
Arizona School Finance

Tucson Unified School District #1
Karla G. Soto
Chief Financial Officer

OVERVIEW

- ◉ Arizona School Finance Program
 - Regulations
 - Historical Background
 - Budgetary Documents
 - Expenditure Budget Categories
- ◉ Budget Formula Construction
- ◉ Where the Dollars Come From
- ◉ Other Areas of the Budget
- ◉ The Expenditure Budget

ARIZONA SCHOOL FINANCE PROGRAM REGULATIONS

ARIZONA REVISED STATUTE (ARS) TITLE 15

- Rules Established by the Arizona Legislature
- Title 15 Refers to Education
- Sections 15-901 to 15-1241 Refer to School Finance

UNIFORM SYSTEM OF FINANCIAL RECORDS (USFR)

The legislature has required that the Arizona Department of Education and the State's Auditor General interpret Title 15 and design the State's Uniform System of Financial Records (USFR) which is used in maintaining local school district financial records and preparing reports.

ARIZONA SCHOOL FINANCE PROGRAM HISTORICAL BACKGROUND

Back in the early 1980's the Arizona Legislature refined its school finance system to provide **equal dollars per pupil** for school operations through a balancing of the local qualifying property tax rate and State of Arizona financial assistance. This concept, commonly referred to as **the "equalization formula,"** allowed public school districts throughout the State of Arizona to experience similar "effort" in raising educational dollars for their students irrespective of the value of property within their boundaries.

- **Today the Arizona Legislature is responsible to set up spending limits for:**
- Maintenance and Operations Fund 001
- Unrestricted Capital Outlay Fund 610
- Classroom Site Funds 011-013

ARIZONA SCHOOL FINANCE PROGRAM BUDGETARY DOCUMENTS

In the State of Arizona, there are a number of forms which provide some uniformity in the manner that financial information is presented.

EXPENDITURE BUDGET (Proposed & Adopted)
(Proposed by July 1st of the fiscal year)
(Adopted by July 15th of the fiscal year)

REVISED EXPENDITURE BUDGET
(Completed by December 15th
and/or May 15th)

ANNUAL FINANCIAL REPORT
(Completed by October 15th)



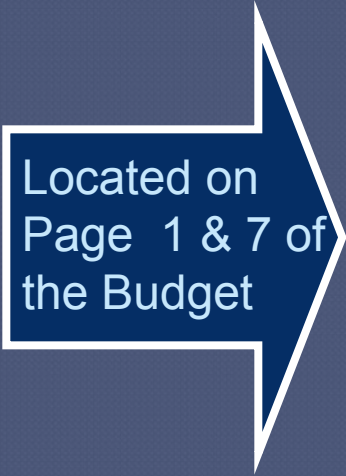
ARIZONA SCHOOL FINANCE PROGRAM EXPENDITURE BUDGET

The Expenditure Budget contains categories from which school districts can expend monies. These categories (funds) fall into these major classifications:

- Maintenance & Operation
- District Additional Assistance - Unrestricted Capital Outlay
- Classroom Site Fund
- Instructional Improvement Fund
- Bond Building and Capital Funds
- Special Projects (Federal/State)
- Other Funds

MAINTENANCE AND OPERATION BUDGET

The Maintenance & Operation Budget is the budget where much of the day to day expenditures take place. Typical proposed expenditures include; salary and benefits of employees, supplies, utilities, maintenance & repair, and other miscellaneous expenditures which are not of a capital nature.



Located on
Page 1 & 7 of
the Budget

M&O BUDGET LIMIT

The M&O Budget Limit results from a number of **simplistic formulas** heavily **dependent** upon the number of students or **Average Daily Membership**, (ADM) the district has over the cumulative effect of the **prior** school years' **first 100 days**.

