	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	232.9	232.9	232.9
Personal Services	6,714,500	6,586,300	6,586,300
Employee Related Expenditures	2,500,500	2,662,200	2,975,200
Professional and Outside Services	2,898,800	1,093,000	1,093,000
Travel - In State	19,500	19,500	19,500
Travel - Out of State	23,500	22,700	22,700
Other Operating Expenditures	6,294,900	5,197,100	5,212,300
Equipment	65,000	3,800	3,800
OPERATING SUBTOTAL	**18,516,700**	**15,584,600**	**15,912,800** 1/ 2/
SPECIAL LINE ITEMS			
Operating Budget Lump Sum Reduction	0	0	(343,500)
Formula Programs			
Basic State Aid	7,478,775,300	7,591,715,500	7,788,905,500 3/ 4/ 5/ 6/ 7/ 8/
Onetime Additional Assistance Supplement	29,000,000	29,000,000	29,000,000 9/
Onetime FRPL Weight Supplement	37,000,000	37,000,000	37,000,000 10/
State Aid Supplement	75,000,000	75,000,000	75,000,000 11/
Special Education Fund	36,029,200	36,029,200	36,029,200
Classroom Site Fund	1,045,193,300	1,105,372,400	1,129,954,100 12/
Instructional Improvement Fund	80,726,300	80,425,700	80,425,700 13/
Additional State Aid	526,653,100	531,585,000	551,969,500
Non-Formula Programs			
Accountability and Achievement Testing	16,444,800	16,850,300	16,455,600 14/ 15/ 16/
Adult Education	15,080,100	4,912,100	4,923,100
Alternative Teacher Development Program	1,000,000	1,000,000	1,000,000
Apache Junction Robotics Program	0	200,000	0
Arizona English Language Learner Fund	4,960,400	4,960,400	4,960,400
Arizona Holocaust Education Center	7,000,000	0	0
Automated External Defibrillator Grants	0	500,000	0
Center for High School Success	870,200	0	0
Child Sexual Abuse and Assault Awareness and Prevention Pilot Program	0	0	0 17/
College Credit by Examination Incentive Program	3,772,100	3,772,100	3,772,100
College Placement Exam Fee Waiver	170,400	1,265,800	1,265,800
Community College Adult Education Workforce Development Program	0	6,000,000	0
Computer Science Professional Development Program	1,000,000	1,000,000	1,000,000
Continuing High School and Workforce Training Program	0	1,000,000	0
CTED Certification Exam Fee Reimbursement	0	1,000,000	1,000,000
CTED Completion Grants	1,000,000	1,000,000	1,000,000 18/ 19/ 20/
CTED Soft Capital and Equipment	1,000,000	1,000,000	1,000,000 21/
Early Literacy	16,594,200	17,394,000	17,404,500
Education Learning and Accountability System	5,495,500	5,534,100	5,620,700
English Learner Administration	11,608,800	11,643,000	11,677,900 22/
Flagstaff Robotics Program	10,000	10,000	0
Geographic Literacy	100,000	100,000	100,000 23/
Gifted Assessments	40,900	850,000	850,000
Jobs for Arizona Graduates	500,000	500,000	500,000 24/
K-12 Mental Health Telehealth Pilot Program	1,750,000	0	0
Ninth Grade On-Track Program	0	3,400,000	0
Onetime School Meal Grants	1,533,300	3,800,000	2,000,000 25/
Public School Campus Community Gardens	24,500	0	600,000
Rural Arizona School Nurse Access Program	0	2,500,000	0

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
School Safety Program	68,286,700	82,036,100 26/27/	82,074,800 28/29/
Show Low Robotics Program	10,000	10,000	0
State Block Grant for Vocational Education	11,780,700	11,861,900	11,939,100
Student Level Data Access	359,000	358,900	368,700
Teacher Certification	1,663,900	2,416,700	2,512,800
Teacher Retention Study	0	100,000	0
Tribal College Dual Enrollment Program	287,000	325,000	325,000
Wrestling Grant	0	0	250,000 30/
AGENCY TOTAL	**9,499,236,400**	**9,689,012,800**	**9,916,453,800** 31/-34/
FUND SOURCES			
General Fund	7,846,094,000	8,255,826,600	8,450,608,200
Other Appropriated Funds			
Department of Education Empowerment Scholarship Account Fund	359,000	358,900	368,700
Education Sales Tax - Accountability	7,000,000	7,000,000	7,000,000
Permanent State School Fund	357,889,000	72,263,000	80,226,500
Special Education Fund	0	5,000,000	5,000,000
Teacher Certification Fund	1,807,300	2,560,700	2,665,100
Tribal College Dual Enrollment Program Fund	287,000	325,000	325,000
SUBTOTAL - Other Appropriated Funds	367,342,300	87,507,600	95,585,300
SUBTOTAL - Appropriated Funds	**8,213,436,300**	**8,343,334,200**	**8,546,193,500**
Expenditure Authority Funds			
Classroom Site Fund	1,045,193,300	1,105,372,400	1,129,954,100
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	80,726,300	80,425,700	80,425,700
SUBTOTAL - Expenditure Authority Funds	1,285,800,100	1,345,678,600	1,370,260,300
SUBTOTAL - Appropriated/Expenditure Authority Funds	**9,499,236,400**	**9,689,012,800**	**9,916,453,800**
Other Non-Appropriated Funds	18,778,000	18,817,100	18,817,100
Federal Funds	2,149,330,600	1,503,155,400	1,503,155,400
TOTAL - ALL SOURCES	11,667,345,000	11,210,985,300	11,438,426,300

AGENCY DESCRIPTION — The Department of Education (ADE) is headed by the Superintendent of Public Instruction, an elected constitutional officer. ADE currently oversees 237 school districts, accommodation districts and Career Technological Education Districts and 398 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 2025, Chapter 233 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 $80,226,500 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 2026-2027. (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/ The monies appropriated for the onetime additional assistance supplement line item includes $23,142,000 for a onetime district additional assistance supplement and $5,858,000 for a onetime charter additional assistance supplement. The department of education shall distribute the amount for the onetime district additional assistance supplement to school districts on a proportional basis based on the district additional assistance funding that each school district in this state receives in fiscal year 2026-2027 and increase the budget limits accordingly pursuant to section 15-947, Arizona Revised Statutes. A school district may budget the monies received from the onetime additional assistance supplement in either the school district's maintenance and operation fund or unrestricted capital outlay fund. The department of education shall distribute the amount for a onetime charter additional assistance supplement to charter schools on a proportional basis based on the charter additional assistance funding that each charter school in this state receives in fiscal year 2026-2027. (General Appropriations Act footnote)

