2017 Legislative Session
FY18 Budget Overview

- $9.82B overall spending on $9.68B in revenues.
- Project $38M ending balance, $21M “structural balance” at end of FY18.
- Increased spending for education
  - $157.4M above FY17
  - $127.9M in formula growth offset by ($52.0M) in savings due to current year funding, charter small school weights, and DSCS.
FY18 Budget Overview

- Total of $87.1M in net new investment from all sources (excluding SFB)
  - 1.06% teacher salary supplement
  - Results-Based Funding (Top 10% AzMERIT for schools above/below 60% FRL—switches to “A” schools in FY19)
  - Early Literacy funding (schools greater than 90% FRL)
## FY18 Budget Overview

### ‘18 ADE Spending Changes Above ‘17

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 Appropriation</th>
<th>$ in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>4,069.4</td>
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<tr>
<td><strong>Change to ‘17</strong></td>
<td></td>
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<tr>
<td>Formula Changes (inflation/student count)</td>
<td>131.3</td>
<td>127.9</td>
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<tr>
<td>Statutory Expirations (current year/charter)</td>
<td>(52.0)</td>
<td>(52.0)</td>
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<tr>
<td>1.06% Teacher Salary Supplement</td>
<td>0.0</td>
<td>34.0</td>
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<tr>
<td>Results-Based Funding</td>
<td>0.0</td>
<td>37.6</td>
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<tr>
<td>Early Literacy Funding</td>
<td>0.0</td>
<td>8.0</td>
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<tr>
<td>Broadband Expansion</td>
<td>0.0</td>
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</tr>
<tr>
<td>JTED Completion Grants</td>
<td>0.0</td>
<td>1.0</td>
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<tr>
<td>Rural Assistance</td>
<td>0.0</td>
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<tr>
<td>Other</td>
<td>0.0</td>
<td>0.9</td>
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<tr>
<td><strong>Total Changes</strong></td>
<td></td>
<td><strong>79.3</strong></td>
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<tr>
<td></td>
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<td><strong>157.4</strong></td>
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<tr>
<td>FY 2018 Appropriation</td>
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<td>4,148.7</td>
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<tr>
<td></td>
<td></td>
<td>4,226.8</td>
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</table>

1/ $3.0 M from Automation Projects Fund
2/ $2.6 M From Budget Stabilization Fund Interest
## FY18 Budget Overview

### ‘18 SFB Spending Changes Above ‘17

<table>
<thead>
<tr>
<th></th>
<th>FY 2017 Appropriation</th>
<th>Change to ‘17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>228.1</td>
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</tr>
<tr>
<td>Building Renewal Grants - Remove One-Time</td>
<td>(15.0)</td>
<td>(15.0)</td>
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<tr>
<td>Building Renewal Grants - New One-Time</td>
<td>0.0</td>
<td>17.2</td>
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<tr>
<td>New School Facilities Site Conditions</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>New School Facilities Cash Construction</td>
<td>(0.0)</td>
<td>62.9</td>
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<tr>
<td>Other</td>
<td>(1.9)</td>
<td>(1.9)</td>
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<tr>
<td>Total Changes</td>
<td>(15.9)</td>
<td>64.2</td>
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<tr>
<td></td>
<td>FY 2018 Appropriation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>212.2</td>
<td>292.3</td>
</tr>
</tbody>
</table>

1/ Plus $38.0 M in ’19 for 6 new schools or expansions:
   Chandler (3), Vail (2), Queen Creek (1)
### Components of the Revenue Forecast
- Excludes Change in Beginning Balance

<table>
<thead>
<tr>
<th>Component</th>
<th>'18</th>
<th>'19</th>
<th>'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Revenue Growth (4.3%/3.5%/4.4%)</td>
<td>431</td>
<td>366</td>
<td>468</td>
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<tr>
<td>One-Time Fund Transfers</td>
<td>(79)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Previously Enacted Tax Legislation</td>
<td>(104)</td>
<td>(66)</td>
<td>(23)</td>
</tr>
<tr>
<td>Urban Revenue Sharing</td>
<td>(17 )</td>
<td>(3)</td>
<td>(24)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>231</td>
<td>297</td>
<td>421</td>
</tr>
<tr>
<td><strong>% Change</strong></td>
<td>2.4%</td>
<td>3.1%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>
### Phase-In of $193 M of Enacted Tax Reductions

