



ARIZONA

Description of the Formula

Education Equalization Formula:

The State Equalization Formula is the main frame for determining state funding to school districts and Charters. The formula serves two purposes, the state aid payment calculation and budget expenditure limit for districts. The Equalization Fund is used to standardize the amount of funding a school district receives to educate each student regardless of differences in property values among districts. It is made up of the following components:

- Base Support Level (BSL)
- Transportation Support Level (TSL)
- District Additional Assistance (DAA) formerly known as the Unrestricted Capital Outlay and Soft Capital Outlay.

The lesser of districts support level or Revenue control limit: this is the amount that is described as the general fund or the maintenance of operation fund, the budget expenditure limit for district is always the revenue control limit. This component is calculated using the weighted student count multiplied by the base level. The base level amount is set by state legislatures in the Arizona Revised Statutes equaling \$3,373.11 for FY 2014-15. . The weighted count is the outcome of the student count multiplied by certain weights set by the state legislature in statute, those weights vary contingent upon student count.

Student count for districts is defined as, as the prior year's 100th day Average Daily Membership and for charters, as the current year's 100th day Average Daily Membership

Districts can increase their expenditure budget limit and state aid payment by budgeting for:

- Transportation by 1.8% (through FY 2014),
- Teacher's Compensation Index of 1.25% (through 2015) of the base level amount approved yearly by the State Board of Education,
- Teacher Experience Index of 2.25% (through 2015) calculated from teacher experience data submitted to ADE by the district,
- Career Ladder increase the base level amount by up to 5%
- 200 days calendars increases the base level amount by 5%

The following items affect district budget limit expenditures through local taxes, not state aid:

- Small Schools Adjustment,
- Desegregation (if they have an agreement with the Office of Civil Rights)
- Maintenance and Operations override as approved by the local district's governing board
- K-3 Maintenance and Operations override as approved by the local district's governing board

District Additional Assistance

In the past, as part of the equalization formula, districts are funded on a student count basis for their capital expenditures. Soft capital amount was set at \$225 per student count in 2010; unrestricted capital amount was \$225.76 for K-8 students and \$337.62 for 9-12 (9-12 included an unrestricted capital amount of \$69.68 per student count for textbooks).

As of 2013-14 the Department of Education changed this process and began combining this funding into a District Additional Assistance Fund. This fund determined included student textbook allowances as the 9-12 grade student count multiplied by \$43.77. Districts with less than 1,100 students increased assistance by \$128 per student. Also,

- \$207.89 for districts with a K-8 student counts of less than 100.
- \$148.59 multiplied by the corresponding weighted K-8 student count for districts with a K-8 student count of between 100-600 students.
- \$172.08 for districts with a K-8 student counts of more than 600 students.
- \$243.48 for districts with a 9-12 student account of less than 100.
- \$188.86 multiplied by the corresponding weighted 9-12 student count for districts with a 9-12 student count of between 100-600 students.
- \$198.57 for districts with a 9-12 student counts of more than 600 students.
- \$172.80 for preschool programs for children with disabilities.

Finally it repealed the Soft capital fund (SCA) statute and required school districts to transfer any budget capacity and cash remaining in its CORL Fund and SCA Fund to its M&O Fund or its Unrestricted Capital Outlay Fund.

Qualifying Levies: This amount is calculated based on the assessed valuations of the properties within the boundaries of each district multiplied by a qualifying levy rate set by legislatures then divide the outcome by a 100.

County Equalization Tax: this amount is calculated based on a county qualifying rate set by state legislatures.

Both Qualifying levies and County Equalization Tax are deducted from the equalization formula to determine the state aid portion of the formula.

Classroom Site Fund

This special fund was established in FY2002 to account for the portion of state sales taxes collection provided to school districts as an additional source of funding for teacher salary increases, teacher compensation expenditures, providing a pay for performance fund for teachers

and for meeting additional school requirements such as dropout prevention, class size reduction and teacher development. The dollar amount per attending weighted student count is set yearly by the Joint Legislative Budget Committee. In FY 2015, the amount set was \$295 per pupil. Revenues are generated from a statewide sales tax increase and state land trust revenues.

Instructional Improvement Fund

This fund is also known as the Indian Gaming fund. These revenues are collected from proceeds from the Native American Indian Reservation Gaming Operations. This is a cash based fund and is paid out twice a year based on the student counts. In 2015, estimated amount of over \$40, million will be paid from this fund to school districts and charter schools.

District Based Components

Density/Sparsely of Small Schools

Districts with less than 600 average daily memberships (ADM) are considered small and receive special weightings. If they are also isolated, they receive additional weightings. In addition, if they have less than a 100 student count, they are eligible to budget for a small schools adjustment. This small schools adjustment is paid directly from the local tax payer through the primary property tax.

Density Weights K-8

Student Count	Isolation Weight	Small School Weight
1-99	1.559	1.399
100-499	$1.358 + [0.0005 \times (500 - \text{student count})]$	$1.278 + [0.0003 \times (500 - \text{student count})]$
500-599	$1.158 + [0.0005 \times (500 - \text{student count})]$	$1.158 + [0.0003 \times (500 - \text{student count})]$

Weights for District/School Size

Small isolated and small school districts with less than 600 ADM receive special weighting for K-8 and 9-12 enrollments.

