund (EDA4209/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Federal indirect cost monies and intra-office fees for copier services, MIS maintenance, postage and other miscellaneous expenditures.		
Purpose of Fund: Clearing fund for federal indirect costs and miscellaneous intra-office revenues and expenditures.		
Funds Expended	11,517,600	7,334,200
Year-End Fund Balance	2,435,000	911,300
Invest in Postsecondary Success Program Fund (EDA2196/A.R.S. § 15-249.18)		Non-Appropriated
Source of Revenue: Legislative appropriations.		
Purpose of Fund: To administer the Invest in Postsecondary Success Program and for distributing monies to a contracted vendor that administers college match savings accounts. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Permanent State School Fund (EDA3138/A.R.S. § 37-521)		Appropriated
Source of Revenue: Monies received from the sale or lease of state school trust lands and investment earnings on principal balances in the fund. Under A.R.S. § 37-521, up to \$72,263,000 of expendable earnings in the fund are available for Basic State Aid. Expendable earnings beyond the \$72,263,000 are automatically deposited into the Classroom Site Fund pursuant to A.R.S. § 37-521B4, except that expendable earnings above \$72,263,000 that are attributable to Proposition 123 are instead used for Basic State Aid.		
In the display below, the "Funds Expended" total equals the amount used for Basic State Aid. Not included are monies automatically appropriated into the Classroom Site Fund pursuant to A.R.S. § 37-521B4.		
Purpose of Fund: To support common schools.		
Funds Expended	342,797,300	357,889,000
Year-End Fund Balance	7,963,500	7,963,500
Special Education Fund (EDA1009/A.R.S. § 15-1182)		Non-Appropriated
Source of Revenue: Legislative appropriations from the state General Fund.		
Purpose of Fund: To provide voucher funding for students attending the ASDB pursuant to A.R.S. § 15-1182 or who are placed in a private special education facility pursuant to A.R.S. § 15-1202. Expenditures are not displayed to avoid double counting of the General Fund.		
Funds Expended	0	0
Year-End Fund Balance	13,262,800	12,958,800
Teacher Certification Fund (EDA2399/A.R.S. § 15-248.02)		Appropriated
Source of Revenue: Fees collected by the Department of Education from teachers and other school personnel who apply for professional certification.		
Purpose of Fund: To provide monies for operation of the department's Teacher Certification program.		
Funds Expended	1,809,800	2,547,000
Year-End Fund Balance	1,956,700	1,109,700
Tribal College Dual Enrollment Program Fund (EDA2595/A.R.S. § 15-244.01)		Appropriated
Source of Revenue: Unclaimed lottery prize monies pursuant to A.R.S. § 5-568, other monies appropriated by the Legislature and gifts, grants, devices and other contributions. Laws 2021, Chapter 404 allows \$325,000 of unclaimed lottery prize monies to be transferred to the fund annually.		
Purpose of Fund: To provide choice and access to higher education for high school students in this state by compensating tribal colleges for tuition and fees that are waived to allow high school students to attend classes at tribal colleges.		
Funds Expended	178,900	325,000
Year-End Fund Balance	1,111,100	1,111,100