<table>
<thead>
<tr>
<th>Description</th>
<th>'18</th>
<th>'19</th>
<th>'20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Rate Reduction/Sales Factor</td>
<td>(59)</td>
<td>(43)</td>
<td>(0)</td>
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<tr>
<td>Corporate/IPT School Tuition Indexing</td>
<td>(12)</td>
<td>(15)</td>
<td>(18)</td>
</tr>
<tr>
<td>Bonus Depreciation Full Conformity</td>
<td>(8)</td>
<td>(0)</td>
<td>(0)</td>
</tr>
<tr>
<td>Manufacturing Electricity Exemption</td>
<td>(12)</td>
<td>(0)</td>
<td>(0)</td>
</tr>
<tr>
<td>Other</td>
<td>(13)</td>
<td>(8)</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(104)</td>
<td>(66)</td>
<td>(23)</td>
</tr>
</tbody>
</table>

*By '20, revenue base is $(193) M lower than in '17*
FY18 Budget Overview

- Net New Operational/Formula Changes
  - $87.1M

- School Facilities Board
  - New School Construction $62.9M
  - One-time building renewal grants $17.2M (net increase of $2.2M in addition to $16.7M ongoing)

- Total additional funding: $148.7M

- Classroom Site Fund: $386 per pupil estimate ($19 one-time)
Formula Funding FY18 Spending Above FY17, in Millions

- Formula Changes (inflation/student count): $127.9 million
- Statutory Expirations (current year/small charters/district charters): $(52.0) million
- Total Changes: $75.9 million
“New” ADE FY18 Spending Above FY17, in Millions

*$3M from Automation Projects Fund
**$2.6M from Budget Stabilization Fund Interest
School Facilities Board FY18 Spending Above FY17, in Millions

*Plus $38M in FY19 for 6 new schools or expansions: Chandler (3), Vail (2), and Queen Creek (1).
FY 2018 Budget

Numbers/Inflation 1.31%

- Base Level $3,683.27
- Base Level with Teacher Comp $3,729.31
- Approved Daily Route Mileage
  - 0.5 or less $2.59
  - More than 0.5 through 1.0 $2.12
  - More than 1.0 $2.59
- District Additional Assistance Unchanged
- Charter Additional Assistance
  - Preschool to Grade 8 $1,775.02
  - Grade 9-12 $2,068.79
FY 2018 Budget Numbers/Cuts and Rollover

- Cuts to DAA $352,442,700
- Maximum DAA reduction to districts with less than 1100 students $5,000,000
- DAA reductions to non-state aid districts remain
- Cuts to CAA $18,656,000
- JTED’s with over 2000 students funded at 95.5% of calculated amount
- Elimination of hold harmless for declining districts $30,000,000 reduction
- FY2018 Rollover $930,727,700 (except Charter schools and Districts with less than 600 pupils)
- Rollover to be paid after June 30, 2018 but no later than July 12, 2018
FY2018 Rollover Cuts to Capital Funding, in Millions

*Does not include $30M reduction to no-state aid districts.
Net Funding of K-12 of FY18 Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula Changes</td>
<td>$75.9</td>
</tr>
<tr>
<td>New Spending</td>
<td>$87.1</td>
</tr>
<tr>
<td>SFB Changes</td>
<td>$64.2</td>
</tr>
<tr>
<td>Rollover Cuts</td>
<td>$(371.1)</td>
</tr>
</tbody>
</table>

Net Funding: $(143.9)
1.06% Teacher Salary Increase
For FY 2018
(SB1522)
Teacher Pay Supplement

- Scored by JLBC as on-going
  - Not considered one-time funding, and will be included in the baseline budget in FY19.
- Is NOT added to the base level per-pupil amount, and is not subject to adjustment for inflation.
- Appropriated based on actual salary/ERE paid by the district in FY17, not per-pupil.
School districts or charter schools shall increase the salary of each teacher who taught at “AN” school district or charter school during the 2016-2017 school year and teaches at the school district or charter school during the 2017-2018 school year by 1.06% (Yes, 1.06% is correct)
Salary Increase Requirement

- Shall be in addition to other salary increases that the teacher would have received.
- Increase shall supplement and not supplant any salary increase that would have been provided
Amount of Funding

- Amount of funding needed to provide all teachers who teach at the school district or charter school in 2017-2018 and who taught at “AN” Arizona school district or charter school in 2016-2017 a 1.06 salary increase.
- Plus the amount of funding needed to pay employer share of related increases to ASRS or other employee retirement system and the federal insurance contributions act.
- Expenses for a teacher not participating in the ASRS may not exceed the expenses for a teacher participating in the ASRS.
ADE shall add the computed cost for the 1.06% increase plus allowable employer benefit increases to the base support level that otherwise would be computed for the school district or charter schools for fiscal year 2017-2018.