The typical M&O Budget Limit is made up from the following formulas:

- Revenue Control Limit (RCL)
- Capital Outlay Revenue Limit (CORL)
- Overrides
- Desegregation
- Dropout prevention
- Additions to the Budget
(Tuition, Budget Balance Carryover)

M&O BUDGET LIMIT

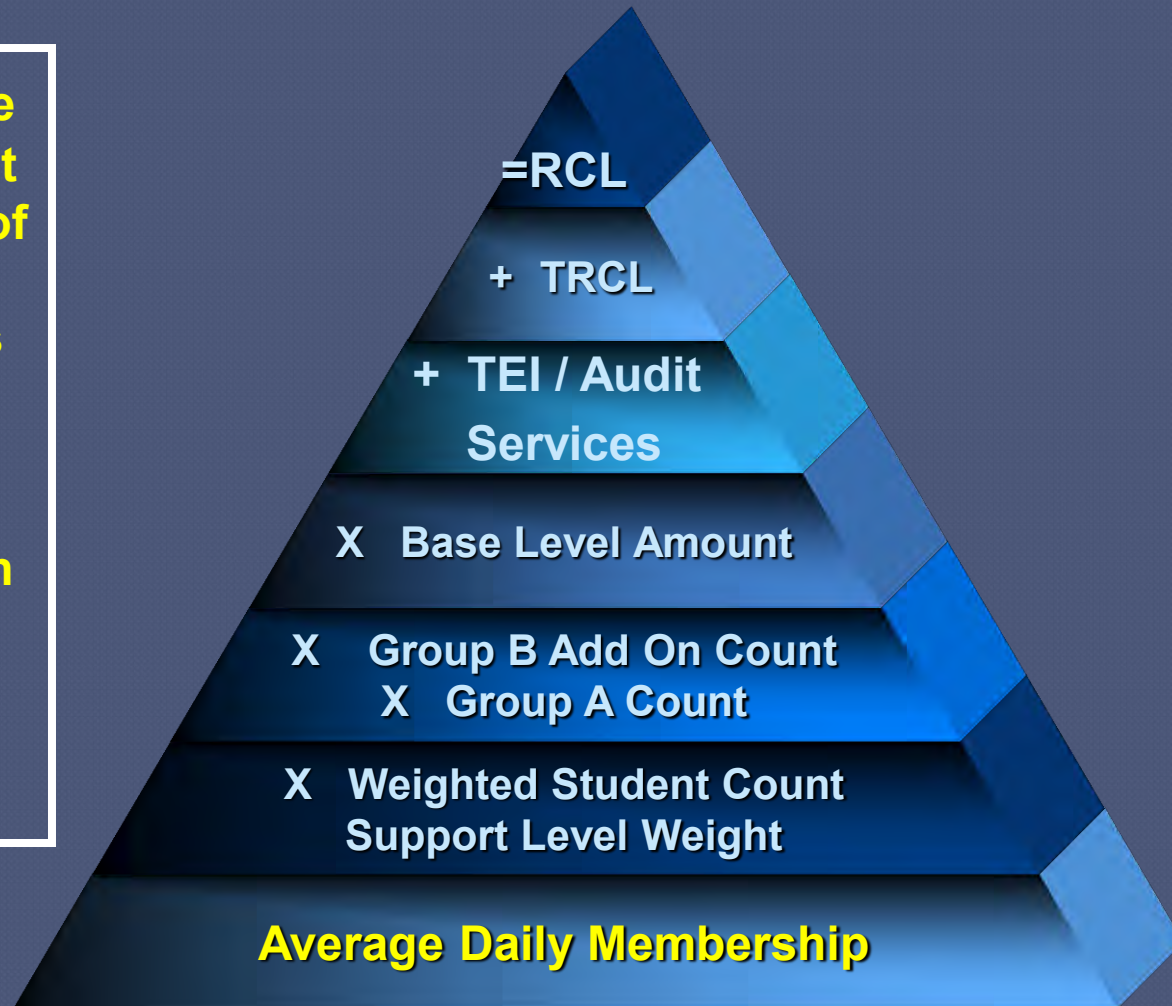
Calculating the Revenue Control Limit (RCL) is the Foundation for Building the M&O Expenditure Budget