10/ The department of education shall distribute the appropriated amount for the onetime FRPL group B weight supplement line item to school districts and charter schools on a pro rata basis using the weighted student count for FRPL pupils for the school district or charter school pursuant to section 15-943, paragraph 2, subdivision (b), Arizona Revised Statutes, and shall increase the budget limits accordingly pursuant to section 15-947, Arizona Revised Statutes. A school district may budget the monies received from the onetime FRPL group B weight supplement in either the school district's maintenance and operation fund or unrestricted capital outlay fund. (General Appropriations Act footnote)

11/ 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)

12/ Any monies available to the department of education for the classroom site fund pursuant to section 37-521, subsection B, paragraph 4, Arizona Revised Statutes, and section 42-5029.02, subsection A, paragraph 11, 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 11, Arizona Revised Statutes. (General Appropriations Act footnote)

13/ Any monies available to the department of education from the instructional improvement fund established by section 15-979, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the purposes of section 15-979, Arizona Revised Statutes. (General Appropriations Act footnote)

14/ Before making any changes to the achievement testing program that will increase program costs, the department of education and the state board of education shall submit the estimated fiscal impact of those changes to the joint legislative budget committee for review. (General Appropriations Act footnote)

15/ Any monies available to the department of education for accountability purposes pursuant to section 42-5029.02, subsection A, paragraph 7, Arizona Revised Statutes, in excess of the expenditure authority amounts are allocated for the

purposes of section 42-5029.02, subsection A, paragraph 7, Arizona Revised Statutes. (General Appropriations Act footnote)

16/ The department of education may use the appropriated amount for accountability and achievement testing for costs of the English language proficiency assessments required by section 15-756.05, Arizona Revised Statutes. (General Appropriations Act footnote)

17/ The FY 2027 K-12 Budget Reconciliation Bill establishes the Child Sexual Abuse and Assault Awareness and Prevention Pilot Program. A General Appropriations Act footnote directs ADE to use $100,000 of existing non-lapsing appropriations from the School Safety Program to fund this pilot program. (*Please see footnote 28 below for more information.*)

18/ Monies appropriated for CTED completion grants are intended to help fund program completion for students who complete at least fifty percent of a career technical education program before graduating from high school and who successfully complete the career technical education district program after graduating from high school. The application procedures shall award grant funding only after an eligible student has successfully completed a career technical education district program. (General Appropriations Act footnote)

19/ If the appropriated amount for CTED completion grants is insufficient to fund all grant requests from career technical education districts, the department of education shall reduce grant amounts on a proportional basis in order to cap total statewide allocations at $1,000,000. (General Appropriation**s** Act footnote)

20/ The appropriated amount for CTED completion grants is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2028. (General Appropriation**s** Act footnote)

21/ The department of education shall distribute the appropriated amount for CTED soft capital and equipment to career technical education districts with fewer than two thousand average daily membership pupils for soft capital and equipment expenses. The appropriated amount shall be allocated on a pro rata basis based on the average daily membership of eligible career technical education districts. (General Appropriations Act footnote)

22/ The department of education shall use the appropriated amount for English learner administration to provide English language acquisition services for the purposes of section 15-756.07, Arizona Revised Statutes, and for the costs of providing English language proficiency assessments, scoring and ancillary materials as prescribed by the department of education to school districts and charter schools for the purposes of title 15, chapter 7, article 3.1, Arizona Revised Statutes. The department may use a portion of the appropriated amount to hire staff or contract with a third party to carry out the purposes of section 15-756.07, Arizona Revised Statutes. Notwithstanding section 41-192, Arizona Revised Statutes, the superintendent of public instruction also may use a portion of the appropriated amount to contract with one or more private attorneys to provide legal services in connection with the case of Flores v. State of Arizona, No. CIV 92-596-TUC-RCC. (General Appropriations Act footnote)

23/ The department of education shall use the appropriated amount for geographic literacy to issue a grant to a statewide geographic alliance for strengthening geographic literacy in this state. (General Appropriations Act footnote)

24/ The department of education shall use the appropriated amount for jobs for Arizona graduates to issue a grant to a nonprofit organization for a JOBS for Arizona graduates program. (General Appropriations Act footnote)

25/ The department of education shall distribute the appropriated amount for onetime school meal grants to school districts and charter schools that participate in the national school lunch program or school breakfast program established under the national school lunch and child nutrition acts (42 United States Code section 1751 through 1793) for grants to reduce or eliminate copayments that would otherwise be charged to children eligible for reduced-price meals. If the appropriated amount is insufficient to cover the grant awards for all eligible grantees, the department shall reduce each grant proportionately to ensure all eligible grantees receive proportional grants. (General Appropriations Act footnote)

26/ Of the amount appropriated by Laws 2025, chapter 233, section 31 for the school safety program, $100,000 shall be used to fund the child sexual abuse and assault awareness and prevention pilot program established by law. (General Appropriations Act footnote)

27/ A. Of the amount appropriated by Laws 2025, chapter 233, section 31 for the school safety program, the department of education shall transfer $2,000,000 to the school safety interoperability fund established by section 41-1733, Arizona Revised Statutes, in fiscal year 2026 2027.

B. In fiscal year 2026 2027, the department of administration shall distribute the $2,000,000 transferred to the school safety interoperability fund pursuant to subsection A of this section to the sheriffs of the following counties in the following amounts to install and support the school safety projects authorized pursuant to section 41 1733, Arizona Revised Statutes:

1. $170,800 to Apache county.
2. $173,900 to Gila county.
3. $173,900 to Graham county.
4. $105,600 to Greenlee county.
5. $124,200 to La Paz county.
6. $326,100 to Mohave county.
7. $335,400 to Navajo county.

8. $217,400 to Santa Cruz county.
9. $372,700 to Yavapai county.

