

# Legislative Update

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## INFLATION FUNDING

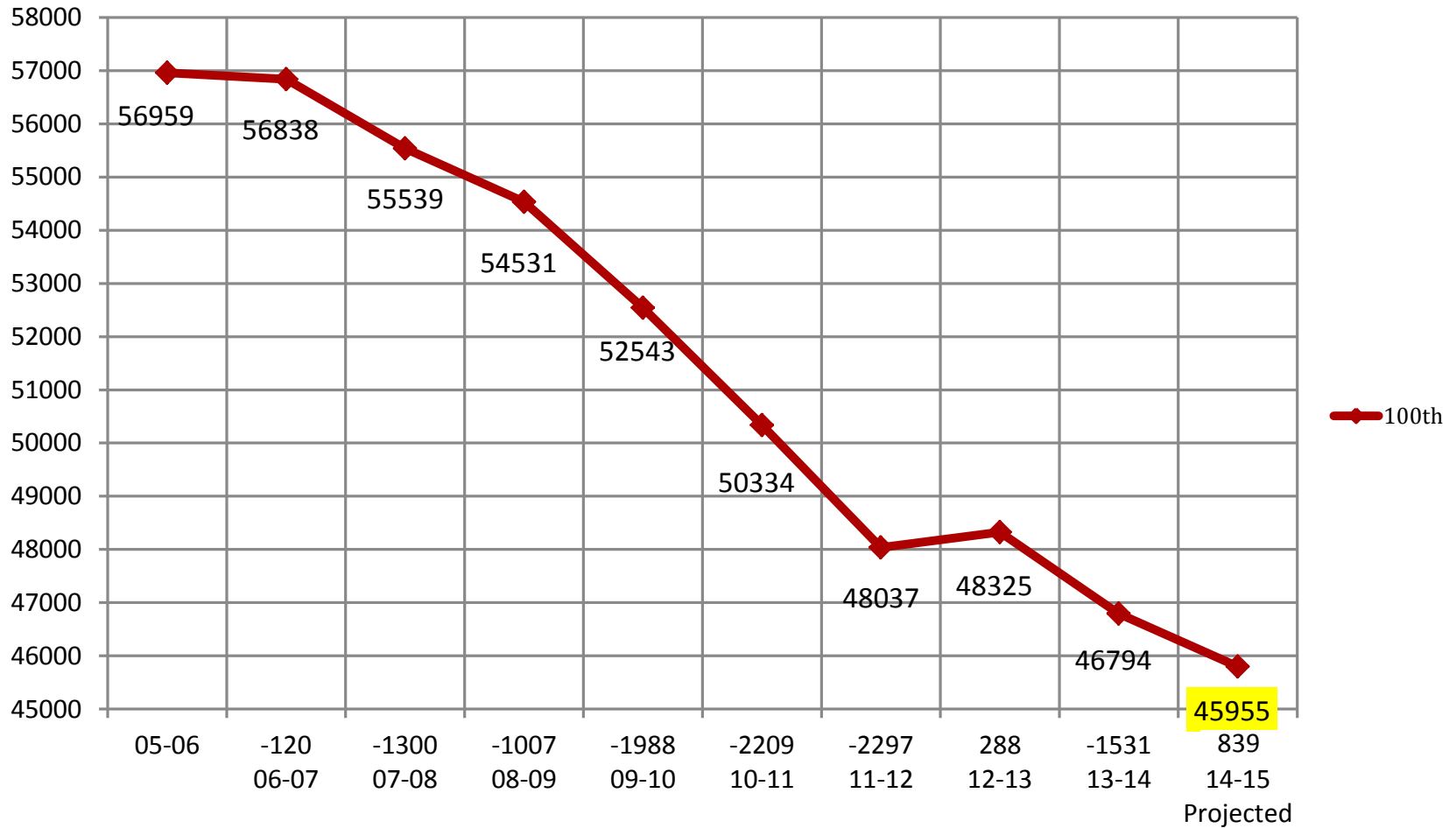
Increase to the base support level (BSL) by 1.59% setting it at \$3,426.74-\$53.63 additional per weighted ADM – this is a permanent increase to the BSL

