

Estimated Classroom Site Fund Per Pupil Amount for FY 2024

A.R.S. § 15-977 requires the JLBC Staff to determine a per pupil amount from the Classroom Site Fund (CSF) for the upcoming fiscal year. The CSF was established by Proposition 301 (2000). It receives funding from the 0.6¢ education sales tax established by Proposition 301 (and continued by Laws 2018, Chapter 74) as well as a portion of K-12 state land trust revenues.

The JLBC Staff currently estimates that public schools will receive \$758 per weighted pupil from the CSF in FY 2024 on both a cash and "budget capacity" basis. This amount is an increase of \$50 from the FY 2023 CSF per pupil amount of \$708.

Statutory Formula

A.R.S. § 15-977G1 stipulates that the per pupil funding amount from the CSF for a given budget year shall be computed using the estimated "weighted" student count for the current year and estimated resources in the CSF for the budget year, adjusted for any prior year carry-forward or shortfall. The Arizona Department of Education (ADE) currently estimates that the weighted student count for the next year (FY 2024) will be 1,345,000 and the JLBC Staff currently estimates that the CSF will have \$1,018,912,500 in available resources for FY 2024. These 2 estimates yield a CSF per pupil amount of \$758 per weighted student for FY 2024. (*see attachment*).

Estimated Weighted Student Count

The estimated FY 2024 weighted student count of 1,345,000 is based on preliminary 100-day Average Daily Membership (ADM) data from school districts for the current year (FY 2023) and projected 100-day ADM counts for charter schools for next year (FY 2024). CSF allocations are based on "student counts," which for Classroom Site Fund purposes is interpreted to mean prior year ADM for districts (FY 2023 for the FY 2024 distribution) and current year ADM for charter schools (FY 2024 for the FY 2024 distribution). The portion of the estimated count that pertains to charter schools is more uncertain than the district portion because it will depend on actual charter school ADM growth next year.

ADE's student count estimate includes pupils from the Arizona State Schools for the Deaf and the Blind (ASDB) and the Department of Juvenile Corrections (DJC), since they both also receive CSF funding. Per pupil allocations for public schools and DJC are based on their "Group A weighted" student counts pursuant to A.R.S. § 15-977G. ASDB allocations are based on its "Group B weighted" student counts pursuant to A.R.S. § 15-977L.

Estimated CSF Revenues

The CSF revenue estimate of \$758 per weighted pupil for FY 2024 assumes a 7.0% increase in education sales tax revenues for FY 2023 and a 2.8% increase above FY 2023 for FY 2024. These are estimates for state sales tax revenues in general (not just from the education sales tax) for FY 2023 and FY 2024. Excluding the effect of cash balances, FY 2023 total education sales tax revenues were estimated to be \$1,091,495,300 a year ago. We now forecast FY 2023 revenues of \$1,144,313,100 with a further increase to \$1,176,353,900 in FY 2024.

The \$758 per weighted pupil estimate also includes a projected \$139,343,300 in K-12 endowment earnings for FY 2024. Under Proposition 301, the first 2.5% of the Treasurer's distribution and the Land Department's expendable receipts above \$72,263,000 are deposited into the CSF. Increases from Proposition 123 (2016) are used for Basic State Aid and are not deposited into the CSF.

Based on input from the State Treasurer and State Land Department, total K-12 endowment earnings are projected to be \$482,740,600 for FY 2024, including monies from Proposition 123. Of that amount, an estimated \$342,797,300 would be used for Basic State Aid. The remaining \$139,943,300 would be deposited into the CSF pursuant to A.R.S. § 37-521B4, or an increase of \$11,479,400 in comparison to the FY 2023 CSF per pupil amount.

Cash versus “Budget Capacity”

The CSF per pupil amount that is computed each year pursuant to A.R.S. § 15-977G1 represents an amount that school districts and charter schools are authorized to spend (“budget capacity”) per pupil for the fiscal year regardless of how much CSF cash actually ends up being available for that year. If CSF cash ends up being insufficient to fully fund the authorized CSF per pupil “budget capacity” amount, school districts and charter schools may borrow cash from some of their other local funds in the short term in order to make up the difference. The following year, however, A.R.S. § 15-977G1 requires a corresponding reduction in CSF per pupil “budget capacity” in order to bring cumulative CSF cash and “budget capacity” back into balance and repay borrowed local funds.

For FY 2011 through FY 2013, CSF “budget capacity” per pupil was less than the available “cash” amount in order to eliminate large CSF cash shortfalls that developed during the Great Recession. Those cumulative cash shortfalls were eliminated in FY 2014.