(General Appropriations Act footnote, Section 118)

28/ 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)

29/ 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)

30/ In addition to any other appropriations made in fiscal year 2026-2027, the sum of $250,000 is appropriated from the state general fund in fiscal year 2026-2027 to the superintendent of public instruction for the purposes of issuing a grant to a single Arizona school that offers instruction to grades six through twelve and incorporates wrestling into its mission. (General Appropriations Act footnote, Section 111)

31/ After review by the joint legislative budget committee, in fiscal year 2026-2027, the department of education may use a portion of its fiscal year 2026-2027 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 2025-2026. (General Appropriations Act footnote)

32/ The department of education 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 must 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)

33/ 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)

34/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes $15,912,800 and 107.9 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$14,060,500
Teacher Certification Fund	152,300
Education Sales Tax - Failing Schools Tutoring Fund	1,500,000
Education Sales Tax - Character Education	200,000

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $328,200 in FY 2027 for statewide adjustments. *(Please see Agency Detail and Allocations section.)* This amount consists of:

General Fund	$319,900
Teacher Certification Fund	8,300

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of $(343,500) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

Formula Programs

Basic State Aid

The budget includes $7,788,905,500 in FY 2027 for Basic State Aid. This amount consists of:

General Fund	7,558,298,500
Permanent State School Fund	80,226,500
Education Sales Tax - Basic State Aid	150,380,500

The $7,788,905,500 total does not include local property taxes that will help fund K-12 formula costs for FY 2027, as they are non-appropriated *(see Table 1).*

Table 1
FY 2027 Basic State Aid Formula Summary (estimated)

Sources	
General Fund	$7,558,298,500
Permanent State School Fund	80,226,500
Education Sales Tax	150,380,500
Local Property Taxes 1/	2,755,454,400
Total	**$10,544,359,900**
Uses	
School District Equalization	7,198,243,300
Charter Equalization	2,126,234,800
Empowerment Scholarships	1,215,678,900
Other Formulas/Miscellaneous	4,202,900
Total	**$10,544,359,900**

1/ Non-appropriated, so excluded from appropriated totals.

The FY2027 budget ex-appropriated $(31,859,000) from the FY 2026 budget due to a funding formula surplus. (*Please see Table 2 and the Other Issues section for more information.)*

Table 2
FY 2026 Basic State Aid Formula Summary (estimated)

Sources	FY 2026 Enacted	FY 2026 Revised	Change
General Fund	$7,400,931,000	$7,369,072,000	$(31,859,000)
Permanent State School Fund	72,263,000	72,263,000	0
Education Sales Tax	150,380,500	150,380,500	0
Local Property Taxes	2,693,338,800	2,695,616,500	2,277,700
Total	**$10,316,913,300**	**$10,287,332,000**	**$(29,581,300)**
Uses			
School District Equalization	7,197,151,500	7,129,462,000	(67,689,500)
Charter Equalization	2,113,838,900	2,092,158,500	(21,680,400)
Empowerment Scholarships	1,001,720,000	1,061,508,600	59,788,600
Other Formulas/Misc.	4,202,900	4,202,900	0
Total	**$10,316,913,300**	**$10,287,332,000**	**$(29,581,300)**

This FY 2026 ex-appropriation is continued as a permanent base adjustment in FY 2027. Additional FY 2027 adjustments are as follows:

Public School Enrollment Decline

The budget includes a decrease of $(67,607,000) from the General Fund in FY 2027 for public school enrollment adjustments. The budget assumes there will be a public school enrollment decline of (1.6)% in FY 2027 compared with FY 2026, which would result in public school ADM of 1,035,975 in FY 2027, or a decrease of (16,316) in comparison with our revised June 2026 estimates (See *Table 3*).

The (1.6)% public school enrollment decline estimate is based on the following assumptions:

- The budget assumes there would be a (0.9)% reduction in base public school enrollment due to Office of Economic Opportunity demographic projections.
- The budget assumes an additional (0.7)% decline would be associated with students shifting their enrollment from public schools to the ESA program. Through the third quarter of FY 2026, ADE estimates that approximately 59% of students who newly enrolled in the Universal ESA program in FY 2026 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 59% in FY 2027.

This public school enrollment decline is partially offset by increased public school costs per pupil. In FY 2027, the budget assumes the average cost per pupil across both districts and charters would be $9,001, an increase of $238 or 2.7% above our revised FY 2026 estimated public school per-pupil cost of $8,763. The 2.7% increase in per-pupil costs exceeds the standard 2.0% inflation metric enacted in the FY 2027 budget (see *2.0% Inflation Adjustment* policy issue below). This additional growth in costs reflects higher growth in specific high-cost student populations, whose enrollment generates higher formula costs for the school district or charter school educating that student.

Empowerment Scholarship Account Growth

The budget includes an increase of $154,170,300 from the General Fund in FY 2027 for enrollment growth in the ESA program. The budget assumes an additional 10,711 enrollees would join the program for FY 2027. As a result, total ESA enrollment would increase to 113,602 in FY 2027. The budget assumes that 113,602 ESA enrollees would be eligible for total awards of $1,215,678,900 in FY 2027.

The budget's total K-12 enrollment change estimate (including both ESAs and public schools) for FY 2027 is a decrease of (0.5)%. Under the budget's assumptions, total enrollment across ESAs and public schools would fall to 1,149,577 in FY 2027 (See *Table 3*).

2.0% Inflation Adjustment

The budget includes an increase of $167,171,800 from the General Fund in FY 2027 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 2025, the current estimated increase in the GDP price deflator is 2.83%. The budget therefore includes the minimum required 2.0% adjustment.

Table 3

K-12 Enrollment Summary

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	854,074	223,858	1,077,932	87,602	1,165,534	0.3%
2026	832,065	220,226	1,052,291	102,891	1,155,182	(0.9)%
2027 est	818,076	217,900	1,035,975	113,602	1,149,577	(0.5)%
2028 est	802,676	215,147	1,017,823	125,602	1,143,425	(0.5)%
2029 est	794,914	214,387	1,009,301	137,602	1,146,903	0.3%

Property Taxes from New Construction

The budget includes a decrease of $(56,545,100) from the General Fund in FY 2027 due to a 2.39% 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 $56,545,100 in FY 2027. It also will decrease state costs by $(56,545,100), since QTR revenues offset state formula costs on a dollar for dollar basis.

