



Legislative Update

Thursday, May 18, 2017



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

	\$ in Millions	
FY 2017 Appropriation	4,069.4	4,069.4
<u>Change to '17</u>	<u>Baseline</u>	<u>5/5</u>
Formula Changes (inflation/student count)	131.3	127.9
Statutory Expirations (current year/charters)	(52.0)	(52.0)
1.06% Teacher Salary Supplement	0.0	34.0
Results-Based Funding	0.0	37.6
Early Literacy Funding	0.0	8.0
Broadband Expansion	0.0	-- <u>1/</u>
JTED Completion Grants	0.0	1.0
Rural Assistance	0.0	-- <u>2/</u>
Other	<u>0.0</u>	<u>0.9</u>
Total Changes	79.3	157.4
FY 2018 Appropriation	4,148.7	4,226.8

JLBC

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

	\$ in Millions	
FY 2017 Appropriation	228.1	228.1
<u>Change to '17</u>	<u>Baseline</u>	<u>5/5</u>
Building Renewal Grants - Remove One-Time	(15.0)	(15.0)
Building Renewal Grants - New One-Time	0.0	17.2
New School Facilities Site Conditions	1.0	1.0
New School Facilities Cash Construction	(0.0)	62.9 ^{1/}
Other	<u>(1.9)</u>	<u>(1.9)</u>
Total Changes	(15.9)	64.2
FY 2018 Appropriation	212.2	292.3



^{1/} Plus \$38.0 M in '19 for 6 new schools or expansions:
Chandler (3), Vail (2), Queen Creek (1)



JLBC: Forecast

Components of the Revenue Forecast - Excludes Change in Beginning Balance

	\$ in M		
	'18	'19	'20
Base Revenue Growth (4.3%/3.5%/4.4%)	431	366	468
One-Time Fund Transfers	(79)	0	0
Previously Enacted Tax Legislation	(104)	(66)	(23)
Urban Revenue Sharing	(17)	(3)	(24)
Total	231	297	421
% Change	2.4%	3.1%	4.2%

JLBC



JLBC: Phase-In Tax Cuts

Phase-In of \$193 M of Enacted Tax Reductions

	\$ in M		
	'18	'19	'20
Corporate Rate Reduction/Sales Factor	(59)	(43)	(0)
Corporate/IPT School Tuition Indexing	(12)	(15)	(18)
Bonus Depreciation Full Conformity	(8)	(0)	(0)
Manufacturing Electricity Exemption	(12)	(0)	(0)
Other	(13)	(8)	(5)
Total	(104)	(66)	(23)



JLBC

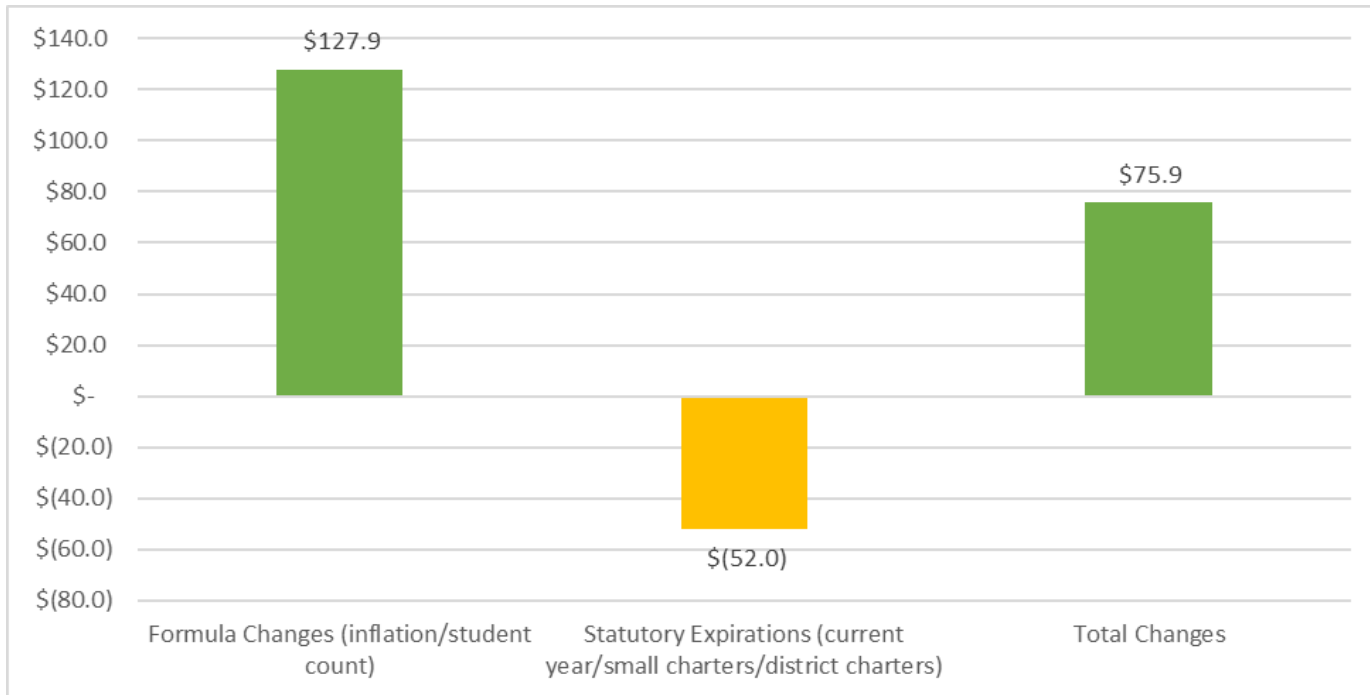
*By '20, revenue base is \$(193) M lower than in '17