- Inflation increase for **TUSD \$3.5M**
- Declining ADM 839 students **-\$3.4M**
- Declining Ex Ed ADM **-\$1.2M**

\*Projection Numbers based on 100<sup>th</sup> day ADM

# FY15-16 Governor's Budget Proposal

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## TUSD 100<sup>th</sup> Day ADM Yearly Comparison

## RETROACTIVE INFLATION INCREASE

- \$54.31 increase to the BSL is considered “inflation adjustment downpayment”
- No increase during recession FY09-10 through FY12-13
- Governor’s proposal provides \$74.4M statewide for a non-permanent base level increase but is still short of cumulative shortfall
- This would offset TUSD’s \$15M shortfall by \$3.2M

**Base Support Level Funding History**

Budget Year	Base Support Level (BSL)	\$ increase	% increase	Inflation	BSL with Inflation	Cumulative BSL Shortfall
FY08-09	\$3,291.42	\$64.53	2.00%	N/A	\$3,291.42	\$0.00
FY09-10	\$3,267.72	-\$23.69	-0.72%	2.00%	\$3,357.25	\$89.52
FY10-11	\$3,267.72	\$0.00	0.00%	1.20%	\$3,397.53	\$129.81
FY11-12	\$3,267.72	\$0.00	0.00%	0.90%	\$3,428.11	\$160.39
FY12-13	\$3,267.72	\$0.00	0.00%	2.00%	\$3,496.67	\$228.95
FY13-14	\$3,326.54	\$58.81	1.80%	1.80%	\$3,559.61	\$233.07
FY14-15	\$3,373.11	\$46.57	1.40%	1.40%	\$3,609.45	\$236.34
FY15-16	\$3,426.74	\$53.63	1.59%	1.59%	\$3,666.84	\$240.10
FY15-16	\$3,481.05	\$54.31	1.61%		\$3,666.84	\$185.79

Governor’s Proposal would make up \$54.31 of the cumulative shortfall

## FY15-16 Governor’s Budget Proposal

## **REPEAL OF STUDENT SUCCESS FUNDING**

Transfers \$23.9 million from this fund to create the “Access Our Best Public Schools Fund” and allocate \$900,000 to ADE for administrative purposes

Student Success Funding only existed in FY14-15. A total of \$21.5 million statewide were allocated to districts and charters for 1) students reaching or exceeding grade-level proficiency, 2) students achieving above average growth from the prior year, and 3) students graduating from high school.

TUSD’s allocation was \$815,000 that was used for teacher salary increases

The new fund will be administered by the School Facilities Board to create options for “high-quality program expansion for both charter schools and district schools accepted into the Arizona Public School Achievement District.” For high-performing charters, this fund may be used to expand existing facilities or construct new ones. Requires that 50% of the approved projects for this fund be in low-income communities.

## **FY15-16 Governor’s Budget Proposal**

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## **5% REDUCTION DISTRICT ADDITIONAL ASSISTANCE (DAA) FUND**

Additional DAA Fund reduction of \$113 million in FY15-16 on top of the current \$238 million for a total of \$351 million statewide

Cut is approximately \$135 per student

For TUSD, this is equivalent to approximately a 90% reduction in Capital funding – from a \$22.5 M allocation approximately \$19.8 M will be cut

**❑ FY15-16 Additional DAA Fund Reduction -\$5,793,100**

**❑ FY14-15 Current DAA Fund Reduction - \$14,031,140**

❑ By the end of FY15-16 TUSD will have lost almost \$100M over the last seven years equivalent to a 60% reduction (cuts in place for 7 years)

❑ The DAA fund is used for capital items such as buildings & grounds improvements/construction, furniture, equipment, computers, software, textbooks, library books, and supplemental instructional aids.