Statewide NAV for property already on the tax rolls ("existing property") will increase by 3.16% in FY 2027, resulting in a net 5.55% NAV increase for new construction and existing property combined for FY 2027. The 3.16% NAV increase for existing property will not affect net QTR collections in FY 2027 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 $3.0256 (from $3.1212 currently) in FY 2027 to offset the 3.16% NAV increase for existing property *(see Table 4).*

Table 4

TNT Tax Rates

Tax Rate	FY 2026	FY 2027
Qualifying Tax Rate (QTR)		
• High School districts and elementary districts located within a high school district	$1.5606	$1.5128
• Unified districts and elementary districts not located within a high school district	$3.1212	$3.0256

Endowment Earnings Distribution One-Time Increase

The budget includes a one-time increase of $7,963,500 from the Permanent State School Fund and a corresponding one-time $(7,963,500) decrease from the General Fund in FY 2027 to utilize unspent balances within the Permanent State School Fund on a one-time basis. Due to differences between annual appropriations and actual land trust revenues between FY 2012 and FY 2017, ADE has reported a $7,963,500 unbudgeted balance in the Permanent State School Fund since FY 2017.

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 budget includes no net funding change to continue the ongoing $800,727,700 rollover amount in FY 2027. The FY 2027 General Appropriations Act advance appropriates $800,727,700 from the General Fund in FY 2028 to fund the $800,727,700 deferred obligation from FY 2027 and continues to exclude districts with less than 4,000 pupils from the rollover.

Onetime Additional Assistance Supplement

The budget includes $29,000,000 from the General Fund in FY 2027 for a Onetime Additional Assistance Supplement. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(29,000,000) from the General Fund in FY 2027 to remove one-time funding for a one-time supplement to District Additional Assistance (DAA) and Charter Additional Assistance (CAA).

Continue One-Time Funding

The budget includes an increase of $29,000,000 from the General Fund in FY 2027 to continue one-time funding for a one-time supplement to DAA and CAA.

An FY 2027 General Appropriations Act footnote stipulates that the onetime supplement to DAA and CAA continue to be distributed as follows:

- $23,142,000 for a DAA supplement. A General Appropriations Act footnote requires ADE to distribute the monies proportionally based on the DAA funding that each district receives in FY 2027,

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 proportionally based on the CAA each charter receives in FY 2027.

An FY 2025 General Appropriations Act footnote stipulates that the Legislature intends to increase the 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. The budget's 3-year spending plan includes the $29,000,000 for FY 2028. The FY 2028 Baseline will increase the Basic State Aid line item by $29,000,000 in FY 2028 to reflect the required changes to the DAA and CAA statutory amounts to implement this policy on an ongoing basis.

Onetime FRPL Weight Supplement

The budget includes $37,000,000 from the General Fund in FY 2027 for a Onetime FRPL Weight Supplement. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(37,000,000) from the General Fund in FY 2027 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).

Continue One-Time Funding

The budget includes an increase of $37,000,000 from the General Fund in FY 2027 to continue one-time funding for a onetime supplement to the Group B weight for children eligible for the federal FRPL program.

An FY 2027 General Appropriations Act footnote continues to require 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.

An FY 2025 General Appropriations Act footnote 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. The budget's 3-year plan includes the $37,000,000 for FY 2028. The FY 2028 Baseline will increase the Basic State Aid line item by $37,000,000 in FY 2028 to reflect the required changes to the FRPL Group B weight to implement this policy on an ongoing basis.

State Aid Supplement

The budget includes $75,000,000 from the General Fund in FY 2027 for State Aid Supplement funding. This amount is unchanged from FY 2026.

The monies in this line item are distributed to districts and charter schools based on weighted student counts, adjusted for nonresident pupils attending district schools.

Special Education Fund

The budget includes $36,029,200 and 2 FTE Positions from the General Fund in FY 2027 for the Special Education Fund Line Item. These amounts are unchanged from FY 2026.

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 budget includes $1,129,954,100 in FY 2027 from Classroom Site Fund (CSF) expenditure authority for the Classroom Site Fund. Adjustments are as follows:

Funding Increase

The budget includes an increase of $24,581,700 from CSF Expenditure Authority in FY 2027 for increased distributions from the Classroom Site Fund. The increase matches the FY 2027 funding level calculated by the JLBC Staff on March 30, 2026 pursuant to A.R.S. § 15-977G1.

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

Instructional Improvement Fund

The budget includes $80,425,700 from Instructional Improvement Fund Expenditure Authority in FY 2027 for the Instructional Improvement Fund. This amount is unchanged from FY 2026.

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 budget includes $551,969,500 from the General Fund in FY 2027 for Additional State Aid, otherwise known as the Homeowners' Rebate program. Adjustments are as follows:

Decrease Commercial Assessment Ratio

The budget includes an increase of $4,600,000 from the General Fund in FY 2027 for increased Additional State Aid Costs associated with a decrease in the assessment ratio for commercial property from 16.0% in FY 2026 to 15.5% in FY 2027.

Laws 2022, Chapter 171 reduces the commercial assessment ratio to 15.5% in FY 2027 and 15.0% in FY 2028. The 3-year spending plan included $4,600,000 for this change in FY 2027 and FY 2028.

New Homes

The budget includes an increase of $14,959,500 from the General Fund in FY 2027 for increased Additional State Aid costs associated with new home construction. The $14,959,500 estimate assumes that Class 3 properties (owner occupied homes) will account for 50% of statewide property tax growth from new construction in FY 2027.

Increase Personal Property Exemption

The budget includes an increase of $825,000 from the General Fund in FY 2027 for Homeowner's Rebate expenses associated with increasing the personal property tax exemption for business and agricultural property from $270,000 to $500,000.

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.

Non-Formula Programs

Accountability and Achievement Testing

The budget includes $16,455,600 and 24.4 FTE Positions in FY 2027 for Accountability and Achievement Testing. These amounts consist of:

General Fund	9,455,600
Education Sales Tax - Accountability	7,000,000

Adjustments are as follows:

Remove Onetime Funding

The budget includes a decrease of $(400,000) from the General Fund in FY 2027 to remove one-time funding for virtual assessments funding. An FY 2026 General Appropriations Act footnote stipulates that ADE shall use the onetime monies for contracted third party vendor expenses associated with implementation of assessments in a virtual setting pursuant to A.R.S. § 15-808.01.

Statewide Adjustments

The budget includes an increase of $5,300 from the General Fund in FY 2027 for statewide adjustments.

Background – This line item funds costs of developing, administering and scoring achievement tests in reading, math, and science adopted and implemented by the State Board of Education pursuant to A.R.S. § 15-741. ADE is required to receive JLBC review before renewing existing contracts or establishing new contracts for any portion of the statewide assessment (A.R.S. § 15-741.03).