FY18 Budget Overview

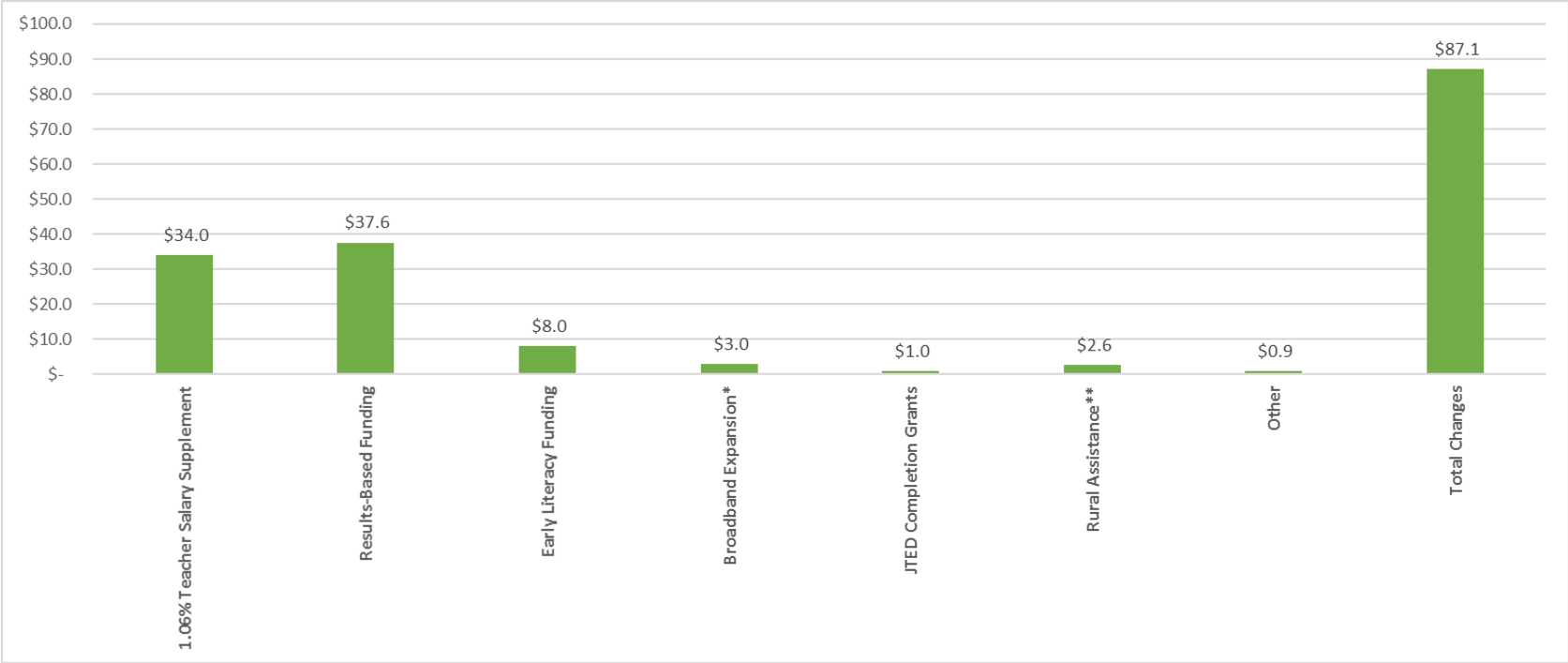
- Net New Operational/Formula Changes
 - \$87.1M
- School Facilities Board
 - New School Construction \$62.9M
 - One-time building renewal grants \$17.2M (net increase of \$2.2M in addition to \$16.7M ongoing)
- Total additional funding: \$148.7M
- Classroom Site Fund: \$386 per pupil estimate (\$19 one-time)

