Funding for Arizona’s Public Schools During the COVID Crisis
January 2020 Finance Advisory Committee

Arizona Ranks 3\textsuperscript{rd} in Economic Momentum
Recession Concerns Easing

Ongoing $300 million

One-Time $685 million

Set Aside Uncommitted Balance $50 million

Funding Available for FY 21 $1 billion
Massive layoffs hit Arizona as coronavirus staggers economy
Bob Christie, Associated Press writer
Posted Mar 28, 2020

'I have about 6 weeks to live': Small businesses in Arizona hope for swift relief, end to pandemic
Ryan Randazzo, Arizona Republic
Published 3:47 p.m. MT March 18, 2020 | Updated 4:13 p.m. MT March 19, 2020

Hit on Tucson economy from coronavirus outbreak will last months
From the Tucson-area coronavirus coverage: 1,187 cases in Arizona, stay-at-home order series
David Wichner
Mar 23, 2020

Macy's will furlough the majority of its 125,000 employees
By Jordan Valinsky, CNN Business
Updated 2:21 PM ET, Mon March 30, 2020
State revenues will likely plummet.

A 10% decline in revenue over 6 months translates to a loss of $500 million.
April 2020 Finance Advisory Committee

$1.1 Billion Shortfall
Plus or Minus $500 Million

In incurred During FY 2020
- $638 million

Incurrent During FY 2021
- $462 million

Revenue Shortfall by end of FY 21
- $1.1 billion

From Finance Advisory Committee, April 2020
“The state of our state can only be strong with strong public schools.”

Governor Doug Ducey
# Ducey Education Proposals That Aren’t Happening

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Rocket</td>
<td>$44 million</td>
</tr>
<tr>
<td>School Safety Grants</td>
<td>$38 million</td>
</tr>
<tr>
<td>Results-Based Funding Expansion</td>
<td>$35 million</td>
</tr>
<tr>
<td>School Capital Needs</td>
<td>$21 million</td>
</tr>
<tr>
<td><strong>Higher Education:</strong></td>
<td></td>
</tr>
<tr>
<td>The New Economy Initiative (universities)</td>
<td>$35 million</td>
</tr>
<tr>
<td>STEM formula funding for community colleges (restoration of Great Recession cuts?)</td>
<td>$11 million</td>
</tr>
<tr>
<td>Research and grants matching fund (universities)</td>
<td>$10 million</td>
</tr>
<tr>
<td>Education programs for rural community colleges</td>
<td>$6 million</td>
</tr>
<tr>
<td>Advance technology corridor</td>
<td>$4 million</td>
</tr>
<tr>
<td>Teachers Academy Marketing</td>
<td>$1 million</td>
</tr>
</tbody>
</table>
How Arizona Dealt with the Great Recession
How Arizona Dealt With Great Recession

Permanent Spending Cuts $3.3
Permanent Revenues $0.4
Temporary Sales Tax $0.8
Federal Stimulus Funding $2.7
Debt and Lease-Purchases $2.1
Fund Transfers $1.9
Rainy Day Fund $0.5
Rollover and Payment Deferrals $1.4
Other $0.3

Source: Joint Legislative Budget Committee staff, Budget Impacts FY 2008-2016, 11/4/15
K-12 Education Took Largest Portion of Tax Cuts During the Great Recession FY 2008 – FY 2012

- **AHCCCS/DEPT OF HEALTH SERVICES**
  - $894 Million
  - 27%

- **DEPT OF ECONOMIC SECURITY**
  - $292 Million
  - 9%

- **DEPT OF CORRECTIONS**
  - $117 Million
  - 3%

- **DEPT OF PUBLIC SAFETY**
  - $139 Million
  - 4%

- **HIGHER EDUCATION**
  - $563 Million
  - 17%

- **K-12 EDUCATION/SCHOOL FACILITIES BD**
  - $1 Billion
  - 30%

- **BALANCE OF AGENCIES**
  - $318 Million
  - 10%

- **Source:** Joint Legislative Budget Committee staff, *Budget Impacts FY 2008-FY 2016*, 11/4/15
What’s Available Now?

- Permanent Spending Cuts: $3.3
- Permanent Revenues: $0.4
- Temporary Sales Tax: $0.8
- Federal Stimulus Funding: $2.7
- Debt and Lease-Purchases: $2.1
- Fund Transfers: $1.9
- Rollover and Payment Deferrals: $1.4
- Rainy Day Fund: $0.5
- Other: $0.3

Source: Joint Legislative Budget Committee staff, Budget Impacts FY 2008-2016, 11/4/15
## Tools and Tricks from Great Recession That Aren’t Available Today

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-12 Rollover</td>
<td>$931 million</td>
</tr>
<tr>
<td>Sale/lease purchase of state buildings</td>
<td>$1 billion</td>
</tr>
<tr>
<td>Fund transfers</td>
<td>$1.9 billion</td>
</tr>
<tr>
<td>School Facilities Building Renewal Fund</td>
<td>$200 million</td>
</tr>
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</table>
Prop 123 Expires in May 2025