Adult Education

The budget includes $4,923,100 and 4 FTE Positions from the General Fund in FY 2027 for Adult Education. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $11,000 from the General Fund in FY 2027 for statewide adjustments.

Background – The Adult Education program in ADE provides instruction in the following areas to adult learners who are at least 16 years of age: 1) English language acquisition; 2) adult basic education, including GED preparation; 3) adult secondary education; 4) civics; and 5) basic computer literacy skills.

Alternative Teacher Development Program

The budget includes $1,000,000 from the General Fund in FY 2027 for an Alternative Teacher Development Program. This amount is unchanged from FY 2026.

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.

Apache Junction Robotics Program

The budget includes no funding in FY 2027 for an Apache Junction Robotics Program. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(200,000) from the General Fund in FY 2027 to remove one-time funding for a robotics program in Apache Junction.

Arizona English Language Learner Fund

The budget includes $4,960,400 from the General Fund in FY 2027 for the Arizona English Language Learner Fund. This amount is unchanged from FY 2026.

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 $4,469,100 to public schools from the fund in FY 2025.

Arizona Holocaust Education Center

The budget includes no funding in FY 2027 for the Arizona Holocaust Education Center. This amount is unchanged from FY 2026.

Background – An FY 2025 General Appropriations Act footnote stipulates that the $7,000,000 FY 2025 appropriation shall be used for the creation and operation of the center as a resource for fulling statutory requirements related to instruction on the Holocaust and other genocides. 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.

Automated External Defibrillator Grants

The budget includes no funding in FY 2027 for Automated External Defibrillator Grants. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(500,000) from the General Fund in FY 2027 to remove one-time funding for automated external defibrillator grants. An FY 2026 General Appropriations Act footnote stipulates that the monies be distributed to public high schools that sponsor an athletic team or sports program to purchase or maintain automated external defibrillators. It also requires ADE to prioritize the grants for schools in which 50% or more of the students are FRPL-eligible. The monies for this program are non-lapsing through June 30, 2027.

Background – A.R.S. § 15-120.07, as added by section 1 of the FY 2026 K-12 BRB, requires each public high school in Arizona that sponsors an athletic team or sports program to provide an automated external defibrillator (AED) at each school campus and school-sponsored athletic event beginning August 1, 2026.

Center for High School Success

The budget includes no funding in FY 2027 for a Center for High School Success. This amount is unchanged from FY 2026.

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.

The FY 2026 budget included one-time funding for a new Ninth Grade On-Track Program in a separate line item.

Child Sexual Abuse and Assault Awareness and Prevention Pilot Program

The budget includes no funding in FY 2027 for the Child Sexual Abuse and Assault Awareness and Prevention Pilot Program. Adjustments are as follows:

Redirect Unencumbered School Safety Balances

The budget includes no new monies in FY 2027 to fund the Child Sexual Abuse and Assault Awareness and Prevention Pilot Program. Instead, pursuant to a General Appropriations Act footnote, ADE must use $100,000 of the FY 2026 non-lapsing appropriation for the School Safety Program to fund the pilot program, which is established in the FY 2027 K-12 Education Budget Reconciliation Bill. (*Please see Statutory Changes in the Other Issues section for further details.*)

College Credit by Examination Incentive Program

The budget includes $3,772,100 from the General Fund in FY 2027 for the College Credit by Examination Incentive Program (CCEIP). This amount is unchanged from FY 2026.

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 are reduced proportionately if the appropriated amount is insufficient to fully fund them.

For FY 2026, ADE reports that districts and charter schools qualified for $3,763,200 in program awards during the 2025 school year (data is reported on a one-year delay). This amount includes $2,787,600 for awards for 32,301 exams passed in schools with less than 50% FRPL-eligibility ($86 per exam) and $975,600 for 7,537 exams passed in schools with 50% or more FRPL-eligibility ($129 per exam). Under the full statutory awards, the cost of the program would have been $13,082,000.

College Placement Exam Fee Waiver

The budget includes $1,265,800 from the General Fund in FY 2027 for a College Placement Exam Fee Waiver. This amount is unchanged from FY 2026.

Background – This line item funds out-of-pocket expenses for college placement exams taken by students who are FRPL-eligible. ADE currently covers $40 per regular Advanced Placement Exam and $88 per AP Seminar and AP Research Exam, resulting in a net cost of $13 for the qualifying student.

Community College Adult Education Workforce Development Program Fund Deposit

The budget includes no funding in FY 2027 for a deposit in the Community College Adult Education Workforce Development Program Fund. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(6,000,000) from the General Fund in FY 2027 to remove a one-time deposit in the Community College Adult Education Workforce Development Program Fund established in A.R.S. § 15-217.01.

Background – Section 3 of the FY 2026 K-12 BRB reestablishes, as permanent law, the Community College Adult Workforce Development program. The program had previously been eliminated in the FY 2025 K-12 BRB. The program provides funding to adults enrolled in a community college adult education program that provides academic skills development and literacy activities that lead to industry-recognized credentials and a community college certificate or diploma. Community college districts may receive up to $5,000 per participating full-time equivalent student (FTSE).

Computer Science Professional Development Program

The budget includes $1,000,000 from the General Fund in FY 2027 for a Computer Science Professional Development Program. This amount is unchanged from FY 2026.

The program is authorized by A.R.S. § 15-249.12, which also establishes the Computer Science Professional Development Program Fund. 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.

Continuing High School and Workforce Training Program

The budget includes no funding in FY 2027 for the Continuing High School and Workforce Training Program. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(1,000,000) from the General Fund in FY 2027 to remove one-time funding for the Continuing High School and Workforce Training Program established in A.R.S. § 15-217.02.

Background – Section 3 of the FY 2026 K-12 BRB reestablishes, as permanent law, the Continuing High School and Workforce Training Program. The program was previously eliminated in the FY 2025 K-12 BRB. The program provides alternative study services via a contracted nonprofit service provider that lead to the issuance of a high school diploma and industry-recognized credentials for adults. Participating pupils are funded at a level of $7,700 per full-time student. Enrollment in the program for FY 2026 was capped at 130 pupils.

CTED Certification Exam Fee Reimbursement

The budget includes $1,000,000 from the General Fund in FY 2027 for CTED Certification Exam Fee Reimbursement. This amount is unchanged from FY 2026.