Formula Funding FY18 Spending Above FY17, in Millions





“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

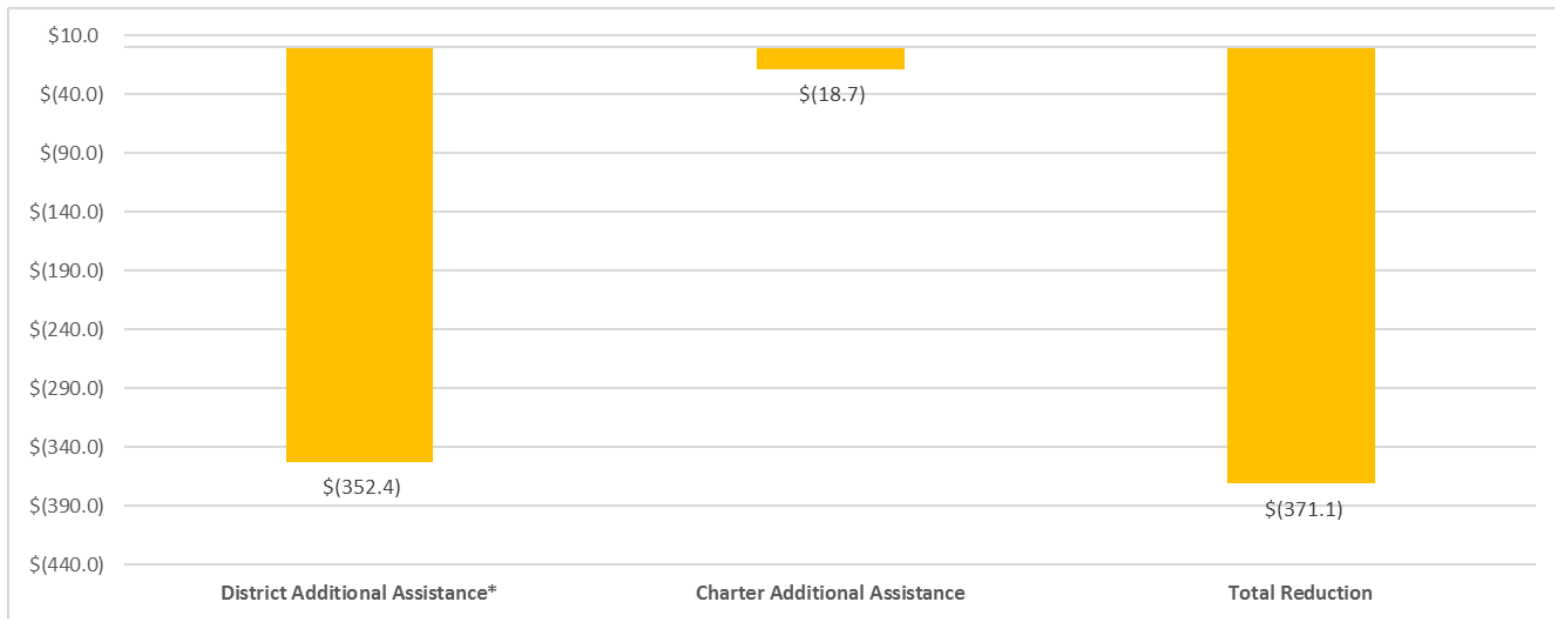
Preschool to Grade 8	\$1,775.02
Grade 9-12	\$2,068.79