Density Weights 9-12

Student Count	Isolation Weight	Small School Weight
1-99	1.669	1.559
100-499	$1.468 + [0.0005 \times (500 - \text{student count})]$	$1.398 + [0.0003 \times (500 - \text{student count})]$
500-599	$1.268 + [0.0005 \times (500 - \text{student count})]$	$1.268 + [0.0003 \times (500 - \text{student count})]$

Instructional Unit Weight for Grade Level Differences

Grade = K-3

One Unit For = .06 additional weight displayed in Table 1, row 2.

Growth in enrollment

Additional funding due to growth is available for School districts only because they are funded based on prior year Average Daily Membership (or student count). Growth is not available to charter schools as they are funded based on current year Average Daily Membership. Current year student growth based on a weighted student count in comparison to the prior year is paid in the current year up through the 100th day. This growth increase also increases districts available Expenditure Budget Limit.

Transportation

Districts calculate a Transportation Support Level and in most cases receive state aid based on prior year's daily route miles per student transported. Rates are \$2.49 per mile for districts with .5 miles or less per student, \$2.04 for .501 to one mile and \$2.49 for greater than one mile per student. Additional support is allowed for academic, vocational and technical education and athletic trips. This increase is determined by a factor based on district type and mile per student and varies from 15% to 30% over the support level calculated above. Approved daily route miles are multiplied by 180 days.

Transportation support per mile

Mileage	Support
.05mi or less	\$2.49
More than .05 less than 1.0mi	\$2.04
More than 1.0mi	\$2.49

Charter Schools

Charters receive an additional M & O monies calculated with an additional assistance amount of \$1,707.77 for elementary students and \$1,990.30 for high school students (FY 2015). The additional assistance amount is set yearly by the legislature. These funds are intended to make charter school funding more consistent with district funding because charters cannot levy taxes.

Student-Based Components

Special Education

Funding is provided through 11 weighted categories per the table included below. Additional M&O budget capacity could be given if district/charter is eligible for Federal impact aid revenues.

Weights for Special Education Programs

Hearing Impairment	4.771
K-3 Grade Level	0.060
English Learners (ELL)	0.115
MD-R, multiple disabilities; A-R,autism; and SID-R severe intellectual disabilities (Resource programs)	6.024

MD-SC multiple disabilities A-SC autism, and SMR-SC severe intellectual disabilities (Self-contained programs)	5.833
Multiple Disabilities & Severe Sensory Impairment	7.947
Orthopedic Impairment (Resource)	3.158
Orthopedic Impairment (Self Contained)	6.773
Preschool-Severe Delayed as primary disabilities age 5 or younger	3.595
DD developmental delay, ED emotional disability, MIID mild intellectual disability, SLD specific learning disability, SLI speech/language impairment, & OHI other health impairment	0.003
ED-P Emotionally Disability (Private placement)	4.822
MODI Moderate Intellectual Disability	4.421
VI Visual Impairment	4.806

Low Income / Comp Ed / At-Risk

Arizona provides compensatory funding.

English Language Learner/Bilingual Education:

Weight included in basic state aid calculations to provide additional funds. In FY 2015, the weight is 0.115.

Gifted and Talented Education

There is no special equalization formula increase dependent upon the gifted and talented school enrollments.

Career and Technical Education

No response

Preschool Education

Pursuant to Title 15, Chapter 10, section 15-1251 of the education code, early childhood education is funded through block grants. In 2011 Early Childhood Block Grant pre-K programs were zeroed out.

Other

Not applicable

Revenue and Expenditure Information

State Mandates Restricting Revenue or Expenditure Increases

Does not apply.

Property Assessment Ratios Used/Legal Standards for Property Assessment

The prior year's assessed values are determined and the legislature sets a qualifying tax rate. In This is capped at \$2.1265 for a common or high school district and \$4.253 for a unified district; the legislature shall not set county equalization assistance for education rate that exceeds \$0.5123. The total Assessed Value is divided by 100 and then this tax rate is applied to

determine the local contribution to the equalization formula need for each school district.

Assessed values vary for different classifications of property:

Residential (Legal Class 3 & 4) – 10%

Land (Legal Class 2.R) – 16%

Commercial (Legal Class 1)

20% (From December 31, 2009 – December 31, 2010)

19.5% (beginning from and after December 31, 2012 – December 31, 2013)

19% (beginning from and after December 31, 2013 – December 31, 2014)

18.5% (beginning from and after December 31, 2014 – December 31, 2015)

18% (beginning from and after December 31, 2015)

Measure of Local Ability to Support Schools

Property valuation.

School District Budget and Tax Rate Procedures/Sources of Local Revenue:

County Equalization Tax rate is established by state legislatures to account for local county contributions to fund school districts the tax rate for FY 2014-2015 is 0.5089.

State Support for Nonpublic Schools

An appropriation to fund Arizona students that are placed in a Residential Treatment Facility by a state placing agency, where funding is based on a daily rate calculated using the grade level weights as well as the special education weights for the student's disability. A voucher program for students with a disability to attend a private school uses the lesser of the base support level for that student or the student's tuition and educational fees.

Source: Oscar Jimenez-Castellanos, Ph.D., Associate Professor & David Martinez, Doctoral Student. Arizona State University, Mary Lou Fulton Teachers College.