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

CTED Completion Grants

The budget includes $1,000,000 from the General Fund in FY 2027 for CTED Completion Grants. This amount is unchanged from FY 2026.

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. The budget continues a footnote in the General Appropriations Act that makes the program's appropriation non-lapsing through the end of the following fiscal year (FY 2028).

CTED Soft Capital and Equipment

The budget includes $1,000,000 from the General Fund in FY 2027 for CTED Soft Capital and Equipment. This amount is unchanged from FY 2026.

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.

Early Literacy

The budget includes $17,404,500 and 3 FTE Positions from the General Fund in FY 2027 for Early Literacy. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $10,500 from the General Fund in FY 2027 for statewide adjustments.

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 budget includes $5,620,700 and 24.2 FTE Positions from the General Fund in FY 2027 for the Education Learning and Accountability System (ELAS) line item. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $86,600 from the General Fund in FY 2027 for statewide adjustments.

Background – The monies in this line item are for continued maintenance and operation of ELAS, which ADE uses to "collect, compile, maintain and report student level data for students attending public educational institutions that provide instruction to pupils in preschool programs, kindergarten programs, grades 1 through 12 and postsecondary educational programs in this state" (A.R.S. § 15-249A).

English Learner Administration

The budget includes $11,677,900 and 13.5 FTE Positions in FY 2027 for English Learner Administration. These amounts consist of:

General Fund	6,677,900
Special Education Fund	5,000,000

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $34,900 from the General Fund in FY 2027 for statewide adjustments.

The budget's 3-year plan designates the $5,000,000 Special Education Fund appropriation as one-time in FY 2026 and FY 2027.

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 budget includes no funding in FY 2027 for the Flagstaff Robotics Program. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(10,000) from the General Fund in FY 2027 to remove one-time funding for a Flagstaff Robotics Program. 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 budget includes $100,000 from the General Fund in FY 2027 for Geographic Literacy. This amount is unchanged from FY 2026.

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

Gifted Assessments

The budget includes $850,000 from the General Fund in FY 2027 for Gifted Assessments. This amount is unchanged from FY 2026.

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 budget includes $500,000 from the General Fund in FY 2027 for a Jobs for Arizona Graduates program. This amount is unchanged from FY 2026.

Background – The budget continues a footnote stipulating that the department shall use the amount appropriated to the program to issue a grant to a nonprofit organization. The program annually provides 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 budget includes no funding in FY 2027 for a K-12 Mental Health Telehealth Pilot. This amount is unchanged from FY 2026.

Background – A General Appropriations Act footnote requires that the program serve individuals outside Maricopa and Pima counties.

Ninth Grade On-Track Program

The budget includes no funding in FY 2027 for the Ninth Grade On-Track Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(3,400,000) from the General Fund in FY 2027 to remove one-time funding of the Ninth Grade On-Track Program.

Background – Section 4 of the FY 2026 K-12 BRB establishes, as permanent law, the Ninth Grade-On Track Program, which provides grants to school districts and charter schools to expand programs that help ninth grade students complete sufficient credits to be on track to graduate in 4 years. Monies in this line item are to be deposited in the Ninth Grade On-Track Grant Program Fund to provide grants of up to $150 per 9th grade pupil for participating schools. Participation is capped at 22,650 pupils for FY 2026.

Onetime School Meal Grants

The budget includes $2,000,000 from the General Fund in FY 2027 for Onetime School Meal Grants. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(3,800,000) from the General Fund in FY 2027 to remove one-time funding for Onetime School Meal Grants.

Continue One-Time Funding
The budget includes an increase of $2,000,000 from the General Fund in FY 2027 to continue one-time funding for school meal grants.

An FY 2027 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 proportionally to cover all eligible grantees.

The budget's 3-year spending plan continues this appropriation in FY 2028 and designates this funding as one-time in FY 2027 and FY 2028.

Public School Campus Community Gardens

The budget includes $600,000 from the General Fund in FY 2027 for Public School Campus Community Gardens. Adjustments are as follows:

One-Time Funding
The budget includes an increase of $600,000 from the General Fund in FY 2027 to provide one-time funding for public school campus community gardens. The appropriation is non-lapsing. The Legislature previously appropriated $100,000 to this purpose in FY 2024.

The budget's 3-year spending plan continues $500,000 of this appropriation in FY 2028 and designates this funding as one-time in FY 2027 and FY 2028.

Rural Arizona School Nurse Access Program

The budget includes no funding in FY 2027 for the Rural Arizona School Nurse Access Program. Adjustments are as follows:

Remove One-Time Funding
The budget includes a decrease of $(2,500,000) from the General Fund in FY 2027 to remove one-time funding for a Rural Arizona School Nurse Access Program. An FY 2026 General Appropriations Act footnote requires ADE to expend at least $500,000 of the amount for salary increases for school nurses in rural school districts and charter schools. The remaining monies may be expended for grants to hire new school nurses. The appropriation for the program is non-lapsing.

School Safety Program

The budget includes $82,074,800 and 4 FTE Positions in FY 2027 for the School Safety program. These amounts consist of:

General Fund	74,274,800
Education Sales Tax - School Safety	7,800,000

Adjustments are as follows:

Statewide Adjustments
The budget includes an increase of $38,700 from the General Fund in FY 2027 for statewide adjustments.

Background – The School Safety Program established in A.R.S. § 15-154 allows schools to apply for grant monies to support the costs of placing school resource officers (SROs), school safety officers (SSOs), 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 2025, the State Board of Education (SBE) approved ADE's proposed awards for the School Safety Grant Program for FY 2027 through FY 2029. Those awards include 657 positions, consisting of $50,057,000 for 323 SROs and SSOs and $28,738,200 for 334 school counselors and social workers. SBE board materials suggest this funding level leaves 234 SRO and SSO positions and 186 school counselor and social worker positions on the program waiting list in FY 2027.

A General Appropriations Act Footnote directs ADE to prioritize $50,000,000 of the School Safety Program appropriation for grants for schools to hire SROs, SSOs, 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.