District Demographics are used to calculate the budget

1. Preschool w/disabilities students
2. K-8 students
3. 9-12 students
4. Special needs students
5. ELL population
6. Daily Route Miles
7. Teacher Experience Index

REVENUE CONTROL LIMIT (RCL)

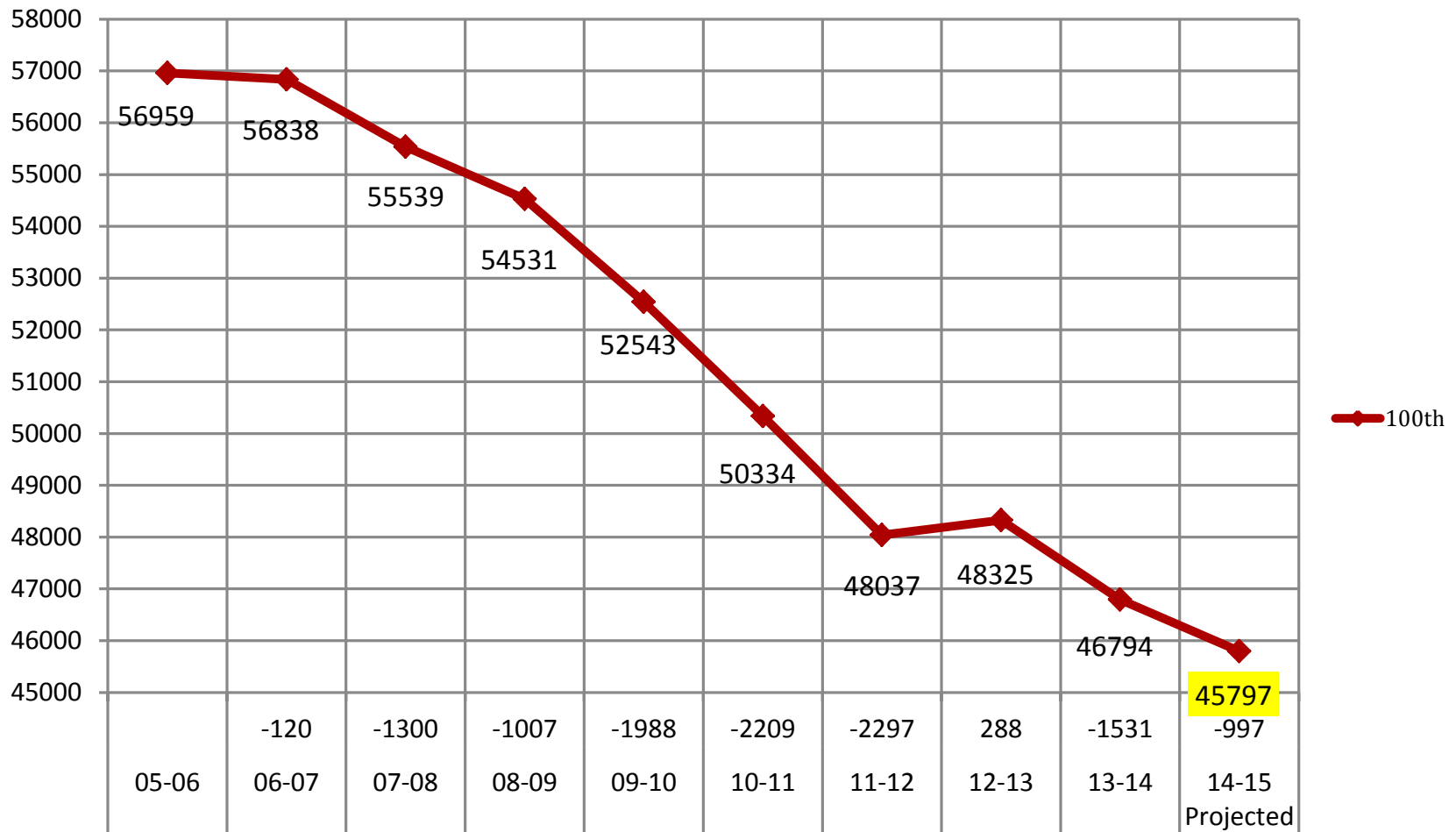
The Revenue Control Limit is made up of various components which determine the funding amount each component generates. These include:



AVERAGE DAILY MEMBERSHIP (ADM)

- The average number of students which are enrolled each day during the first 100 days.
- For each day a student is enrolled in the first 100 days of the school year, we receive 1% of the funding for that student.
- Approximately 80% Of All District Funding Is Dependent Upon The Number of Students (ADM) It Has

TUSD 100th Day ADM Yearly Comparison



TYPES OF STUDENTS

Group A students - This support level weight is applied to regular education students and certain special needs students. This weights is defined in A.R.S. §15-901

Group B Students. Additional support level weights are provided for special needs and other students that were served the previous year. Funding for Extended School Year (ESY) is included within the funding generated by these additional weights. These weights are specified in A.R.S. §15-943.2.

SUPPORT LEVEL WEIGHT

The effect of Weighted Student Count allows a student to be worth more than 1.0 for funding purposes

Example: A 5th Grade Hearing Impaired Student

	Support Level Weight
Regular Elementary Student	1.158
Hearing Impaired	<u>4.771</u>
	5.929

WEIGHTED STUDENT COUNT

The Weighted Student Count takes into consideration the **associated cost** of educating **certain classifications of** students (Support Level Weight) without utilizing dollars to do it. This student count takes into account the **size of the district** and special needs children.

Weighted Student Count is specified per ARS 15-943.

BASE LEVEL AMOUNT

The Base Level Amount represents the **amount** of money, **per weighted student count** (Group A and B combined), that the **legislature** decides it will **provide** to public school districts.

For budget year 2014-15 the base level is \$3,373.11 and \$3,415.27 with Teacher Compensation.

OTHER BASE SUPPORT FACTORS

Teacher Experience Index (T.E.I.)

This factor is derived from the formula specified in A.R.S. §15-941. Its purpose is to allow extra budget capacity for school districts with teachers whose average years of experience exceed the State of Arizona average. Districts which qualify are allowed to increase the support level by 2.25 percent for each year of experience above the State of Arizona average.

Audit Costs

Districts required to conduct a single audit may increase the level by the cost of the last audit. Districts may only include non-federal audit costs.

TRANSPORTATION REVENUE CONTROL LIMIT (TRCL)