- Non-state aid districts will get budget capacity but no additional state funding
Definition of Teacher

- “Teacher means a person who was eligible to be included in the year-end full-time equivalent teacher count of a school district or charter school for the 2016-2017 school year in the annual financial report of a school district or charter school during the 2017-2018 school year.”

- Teacher DOES NOT include purchased services personnel or substitute teachers”
District and Charter Information

- Information for teachers who taught at “AN” AZ school district or charter school during 2016-2017 and who teach there in 2017-2018 including total amount of funding needed to provide the 1.06% increase including:
  - The number of teachers
  - Total teacher salaries for 2016-2017
  - Total teacher salaries for 2017-2018 apart from this 1.06% increase
  - Total expenses for the impacted employee benefits for both 2016-17 and 2017-2018
Governing Boards for Districts and Charters

- Shall attest on the budget that the budget adopted meets the requirements of the 1.06% increase and attest to the information provided regarding the 1.06% increase
- Conduct a separate vote regarding the allocation of the 1.06% increase
- Notify the teachers of the scheduled date and time of this action
- Transmit a notice of the public hearing to ADE at least 10 days before the hearing
- If district has a website post notice on its website
Source of Funding Information

- Information will be obtained by ADE from District and Charter budget
- The calculation is subject to independent annual audit of the school district and charter school
- Any audit findings regarding miscalculation of this information shall be reported to ADE and are subject to a 15-915 budget correction
Budget Limit

- Monies that a school district receives from the 1.06% increase and related benefits shall be included in the school districts general budget limit.
- Monies that a JTED receives shall be included in the JTED’s general budget limit.
Legislative Intent

- Legislature and Governor intend to include the increase in the 2018-2019 and intend to include an additional 1.06% increase in 2018-2019
- Monies in 2018-2019 shall be distributed in the same manner as distributions in 2017-2018
Legislative Update
Overview

- 1055 bills total between both chambers
- 214 education related bills
  - Just over 100 bills received hearings
- 47 bills passed, 8 still awaiting action by Gov. Ducey (has until Tuesday to act)
Bonds and Overrides

- SB 1405 schools; elections; ballot arguments; exclusion (Lesko)
  – School board, rather than individual, must sign onto ballot arguments
  – Signed by Governor (Ch.246)
ESAs

- SB 1431 empowerment scholarships; expansion; phase-in (Lesko)
  - Full expansion phase-in & small accountability measure
  - Low SES students receive 100% of formula amount.
  - Differentiates between charter and district formulas.
  - Signed by the Governor (Ch. 139)
Teacher Certification

- **SB 1042 teacher certification; reciprocity (Allen)**
  - Increases the number of years a standard cert is issued to 12 years.
  - Provides for a waiver of proficiency examination requirements for teachers who have taught at the college level or as a full-time teacher for at least three years in the same subject.
  - Allows districts and charters to apply to the SBE to develop classroom-based teacher preparation programs.
  - Signed by the Governor (Ch. 245)

- **SB 1057 experienced teachers; certification renewal (Griffin)**
  - Allows a teacher with ten years of experience to renew certification within two years of its expiration.
  - Signed by the Governor (Ch. 20)
Teacher Performance

- SB 1206 teachers; short-term certificates; dismissals (Allen)
  - Allows school districts to dismiss individuals with a teaching intern cert, emergency cert or other non standard cert with 10 days notice
  - Signed by the Governor (Ch.69)
Teacher Performance

- SB1209 teacher and principal evaluations (Smith)
  - Lowers the required percentage of evaluation outcomes linked to data to between 20%-40%
  - Requires evaluation data to directly attributable to the teacher being evaluated.
  - Does not require AzMERIT data for Group A teachers.
  - Prohibits AzMERIT data for Group B teachers.
  - Requires district performance based compensation programs to include district, school, and individual teacher performance, and at least four other elements from the menu.
  - Awaiting Action by the Governor
For Classroom Site Fund changes employment – related language for performance pay to employment – related directly attributable to increased compensation based on performance
School Finance

- HB 2219 school capital finance revisions (Norgaard)
  -Eliminates the energy report
  -60 day automatic approval for adjacent ways projects
  -Awaiting action by Governor
School Finance Contd.