Capital Lease Obligations FY15-\$11.3M; FY16-\$10.7M, FY17-\$9.2M, FY18-\$7.4M, FY19-\$3.3M, FY20-\$2.8M

## **FY15-16 Governor's Budget Proposal**

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## **5% REDUCTION IN “NON INSTRUCTIONAL CUT REQUIREMENT”**

5 % “Non-Instructional Cut Requirement” was eliminated and replaced with:

### **Districts rated “A” or “B”**

- 1) Governing Board must hold a public meeting to discuss the plan for reductions to meet the new \$113.5M and ongoing \$238.9M cuts
- 2) Governing Board must include the % of classroom spending on adopted budget

### **Districts that are rated “C”, “D”, or “F”**

- 1) Governing Board must hold a public meeting to discuss the plan for reductions to meet the new \$113.5M **and** ongoing \$238.9M cuts
- 2) Within 30 days of public meeting, Board must also hold a public hearing to allow community input on recommended areas for cuts
- 3) Governing Board must include the % of classroom spending on adopted budget

## **5% REDUCTION IN “NON INSTRUCTIONAL CUT REQUIREMENT”**

**Governor and Legislature intend to have class spending increase in total percentage over FY2015’s spending over the combined categories of instruction, instructional support and student support as defined by the Auditor General’s Classroom Spending Reports.**

**Cuts would focus on the following categories:**

School and central administration - principals, assistant principals, administrative secretaries, office assistants, office managers , all positions in departments including the Governing Board, superintendent's office, finance, human resources, technology services, the warehouse and others.

Other Support Services/Plant operations, Student Safety & Transportation - custodians, grounds workers, security officers, campus monitors, crossing guards, bus drivers

## **FY15-16 Governor’s Budget Proposal**

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## 5% REDUCTION IN “NON INSTRUCTIONAL CUT REQUIREMENT”

TUSD FY14-15 M&O BUDGET BY CATEGORY (EXCLUDING DESEG)			
Instruction	1000	\$115,530,936	46.8%
Student Support	2100	\$27,704,844	11.2%
Staff Support	2200	\$6,862,840	2.8%
Exec Admin	2300	\$3,302,417	1.3%
School Admin	2400	\$19,459,503	7.9%
Central Admin	2500	\$10,381,246	4.2%
Operations	2600	\$50,800,925	20.6%
Transportation	2700	\$12,958,666	5.2%
TOTAL		\$247,001,377	

Areas excluded from Reduction

## FY15-16 Governor’s Budget Proposal

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		Total Budget	Projected Reduction	Projected Reduction Dept only
<b>FUNCTION</b>	<b>DEPARTMENT</b>	<b>\$100,455,400</b>	<b>\$4,153,841</b>	<b>\$6,000,000</b>
Instruction	1000	\$9,437,523		
Student Support	2100	\$20,375,472	\$929,888	
Staff Support	2200	\$5,577,868	\$254,561	
Exec Admin	2300	\$3,302,417	\$150,714	\$304,536
Central Admin	2500	\$10,381,246	\$473,776	\$957,318
Operations	2600	\$38,422,208	\$1,753,499	\$3,543,147
Transportation	2700	\$12,958,666	\$591,403	\$1,194,998
<b>FUNCTION</b>	<b>SCHOOL</b>	<b>\$146,545,977</b>	<b>\$1,846,159</b>	<b>\$0</b>
Instruction	1000	\$106,093,413		
Student Support	2100	\$7,329,372	\$334,495	\$0
Staff Support	2200	\$1,284,972	\$58,643	\$0
School Admin	2400	\$19,459,503	\$888,086	\$0
Operations	2600	\$12,378,716	\$564,935	\$0
<b>Total Budget</b>		<b>\$247,001,377</b>	<b>\$6,000,000</b>	<b>\$6,000,000</b>
<b>Total 1000/2100/2200</b>		<b>\$114,707,757</b>		
<b>Total w/o 1000/2100/2200</b>		<b>\$132,293,620</b>	<b>4.54%</b>	<b>percent cut needed</b>
<b>Total 1000/2100/2200 &amp; schools</b>		<b>\$181,936,839</b>		
<b>Total w/o 1000/2100/2200 &amp; schools</b>		<b>\$65,064,538</b>	<b>9.22%</b>	<b>percent cut needed</b>

## Potential FY15-16 Reductions

## **1% CONSTITUTIONAL CAP**

Caps at \$1 million per county the amount of Additional State Aid (ASA) for school districts that exceed the 1% Constitutional limit on property taxes.