FY 2018 Budget Numbers/Cuts and Rollover

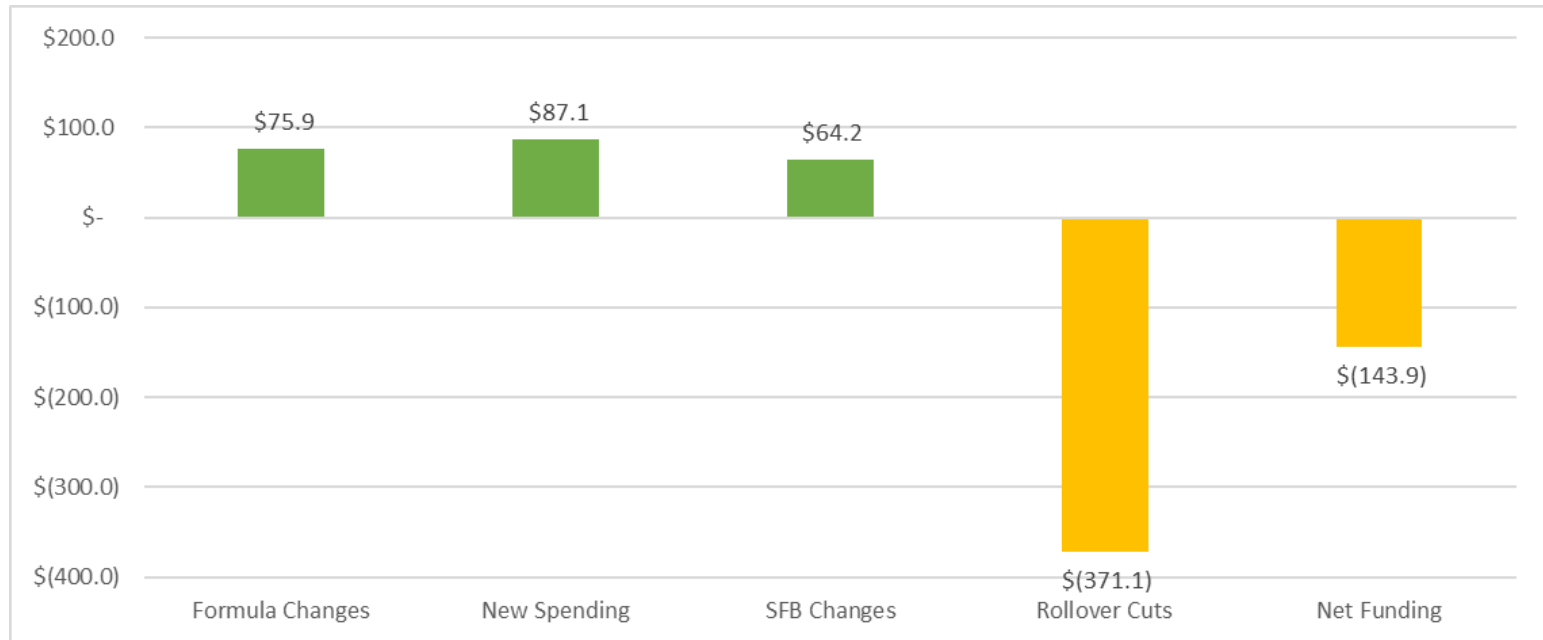
- Cuts to DAA \$352,442,700
- Maximum DAA reduction to districts with less than 1100 students \$5,000,000
- DAA reductions to non-state aid districts remain
- Cuts to CAA \$18,656,000
- JTED's with over 2000 students funded at 95.5% of calculated amount
- Elimination of hold harmless for declining districts \$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






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.



Base Support Level Increase

- 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



SB 1209 Continued

- 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).



School Finance Contd.

- 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



Other bills continued...

- 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



Other bills continued...

- 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?

Chris Kotterman, ASBA Director of Gov. Relations
ckotterman@azsba.org

Darbi Jenkins, ASBA Government Relations Analyst
djenkins@azsba.org

Dr. Anabel Aportela, ASBA/AASBO Director of
Research
aaportela@azsba.org

Chuck Essigs, AASBO Director of Gov. Relations
cessigs@aaSBO.org