Potential Impact of Estimation Error

The estimates are based on projected sales tax revenues, endowment earnings, carry-forward amounts, student counts, and other factors. If revenue factors or student counts vary from the assumptions, more funding will end up being available per pupil than anticipated, or vice versa.

If the per pupil estimate is too *high*, recipients will receive only what is available for distribution from the CSF for the year, which would be less than the estimated per pupil amount. Under this circumstance, A.R.S. § 15-977M and 15-978 would allow school districts to borrow from other internal funds or issue “warrants” (short-term loans from commercial banks) to temporarily make up the difference. Districts would then have to pay back their internal funds or warrants with interest the following year. Charter schools do not have statutory authority to issue warrants, however, so would have to cover any CSF shortfall with alternative funding, such as from separately-arranged bank financing.

If the per pupil estimate is too *low*, recipients potentially could receive at least a portion of the surplus funding through prior year back-payments authorized by A.R.S. § 15-977K if any prior year shortfall exists. Otherwise, surplus monies would be carried forward into next fiscal year and factored into CSF per pupil computations for that year.

The \$758 per pupil “cash” and “budget capacity” estimate for FY 2024 does not include adjustments for contingencies related to revenue or enrollment growth. Current law does not make provisions for such adjustments.

Estimated Classroom Site Fund Per Pupil Allocation for FY 2024

JLBC Staff
3/30/2023

Notes:

1. "Sales Tax" revenue estimates assume 7.0% growth in FY 2023 and 2.8% in FY 2024.
2. "Education Sales Tax Expenditures" estimates for FY 2023 and FY 2024 are based on the distribution formula in A.R.S. §42-5029.02A.
3. "Endowment Earnings" estimates for FY 2023 and FY 2024 are based on currently available trust land data from the State Treasurer and State Land Department.
4. "Weighted Student Count" estimates for FY 2023 and FY 2024 are from ADE and include ASDB and DJC, which also receive CSF funding.
5. The "Cumulative Prior Year Shortfall Per Pupil" amount equals the difference between "cash" and "budget capacity" that schools have received from the Classroom Site Fund (CSF) cumulatively since its inception in FY 2002 (no difference currently projected for FY

	FY 2022	(original) FY 2023	(revised) FY 2023	(estimated) FY 2024
Education Sales Tax Revenues				
Sales Tax	1,069,451,500	1,091,495,300	1,144,313,100	1,176,353,900

Education Sales Tax Expenditures

SFB Debt Service	-	-	-	-
Basic State Aid Distribution	54,485,000	64,100,000	64,100,000	64,100,000
Universities	121,796,000	123,287,400	129,625,600	133,470,500
Community Colleges	30,449,000	30,821,900	32,406,400	33,367,600
Tribal Assistance	840,700	1,240,800	1,274,600	1,292,700
Additional School Days	86,280,500	86,280,500	86,280,500	86,280,500
School Safety	7,800,000	7,800,000	7,800,000	7,800,000
Character Education Matching Grants	200,000	200,000	200,000	200,000
Accountability Measures / SAIS	7,000,000	7,000,000	7,000,000	7,000,000
Failing Schools Tutoring Fund	1,500,000	1,500,000	1,500,000	1,500,000
Income Tax Credit for Sales Tax Paid	25,000,000	25,000,000	25,000,000	25,000,000
DOR Integrated Tax System Modernization Project	-	-	653,400	800,000
Classroom Site Fund	734,100,400	744,264,700	788,472,600	815,542,600
Total (sales tax only)	1,069,451,600	1,091,495,300	1,144,313,100	1,176,353,900

Classroom Site Fund Revenues

Education Sales Tax	734,100,400	744,264,700	788,472,600	815,542,600
Endowment Earnings	121,582,400	128,463,900	132,044,600	139,943,300
Prior Year Carryforward	251,952,800	123,613,300	141,568,600	117,053,600
Total Estimated Revenues	1,107,635,600	996,341,900	1,062,085,800	1,072,539,500

Classroom Site Fund Expenditures

Total Estimated Revenues	1,107,635,600	996,341,900	1,062,085,800	1,072,539,500
Less: Backpayments for Prior Year Shortfalls	-	-	-	-
Less: Carryforward to Next Year	(141,568,600)	(49,817,100)	(117,053,600)	(53,627,000)
Net Revenues Available for Current Year	966,067,000	946,524,800	945,032,200	1,018,912,500
Weighted Student Count	1,313,218	1,337,756	1,335,647	1,345,000
Available Funding Per Weighted Pupil -- Cash	\$733	\$708	\$708	\$758
Cumulative Prior Year Shortfall Per Pupil	\$0	\$0	\$0	\$0
Available Funding Per Weighted Pupil -- Budget Capacity	\$733	\$708	\$708	\$758