Section 118 of the FY 2027 General Appropriations Act requires ADE to transfer $2,000,000 from the non-lapsing, unencumbered balance of monies appropriated to the School Safety Program in FY 2026 to the Arizona Department of Administration's (ADOA) School Safety Interoperability Fund in FY 2027. Section 118 further directs ADOA to distribute the $2,000,000 to specified counties to install and support school safety projects. (*Please see the Arizona Department of Administration section for more information.*)

The FY 2027 budget also reallocates $100,000 of the FY 2026 School Safety Fund appropriation for the Child Sexual Abuse and Assault Awareness and Prevention Pilot Program. *(Please see the line item description of this program above.)*

Show Low Robotics Program

The budget includes no funding in FY 2027 for the Show Low Robotics Program. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(10,000) from the General Fund in FY 2027 to remove one-time funding for a Show Low Robotics Program.

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 budget includes $11,939,100 and 27 FTE Positions from the General Fund in FY 2027 for the State Block Grant for Vocational Education. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $77,200 from the General Fund in FY 2027 for statewide adjustments.

Background – The program provides block grants to school districts and charter schools that have Career and Technical Education (CTE) programs. ADE also receives federal funding each year for CTE programs pursuant to the Carl D. Perkins Vocational and Technical Education Act of 2006, most of which is passed on to local CTE programs. For FY 2026, the department received an estimated $34,386,000 in Perkins funding. Perkins funding is subject to a federal maintenance-of-effort (MOE) provision that requires a state to continue to spend at least as much on CTE in a given fiscal year as it did in the prior fiscal year.

Student Level Data Access

The budget includes $368,700 from the Department of Education Empowerment Scholarship Account Fund in FY 2027 for Student Level Data Access. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $9,800 from the Department of Education Empowerment Scholarship Account Fund in FY 2027 for statewide adjustments.

Background **–** This line item provides funding for ADE's costs associated with providing student level data access pursuant to A.R.S. § 15-1043, which requires ADE to allow access to student level data for county school superintendents, the State Board of Education, and the State Board for Charter Schools.

Teacher Certification

The budget includes $2,512,800 and 22.9 FTE Positions from the Teacher Certification Fund in FY 2027 for Teacher Certification. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of $96,100 from the Teacher Certification Fund in FY 2027 for statewide adjustments.

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

Teacher Retention Study

The budget includes no funding in FY 2027 for a Teacher Retention Study. Adjustments are as follows:

Remove One-Time Funding

The budget includes a decrease of $(100,000) from the General Fund in FY 2027 to remove one-time funding for a teacher retention study.

A General Appropriations Act footnote requires ADE to use the monies for a comprehensive study that aggregates data on certified and noncertified teachers, teaching assignments, retention and turnover rates, longevity, vacant teaching positions, and teacher preparation programs. The department must complete the study by December 31, 2025 and maintain a publicly accessible interactive dashboard on the department's website that contains the study results and recommendations. These items are currently published on ADE's website.

Tribal College Dual Enrollment Program

The budget includes $325,000 from the Tribal College Dual Enrollment Program Fund in FY 2027 for the Tribal College Dual Enrollment Program. This amount is unchanged from FY 2026.

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, 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.

Wrestling Grant

The budget includes $250,000 from the General Fund in FY 2027 for a wrestling grant. Adjustments are as follows:

One-Time Funding

The budget includes an increase of $250,000 from the General Fund in FY 2027 for a one-time wrestling grant.

Section 111 of the FY 2027 General Appropriations Act removes a $250,000 FY 2026 General Fund appropriation to the Maricopa County Community College District for wrestling scholarships, and appropriates $250,000 from the General Fund to ADE in FY 2027. The budget directs ADE to issue the monies as a grant to a single Arizona school that offers instruction to grades 6-12 and incorporates wrestling into its mission.

Other Issues

This section includes information on the following topics:

- FY 2026 Ex-Appropriation
- Lapse Prior Year Appropriations
- Statutory Changes
- Long-Term Budget Impacts
- Treasurer Distribution for School Hardening
- Endowment Earnings
- Proposition 123 Triggers
- Aggregate Expenditure Limit
- Education Sales Tax

FY 2026 Ex-Appropriation

The FY 2027 budget ex-appropriated $(31,859,000) of ADE's FY 2026 budget due to a funding formula surplus. The estimated surplus consists of:

- $(89,369,900) for lower-than-budgeted expenses for district and charter formula expenses. These savings are largely driven by public school enrollment declining at a faster rate than was estimated in the FY 2026 budget, partially offset by higher-than-budgeted per-pupil costs.
- $59,788,600 for higher-than-budgeted ESA enrollment. The enacted FY 2026 budget assumed the ESA program would have 97,905 ESA enrollees in FY 2026. ADE reports actual awardees in FY 2026 reached 102,891, or 4,986 above the budget assumption.
- $(2,277,700) for higher-than-expected local property taxes raised via the Qualifying Tax Rate (QTR) to cover the district share of the formula in FY 2026. The higher QTR revenues result in a dollar-for-dollar decrease in the General Fund cost of the Basic State Aid formula.

Lapse Prior Year Appropriations

The FY 2027 budget (the General Appropriations Act) lapses the following prior year non-lapsing appropriations:

- $(100,000) in each of FY 2024 (Section 101) and FY 2025 (Section 102) from the General Fund to reduce funding for Live, Remote Instructional Courses.
- $(344,300) in FY 2020 (Section 98) and $(400,000) in each of FY 2021 (Section 99) and FY 2022 (Section 100) from the General Fund to reduce funding for the High-Quality Teacher Professional Development Pilot Program.

Statutory Changes

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

Formula Requirements

- As permanent law, increase the base level (A.R.S. § 15-901B2), the transportation funding levels (A.R.S. § 15-945A5) and the charter school "Additional Assistance" amounts (A.R.S. § 15-185B4) by 2.0% for standard inflation.
- As permanent law, update the Qualifying Tax Rate cited in A.R.S. § 41-1276 to reflect the Truth in Taxation rates established for FY 2027.