Dollars in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$172</td>
</tr>
<tr>
<td>2017</td>
<td>$172</td>
</tr>
<tr>
<td>2018</td>
<td>$190</td>
</tr>
<tr>
<td>2019</td>
<td>$206</td>
</tr>
<tr>
<td>2020</td>
<td>$218</td>
</tr>
<tr>
<td>2021</td>
<td>$226</td>
</tr>
<tr>
<td>2022</td>
<td>$233</td>
</tr>
<tr>
<td>2023</td>
<td>$240</td>
</tr>
<tr>
<td>2024</td>
<td>$246</td>
</tr>
<tr>
<td>2025</td>
<td>$251</td>
</tr>
<tr>
<td>2026</td>
<td>$0</td>
</tr>
</tbody>
</table>
State Per-Pupil Funding Up 33% Since FY 15
Longest Growth Streak Since 2000

State Per Pupil Funding Indexed for Inflation
FY 2001-FY 2023 Est.

Per Pupil Spending (State Only, Inflated 2012 dollars)
Possible Solutions
Rainy Day Fund

Estimated Balance on 1-1-20  $ 1 billion

Appropriations for COVID  -$55 million

$945 million
# Federal COVID Funds for Education
## Arizona Allocations

<table>
<thead>
<tr>
<th>Fund</th>
<th>Allocation</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Stabilization Fund</td>
<td>$634 million</td>
<td>Must meet maintenance of effort requirements</td>
</tr>
<tr>
<td>Governor’s Emergency Education Relief Fund</td>
<td>$69 million</td>
<td>Allocated at governor’s discretion to local education agencies, higher education institutions, or other education-related entities. State must keep its general fund spending for K-12 and higher education at or above average spending in FY 2017-FY 2019.</td>
</tr>
<tr>
<td>Elementary and Secondary School Emergency Relief Fund</td>
<td>$277 million</td>
<td>Districts and charter schools will receive at least 90% of state allocation ($250 million) in proportion to Title I-A funding received.</td>
</tr>
<tr>
<td>Higher Education</td>
<td>$288 million</td>
<td>Distributed directly to institutes of higher education (IHE). $118 million to public universities, $77 million to community colleges, $93 million to private institutions. 50% must be used for student grants; remainder may be used for revenue shortfalls</td>
</tr>
<tr>
<td>Head Start</td>
<td>$11 million</td>
<td></td>
</tr>
</tbody>
</table>

*Image Source: THE ARIZONA CENTER FOR ECONOMIC PROGRESS*
What will public schools look like when they reopen?

How will that impact school budgets?
STAGGERED SCHEDULES?

LONGER SCHOOL YEARS?
INCREASED DEPENDENCY ON TECHNOLOGY?
COUNSELORS TO ADDRESS TRAUMA RESULTING FROM PANDEMIC CHANGES?
FUNDING FOR SCHOOL BUILDING RENEWAL
FALL FAR BELOW FORMULA REQUIREMENTS

Dollars in Millions

What formula calls for

$205 $218 $230 $235 $253 $250 $251 $257 $266 $289 $292 $295 $298

Funded

$86 $43 $7 $3 $3 $14 $3 $17 $17 $32 $32 $44 $76 $79 $107


**Formula requirements not calculated in 2008
ARIZONA COULDN’T FILL 1,444 OF THE 6,946 TEACHER VACANCIES IT HAD FOR THE 2019-20 SCHOOL YEAR

Teacher vacancies a few weeks into the school year 1,444
Teacher positions filled by individuals not meeting standard teacher requirements 3,357
Teaching who abandoned their positions within first four months of the school year (failed to show for work or abruptly left) 144
Teachers who resigned within the first few weeks of the school year 283

Source: Arizona School Personnel Administrators Association; survey as of 8/30/19
Arizona Spends Less Per Student than the National Average in All Categories (2017)

Plant Operations

- **US Average**: $1,128
- **AZ**: $969

Student Support

- **US Average**: $716
- **AZ**: $658

Classroom Instruction

- **US Average**: $7,406
- **AZ**: $4,308

Instruction Support

- **US Average**: $578
- **AZ**: $429

Transportation

- **US Average**: $519
- **AZ**: $371

K-12 Administration Spending Per Student

2017

*K-12 Administrative includes school administration, general administration, other and nonspecific support services. Source: U.S. Census Bureau, Summary Tables Public Elementary-Secondary Education Finances: Fiscal Year 2017, released May 2019.

Arizona has the 4th **lowest** spending on K-12 administration*

....$491 below the national average
What is still needed:

- No new *tax cuts, tax credits, or sales tax exemptions*;

- *Additional federal fiscal relief for balancing state budgets*;

- Explore ways to raise new revenue and *create a fairer tax code*;

- State legislature may need to take action to authorize federal CARES Act funding;

- *Protect education funding.*
Contact Information

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