Currently, this impacts two counties—Pima and Pinal. There are six school districts that will be affected: Pima County: Tucson Unified- \$8 million, Altar Valley- \$6,750, San Fernando- \$35; Pinal County- Maricopa Unified- \$564,800, Superior, \$40,800, Mammoth-San Manuel- \$3,300.

Any ASA over the \$1 million would be paid by the other jurisdictions levying a primary property tax that overlap with the school district(s) in question.

Background: The Arizona Constitution limits the taxes of all jurisdictions on a Class 3 owner-occupied property to 1% of the primary value of the property, about \$1,000 for every \$100,000 of assessed valuation. When the tax exceeds the 1% limitation, school districts collect those taxes in the form of Additional State Aid. In essence, the state reimburses any homeowner whose property taxes exceed this rate through what is called the 1% cap funding.

## **FY15-16 Governor's Budget Proposal**

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# 1% CONSTITUTIONAL CAP

## How does this affect TUSD?

This is a cash flow problem, not a budget problem. The district's M&O and Capital Budget Limits are set by formula and statute.

## What can TUSD do?

TUSD has very limited control on what the district can or cannot do with its tax rate. There are various components used to calculate the primary tax rate:

- Every March, the Joint Legislative Budget Committee (JLBC) determines the Qualifying Tax Rate (QTR) using Arizona's overall Net Assessed Value.
- School districts use the QTR to determine the amount of State Equalization Assistance will be provided by the State to partially fund the District's M&O and capital budget limits. The other portion is the levy amount that is raised through local property taxes.
- The total levy needed is divided into the district's Assessed Valuation (AV) to determine the primary tax rate.
- The primary property taxes for TUSD include M&O, Capital, and Adjacent Ways. Taxpayers are responsible for paying 100% of the Deseg portion of M&O, Capital and Adjacent Ways.
- Because the QTR, AV's, and budget numbers fluctuate TUSD has no control over 2 of those 3 numbers. TUSD sets its levy/tax rate based on basic mathematical calculations from all these components.

## **FY15-16 Governor's Budget Proposal**

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**SB1371 (schools; desegregation; OCR; funding; phase-out)** Requires school districts who are under desegregation orders or agreements to phase out their local levies over 10 or 5 years, respectively.

**Cost impact approx. \$5.8M beginning FY16-17**

**HB2449 (s/e: per pupil transportation support level)**

This bill repeals the Transportation Revenue Control Limit (TRCL) and eliminates the current Transportation Support Level (TSL) calculation. The new TSL would be calculated by multiplying the school district's student count by the average per-pupil transportation funding for peer school districts as per the most recent Auditor General school district performance report.

Current transportation formula protects school districts against losing funding even if miles and eligible students are less than the previous year.

Difference between TSL and TRCL is currently \$5M currently raised by local property taxes.

## **Other Bills to watch**

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## **Changes beginning in Fiscal Year 2017:**

### **CURRENT YEAR FUNDING**

- All districts go to current year funding (cut of \$40 million to districts)
- Requires ADE to notify districts on the implementation plan for current-year funding by December 15, 2015, including an explanation of the process, the required forms, and technological requirements
- Funding impact for districts with declining enrollment

### **JTED**

Changes the base support level (BSL) for districts and charters, in which a student is also enrolled in a JTED satellite program, to 92.5%

Changes the base support level (BSL) for a JTED satellite campus program, in which a student is also enrolled in a district or charter, to 92.5%

Districts that experience a reduction can use a portion of the JTED monies to offset the loss of regular education funding, not to exceed the reduction in BSL funding

Districts cannot prohibit or discourage students enrolled in a district from attending courses offered by a JTED

## **FY15-16 Governor's Budget Proposal**