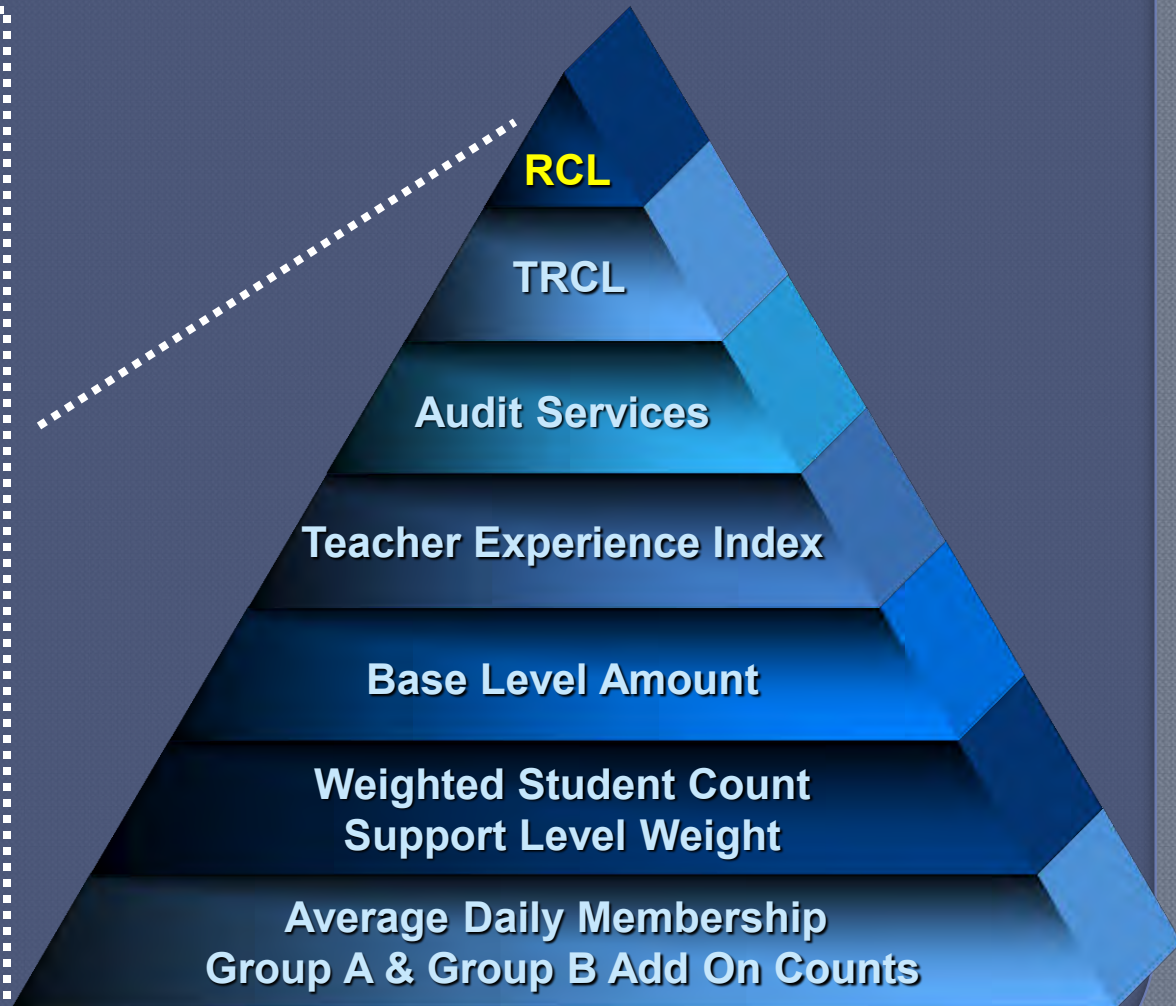
ARS 15-945/946 provides for increased **budget limits** for districts that **transport students** to and from schools. Minimum distances that are approved are one mile for K-8 students and one and one half mile for 9-12 students.

The Limit is Calculated using

- a) Eligible route miles divided by the number of eligible students.
- b) Annual route miles (180 school days) times the state support levels per mile (**\$2.46**)
- c) Additional funding for Summer Special Ed Programs, Vocational and Athletic trips.

REVENUE CONTROL LIMIT (RCL)

ADM
X
Support Level Weight
=
Weighted Student Count
X
Base Level Amount
X
TEI
+
Audit Services
+
TRCL
=
RCL



REVENUE CONTROL LIMIT (RCL)

The Revenue Control Limit is the basis for which M&O budget override amounts are determined

A.R.S. §15-481 allows a district to increase its budget by up to an **additional 15%** of its Revenue Control Limit if the voters of the district approve by election. The voter authorization is given for up to **seven years** with a phaseout in year six and year seven.

BUDGET OVERRIDES

Regular Education

A.R.S. §15-481 allows a district to increase its budget by up to an **additional 15%** of its Revenue Control Limit if the voters of the district approve by election. The voter authorization is given for up to **seven years** with a phaseout in year six and year seven.

Special Academic K-3

A special override for academic achievement in grades K-3 **may be sponsored by an elementary or unified district. An additional 5%** of the Revenue Control Limit can be asked for under the provisions of A.R.S. §15-482 (**seven years**)

Capital Outlay

A.R.S §15-481 allows for a special override election for capital outlay. This override may be allocated to the Unrestricted Capital Outlay Fund only.

CAPITAL OUTLAY REVENUE LIMIT (CORL)

Level of funding which the District may utilize for Capital purposes.

