

# Arizona school funding: How it works

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The funding of K-12 education is a priority for Arizona political leaders, educators and parents, but the state's complicated funding formula and competing political interests have stretched available funds beyond their limits.

While there is broad agreement that improvements must happen, there is little consensus about how to do that.

School funding will be a top issue in the upcoming legislative session and throughout the 2018 elections. Here's a closer look at how school funding works in Arizona, and some of the issues involved with it.

K-12 education is the largest part of the state budget. This year, the state will spend \$4.2 billion of its overall \$9.8 billion on K-12 education.

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## Public-school funding

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Arizona's 35-year-old school-funding formula was created before charter schools and other school choice options were part of the equation. As those options were added, the formula was not overhauled. Instead, it was tweaked to squeeze them in.

Arizona provides public district and charter schools a base amount of funds each year per student — about \$3,680. Schools may get a bit more to cover students with disabilities, English-language learners or based on grade level.

Schools then get some additional funds for being very small and/or having more experienced teachers, as well as what's called "additional assistance" for capital costs like transportation, technology and textbooks.

Separately, district schools get some additional funding through things like local bond and override elections or federal desegregation funds. Districts and charters get additional funds from other federal programs, local property taxes and tax credit donations.

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## Private-school funding

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Arizona's education system also provides funding to private schools — both directly and indirectly.

Directly, the state provides tax dollars to parents through its Empowerment Scholarship Account program, which parents can then use to pay private-school tuition or other education expenses.



As the Empowerment Scholarship Account program expanded, resources to scrutinize the expenditures — made using state-provided debit cards — never kept pace.

(Photo: Mark Henle/The Republic)

Gov. Doug Ducey and the Legislature this year passed a massive expansion of the program, but opponents this summer collected enough signatures to halt the expansion and put the issue on the November 2018 ballot as Proposition 305.

Senate Bill 1431 made all 1.1 million Arizona students eligible to apply for the voucher program, although it capped the number of recipients at 30,000 by 2022.

Prior to expansion, the program had been limited to certain students, including those with special needs, in poor-performing schools or from military families.

Indirectly, the state gives dollar-for-dollar tax credits to individuals and businesses that donate to nonprofit organizations that then distribute scholarships to students attending private schools.

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## Capital funding

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Arizona's results-based funding program gave low-income-area district and charter schools \$14 million. Middle- and higher-income ones got \$24 million.

For schools, capital costs include a combination of hard capital such as building construction and soft capital such as textbooks, buses and computers.

Districts can apply for hard capital funding through the School Facilities Board — charter schools don't qualify. Districts and charters get soft capital funds through the additional assistance fund.

But the governor and state Legislature have for years underfunded capital costs.

Currently, school districts are getting about 15 percent of what they were initially told they would get each year in what's called District Additional Assistance; charter schools are receiving about 85 percent in Charter Additional Assistance.

Several school districts, education groups and parents are now suing the state over that funding. The lawsuit could cost the state billions of dollars if it loses.

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## Desegregation funding

Eighteen Arizona school districts receive \$211 million in “desegregation funding,” local property taxes select districts can levy outside of their revenue control limit without the approval of local voters.

Arizona statutes allow school districts either under desegregation court orders or agreements with the U.S. Department of Education's Office for Civil Rights access to these tax levies to address mandates imposed through governmental oversight.

Desegregation funding has been hotly debated at the Arizona Capitol. State lawmakers in recent years have unsuccessfully pushed legislation to get rid of the funding because they feel the premise for it is outdated and that it isn't fair that the rest of the state's public schools aren't afforded access to the money.

The Phoenix Union High School District is one of the biggest beneficiaries of desegregation. The district receives \$55 million in desegregation funding, which composes about 20 percent of its annual budget.

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## **Full-day kindergarten**

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Kindergarten is not technically a required grade in Arizona, meaning the state does not fund or oversee it as it does other grades.

Arizona only requires that schools offer 2.5 hours of state-funded kindergarten, which is widely referred to as half-day kindergarten.

As a result, some schools only offer partial-day programs. Some charge parents to cover the cost of providing additional hours each day. Others absorb the cost and provide it free.

It would cost the state an estimated \$240 million to fund kindergarten for a full 6.5 hour school day if, by law, it became a full grade.

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## **Bonds and overrides**

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Bonds and overrides are temporary, local property-tax-funded measures school districts can ask their voters to approve.

Bonds may be issued to pay for longer-term projects, such as building new schools, renovating existing ones or investing in technology and transportation infrastructure.

Voter-approved overrides allow school districts to boost their maintenance and operations and capital budgets. An override can increase a district's classroom budget by up to 15 percent for seven years.

Charter schools cannot ask voters for bonds or overrides.

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## Special-education funding

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How does Arizona's method of funding special education impact all students? Reporter Alia Rau explains.

The portion of the school-funding formula that provides extra money to schools for students with special needs is divided into two parts.

For students determined to have more severe needs, such as autism or a physical disability, schools get a specific amount of money based on that disability. Those are called Group B students.

For students determined to have more mild needs, such as dyslexia or a speech impediment, schools get extra money for every student — regardless of how many have special needs — and the school can use those funds as it sees fit. These are called Group A students.

Arizona's spending on special education benefits schools with the fewest number of Group A students.

About one-third of Arizona students attend schools — most of which are charters — that receive more state money to serve students with special needs than those schools actually spend for that purpose.

The rest of the state's students attend a mix of district and charter schools that spend more on students with special needs than they get, forcing the schools to spend less on their traditional students to make up the difference.

**READ MORE:** [Arizona special-ed funding benefits schools with fewest special-ed students](#)

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## Teacher pay

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Arizona is in the midst of a teacher crisis. Districts and charter schools struggle to fill open positions, resorting to hiring teachers that don't meet the basic qualifications to teach.

Experts frequently place poor teacher pay and low education funding among the primary causes of the shortage. Median pay for Arizona elementary teachers in 2016 was \$42,474 per year, compared with \$55,800 nationally. In 2014, Arizona ranked 48th in average per-pupil spending at \$7,457, compared with \$11,066 nationally.

Gov. Doug Ducey calls teachers and public schools "winners" in his most recent budget, which allocated \$167 million in new money for education and a one-percent pay hike for teachers this year.

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**Proposition 301**

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The 0.6-cent voter-approved sales tax expires in 2021 and without it schools will lose the \$600 million a year they're getting now for teacher salaries, reading intervention and other student programs, university research, school maintenance and community-college workforce-development programs.

A group of business leaders has proposed asking voters to expand the tax to 1.5 cents and putting the additional revenue toward areas Ducey prioritized this year — teacher salaries, full-day kindergarten, school infrastructure, universities, teacher training and workforce development.

Many state Republican leaders don't want it on the 2018 ballot, where Ducey and other statewide officials will face re-election. And everyone wants to make sure their favorite education issue gets money.

Ducey hasn't taken a leadership role on Prop. 301, at least not at this point.

In March, he told *The Arizona Republic* he supported extending and overhauling the tax, but has never said publicly whether he'd support bipartisan efforts to increase it.

Ducey ran for governor on a pledge not to increase taxes during his tenure.

Superintendent of Public Instruction Diane Douglas is the only state leader to publicly release a specific proposal for Prop. 301.

She proposed raising the tax to a full cent and using the additional revenue for an immediate 11 percent teacher raise and an annual \$100 million boost to the School Facilities Board.

But she gave no plan for making it happen, instead saying she hoped the Legislature would take it up when their next session begins in January.

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