- SB 1156 high school students; class time
  - Includes the hours that a high school student is scheduled to attend during the regular day
  - Applies to any new or not-yet-completed ADE audit.
  - Prohibits use by LEA for a prior year budget correction (ARS15-915).
HB2370 withholding of wages; school employees (Coleman)

– School districts may only withhold wages for up to seven business days during the two-week payroll processing cycle
– Effective July 1, 2018
– Signed by the Governor (Ch. 200)
Assessment

- SB1098 schools; statewide assessment (Allen)
  - Delays implementation of “locally procured assessments” until SY19-20 for grades K-8.
  - Requires SBE to approve an assessment selected by a district if it is not on the menu by March 1, 2018, and it is “nationally recognized” (ACT/SAT)
  - Signed by the Governor (Ch. 137)
Assessment

- SB1131 schools; K-3 reading program
  - Allows the SBE to determine a measure of reading proficiency that is separate from AzMERIT ELA.
  - Allows a pupil to be promoted if the pupil has demonstrated sufficient reading skills or sufficient progress to meet 3rd grade reading standards as evidenced by a collection of assessments approved by SBE.
  - Signed by the Governor (Ch. 67)
JTEDs

- HB 2248 JTEDs; adults (Bowers)
  - Allows JTEDs to offer vocational education programs beyond secondary education to prepare adult students for gainful employment
  - Signed by the Governor (Ch. 37)
JTEDs

- HB2229 JTEDs; courses and programs; approval
  - Clarifies that academic credit may be awarded for any CTE course.
  - States a CTE course may lead to career readiness for entry-level employment where licensure does not exist or is not required.
  - Applies conflict of interest statutes to JTED governing board members.
  - Requires a report from applicable member districts outlining required maintenance of effort and how monies were used to supplement base year CTE courses.
Other bills

- HB 2416 school district governing board; qualifications (Coleman)
  - Not more than two persons related by affinity or consanguinity to the third degree prohibited from serving simultaneously in certain districts.
  - Signed by the Governor (Ch. 202)
Other Bills

- HB2247 school bus drivers; fingerprint cards (Grantham)
  - Requires individuals applying for a bus driver certificate from DPS to have a fingerprint clearance card.
  - Allows current bus driver certificate holders until December 31, 2018 to obtain a fingerprint clearance card.
  - Signed by Governor (Ch. 196)
Other bills continued...

- **HB 2134 schools; children’s camps; sunscreen use (Carter)**
  - Allows students to possess and use sunscreen while at school without a note or prescription
  - Signed by the Governor

- **HB 2208 inhalers administration; schools (Carter)**
  - Allows LEA employees to administer or assist in administration of inhalers
  - Signed by the Governor (Ch. 58)
Other bills continued…

- SB1314 student data; privacy
  - Requires districts to adopt policies on technology use and to notify parents of the ability to opt-out of educational technology use.
Other Bills

- SB1317 schools; specially designed instruction (Allen)
  - Clarifies that “specially designed instruction” in accordance with a student’s IEP may be delivered by any certified teacher, provided a SPED certified teacher is involved in oversight and planning of the instruction.
  - Ready for action by governor
- HB 2353 school district leases; duration (Boyer)
  - Increases the maximum time a school district may enter into a lease from 10 to 15 years.
  - Signed by the Governor (Ch. 176)
Other bills continued…

- HB 2385 schools; accounting; budgeting; reporting (Boyer)
  - Directs school districts to develop procedures to implement school based budgeting
  - Requires Annual Financial Report (AFR) to include school level information by SY 20-21
  - Signed by the Governor
SB1384 school-sponsored media; student journalists

- Grants protection to student publications and prohibits prior restraint by districts unless content is:
  - Libelous or slanderous
  - Constitutes and unwarranted invasion of privacy
  - Violates federal or state law
  - Incites students to violate district rules or laws, or “materially and substantially disrupts the orderly operation of the public school.”
SB1384 continued

- Provides protections for student journalists and their advisors
- Requires districts and charters to adopt written content standards or guidelines that comply with the statute.
Dead Bills
Bonds and Overrides

- HB 2017 bonds; disclosure; notice (Leach)
  - Requires publicity pamphlets to include the maximum interest rate, rather than the estimated

- SB 1375 schools; bonds; overrides; funding sources (Montenegro)
  - Requires publicity pamphlet to include a statement regarding all funding per pupil including state, local and federal
Bonds and Overrides

- SB 1174 schools; desegregation expenses; special override (Lesko) – Requires desegregation funding to be approved by the voters every 7 years as a special override.
Teacher Performance

- HB 2164 teachers; alternative performance evaluation cycle (Boyer)
  - Allows teachers in top two performance classifications for two years to be evaluated once every 3 years
Other Bills

- SB 1037 special education; audit; cost study (Allen)
  - Requires AG to conduct a special education program cost study
  - Awaiting floor action
Questions?

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