Maintenance & Operation

- **Salaries**
- **Benefits**
- **Supplies**
- **Purchased Services**
- **Repairs & Maintenance**
- **Utilities**



Unrestricted Capital

- **Furniture**
- **Land Improvements**
- **Building Improvements**
- **Vehicles**
- **Equipment**
- **Leases**

ADDITIONS TO THE BUDGET

The Maintenance and Operation and the Unrestricted Capital Budgets may be increased beyond the formula levels previously described under many circumstances. Some of the more common reasons are:

- **Current Year ADM Growth Funding**
- **Tuition Revenue**
- **Budget Balance Carry Forward**
- **Desegregation Costs**
- **Dropout Prevention**
- **M&O/ Unrestricted Capital Transfers**
- **Budget Overrides**

WHERE THE FORMULA DOLLARS COME FROM

Where the Formula Dollars Come From

The money to support the Revenue Control Limit and District Additional Assistance are obtained from two main sources:

- ◉ State Equalization Assistance
- ◉ Property Taxes

State Equalization Assistance

Equalization assistance:

- is a mechanism within the school finance formula to ensure each district has equitable budget capacity
- helps ensure that revenues available for district budgets are shared equitably as defined in A.R.S. §15-971.
- is the amount of money that the state provides to school districts over and above the levy amount raised with a uniform Qualifying Tax Rate (QTR).
- varies district by district according to their assessed property valuation. As the district assessed valuation per student goes up, the equalization assistance goes down.
- Is distributed in 12 payments throughout the school year

School District Property Taxes

- A significant portion of school district financing in Arizona comes from local property taxes
- Districts with high property value pay a higher percentage of the total cost with local taxes
- County School Superintendents transmit tax levy requirements for each district to the Board of Supervisors
- Property tax levies are determined by applying tax rates against primary and secondary assessed valuations
- A portion of taxes due is paid by the state in the form of additional state aid, known as the homeowner's rebate
- Override and debt service tax rates are applied to the secondary assessed valuation

CLASSROOM SITE FUNDS (CSF)

Proposition 301

The Classroom Site Fund (CSF), A.R.S. §15-977, was approved by the voters as Proposition 301 and established in fiscal year 2002. Revenues come from the portion of state sales tax collections and State Trust Land income allocated to school districts as an additional source of funding for teacher compensation and other specified M&O purposes.

All monies must be spent in accordance with the district's approved Prop 301 Plan

011 = 20% Teacher Base Pay

012 = 40% Teacher Performance Pay

013 = 40% Other- Class size reduction, AIMS intervention, Teacher professional development, Dropout prevention programs & teacher insurance

CLASSROOM SITE FUNDS (CSF)

Proposition 301

How Is the funding determined?

- By March 30th Joint Legislative Budget Committee shall determine a per pupil amount for the budget year
- What Has Changed – Because of the downturn in the economy the CSF allocations is now adjusted for any prior year carry forward or shortfall. FY2011 First Year for Implementation
- Proposition 301 also determines inflation factor for the Base Support Level (M&O)

CLASSROOM SITE FUNDS (CSF)

Proposition 301


How Is the funding determined?

The prior years weighted student count
(group A only) times X per pupil amount
FY2015 rate is \$295

The Classroom Site Fund Limit

+ Prior Year Carryover
+ Interest Revenue
= Classroom Site Funds Budget Limit

The CSF fund is Budget Controlled



Located on
page 3 &7 of
the budget

Classroom Site Funding History-State

Year	Budget Capacity	Total Available	Difference
FY2002	\$272.42	\$272.15	<\$0.27>
FY2003	\$239.47	\$239.32	<\$0.15>
FY2004	\$230.00	\$230.17	0.17
FY2005	\$242.00	\$242.02	0.02
FY2006	\$353.00	\$320.46	<\$32.54>
FY2007	\$333.00	\$333.06	\$0.06
FY2008	\$401.00	\$397.29	<\$3.71>
FY2009	\$390.00	\$259.45	<\$130.55>
FY2010	\$244.00	\$209.70	<\$34.30>
FY2011	\$120.00	\$194.01	\$74.01
FY2012	\$120.00	\$242.00	\$122.00
FY2013	\$227.00	\$257.00	\$30.00
FY2014	\$310.00	\$310.00	
FY2015	\$295.00	?	