Other

- As session law, continues stating that it is the intent of the Legislature and Governor that school districts increase the total percentage of classroom spending in the combined categories of instruction, student support and instructional support as defined by the Auditor General.
- As session law, continue to notwithstand A.R.S. 15-241 to allow ADE to expend monies in FY 2027 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, 2026.
- As session law, establish the child sexual abuse and assault awareness and prevention pilot program within ADE. Requires ADE to select six public schools that have applied to participate in the pilot program in FY 2028. Participating schools shall develop a child sexual abuse and assault response policy and provide instructional modules and resources to teachers and parents of students regarding the identification and prevention of child sexual abuse and assault. Requires ADE to contract with an organization subject to certain requirements to provide the instructional resources, including the provision of printed materials to parents upon request, and requires each participating school to publish a report by October 1, 2028 on the outcomes of the pilot program.
- As session law, require ADE to recalculate state aid paid to Alhambra Elementary School District in FY 2025 as a result of a change in the district's assessed valuation, and to increase FY 2027 state aid paid to Alhambra Elementary School District by $852,200.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, ADE General Fund ongoing formula costs are projected to increase by $300,977,600 in FY 2028 compared with FY 2027 and increase by $335,987,200 in FY 2029 above FY 2028. These estimates are based on:

- Public school enrollment declines of (1.8)% in FY 2028 and (0.8)% in FY 2029.
- ESA enrollment growth of 12,000 in each of FY 2028 and FY 2029.
- GDP inflators of 3.7% for FY 2028 and 2.8% for FY 2029. Statute funds the lesser of 2% or the actual rate.
- New construction NAV growth of 2.1% for FY 2028 and 2.0% for FY 2029.
- An increase of $4,600,000 in FY 2028 for Homeowner's Rebate expenses associated with a reduction in the assessment ratio for commercial property by 0.5% pursuant to Laws 2022, Chapter 171.

The FY 2028 $300,977,600 ongoing formula increase consists of: $234,977,600 for standard formula growth, and $66,000,000 to make permanent the FRPL Weight and Additional Assistance Supplements (which were previously funded on a one-time basis).

Treasurer Distribution for School Hardening

The FY 2027 General Appropriations Act appropriates $300,000 from the Peace Officer Training Equipment Fund to the Treasurer to be distributed to ADE for grants for the hardening of school sites (*Please see the State Treasurer section for more detail*).

Endowment Earnings

In FY 2025, endowment earnings from state trust lands funded $605,401,600 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 was superseded through FY 2025 by a 6.9% factor, or an increase of 4.4% required by Proposition 123. The 4.4% increase exclusively funded Basic State Aid costs. After FY 2025, Proposition 123 reestablishes the 2.5% factor on a permanent basis.

In FY 2026, public schools will receive an estimated $283,931,700 of expendable land trust monies from the State Land Department and State Treasurer combined. That total includes $108,953,200 from the Land Department and $174,978,500 from the State Treasurer (reflecting the first year following the expiration of the 4.4% Proposition 123 factor). We estimate total FY 2027 earnings distributed would increase to $298,742,000 *(see Table 5).*

Table 5
Source of K-12 Endowment Earnings by Fiscal Year
($ in Millions)

Source	2025	2026	2027	2028	2029
Land Department	157.5	108.9	108.9	108.9	108.9
Treasurer	447.9	175.0	189.8	202.9	219.7
Total	**605.4**	**283.9**	**298.7**	**311.8**	**328.6**

Table 6 shows K-12 endowment earning uses. In FY 2027, the $298,742,000 of expendable earnings includes $72,263,000 for Basic State Aid and the remaining $226,479,000 would be deposited into the Classroom Site Fund (A.R.S. § 15-977) pursuant to A.R.S. § 37-521B4. 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 6
Use of K-12 Endowment Earnings by Fiscal Year
($ in Millions)

Source	2025	2026	2027	2028	2029
Basic State Aid	357.9	72.3	72.3	72.3	72.3
Classroom Site Fund	247.5	211.6	226.4	239.5	256.3
Total	**605.4**	**283.9**	**298.7**	**311.8**	**328.6**

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.

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 economic downturn and K-12 percentage of budget triggers continue to be in effect following the expiration of the 4.4% increase of the land trust endowment distribution. The budgeted K-12 spending level constitutes approximately 46.0% of total state General Fund appropriations in FY 2027, 47.4% in FY 2028, and 47.5% in FY 2029.

Proposition 123 also included a trigger provision related to the overall trust fund balance, but that provision is no longer applicable as it related to the Legislature's ability to reduce the 6.9% distribution rate (which is no longer in effect).

(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.

For FY 2026, the Legislature pre-emptively authorized districts to exceed the AEL in FY 2026 pursuant to SCR 1041 adopted during the 57th Legislature, First Regular Session. During this same Legislative session, the Legislature also pre-emptively authorized districts to exceed the AEL in FY 2027 pursuant to SCR 1042. ADE reported in October 2025 that district budgets would have exceeded the AEL for FY 2026 by $1,163,730,600 without the override authorized by SCR 1041.

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

Education Sales Tax

Proposition 301, which was passed by voters in November 2000, amended A.R.S. § 42-5010 to increase the state Transaction Privilege Tax (TPT) ("sales tax") rate on most purchases from 5% to 5.6% through FY 2021 to generate more funding for public education. The Proposition 301 sales tax expired at the end of FY 2021. Starting in FY 2022, Laws 2018, Chapter 74 essentially extended the additional 0.6% sales tax through June 30, 2041 (*see Table 7*).

Table 7

Education Sales Tax Monies
(FY 2027 Estimate)
($ in Millions)

EDUCATION SALES TAX REVENUES		
Recipient	**Amount**	**Comment**
Universities	149.8	Receives 12% of monies after Basic State Aid distribution is deducted.
Community Colleges	37.4	Receives 4% of monies after Basic State Aid distribution is deducted.
Tribal Colleges	1.5	Same formula as for community colleges.
DOR Tax System	0.8	
Income Tax Credit	25.0	For the income tax credit authorized by A.R.S. § 43-1072.01.
Subtotal – Non-ADE Programs	**$214.4**	
Additional School Days	86.3	To add 5 days to the K-12 school year (180 days total).
Basic State Aid Distribution	64.1	
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 A.R.S. § 15-1041.
Failing Schools	1.5	To Failing Schools Tutoring Fund (A.R.S. § 15-241K).
Classroom Site Fund	930.8	Receives all monies remaining after other distributions are made.
Subtotal – ADE Programs	**$1,097.7**	
Total – Education Sales Tax	**$1,312.1**	
CLASSROOM SITE FUND REVENUES (ALL SOURCES)		
Education Sales Tax (from above)	930.8	
Prop 301/CSF – Land Trust	226.4	
Prop 301/CSF – Carry Forward	73.8	
Total – Classroom Site Fund 1/	**$1,231.0**	

1/ The total estimated disbursements reported for FY 2027 in JLBC's Classroom Site Fund memo from March 2026. Land trust revenues have been updated from March to reflect actual FY 2026 expendable receipts. Amounts may not add due to rounding.