INSTRUCTIONAL IMPROVEMENT FUNDS


Proposition 202

The Instructional Improvement Fund was established in FY 2003-2004 and consists of monies received from Indian Gaming and interest earned. Districts may utilize up to 50% of these monies for teacher compensation increases and class size reduction.

Monies not used for teacher compensation and class size reduction shall be utilized for the following M&O purposes:

1. Dropout prevention programs.
2. Instructional improvement programs including programs to develop minimum reading skills for students by the end of 3rd grade.

OTHER AREAS OF THE BUDGET




Located
on Page
6 of the
Budget

Federal & State Projects

Funds administered through the Arizona or U.S. Department of Education available to School Districts via an application process (Require eligibility and strict compliance)

OTHER AREAS OF THE BUDGET

Located
on Page
6 of the
Budget



Special Revenue Funds

Funds serving a specific purpose determined by the USFR whose budget is controlled by cash flow

Some of these funds include:


- FOOD SERVICES
- CIVIC CENTER
- COMMUNITY SCHOOL
- AUXILIARY OPERATIONS
- EXTRACURRICULAR TAX CREDIT
- GIFTS & DONATIONS
- INSURANCE PROCEEDS
- TEXTBOOKS
- LITIGATION RECOVERY
- INDIRECT COSTS
- UNEMPLOYMENT INSURANCE
- ADVERTISEMENT

OTHER AREAS OF THE BUDGET

Debt Service Funds

Funds used to account for, and the payment of, long-term debt, principal, interest and related costs.

Located
on Page
6 of the
Budget


























Internal Service Funds

Funds used to account for the cost of providing certain goods and services within the district whose budget is controlled by cash flow
Funds include Employee Insurance, IGA, Print Shop & Transportation Funds)

THE EXPENDITURE BUDGET

Expenditure Budget Elements

-  **Vision and Mission of the District**
-  **State and Federal Mandates**
-  **Budget Limit Restrictions**
-  **Impact of Student Counts**
-  **Limited Funding Increase**
-  **Salary Increases**
-  **Health Insurance Costs**
-  **Personnel Needs**
-  **Special Education Needs**
-  **State and Federal Grants**
-  **Special Program Needs**
-  **Classroom Needs**
-  **Class Sizes**
-  **Staff Development Needs**
-  **Transportation Costs**
-  **Food Service Program Match**
-  **Utility Costs**
-  **Technology Needs**
-  **Capital Equipment Needs**
-  **Supply Needs**
-  **Textbook Needs**
-  **Risk Insurance/Safety Needs**
-  **Facility and Maintenance Needs**

Expenditure Budget Development

The budget development is an ongoing process. It includes all actions approved by the Governing Board which include:

Staff positions

Employee Contracts

Staff Salary Schedules

Staff Benefits

Staff Development Programs

Service Contracts, etc.

Intergovernmental Agreements

Once The Expenditures Have Been Determined

After a governing board has determined the amount to be budgeted as part of the general operating fund within the statutory limits, the parameters of spending for a fiscal year are established as the M & O Budget - Fund 001. This overall fund is further **divided into specific programs**.

The three main programs are: **Regular Education, Special Education, and Transportation**.

For reporting and accounting purposes, each of the subsections is further subdivided by function codes (**instruction, student & instruction support, administration, operation of non-instructional services, food services, facilities acquisition and construction services, debt services and other financing uses**)

Once The Expenditures Have Been Determined

The budget for the M & O Fund **cannot exceed** the statutory budget limits, therefore, the expenditures **cannot exceed the budgets established.**

Even if a district **does not have sufficient cash balance** in the M & O and other levy funds, it may still **spend up to the budget limit** by registering warrants. On the other hand, if a district **has excessive cash balance**, it may only **spend up to the budget limit.**

It is the **budget limit, or capacity**, that determines expenditure capability rather than cash availability.