



## Governmental Relations

May 24, 2021

### Summary of FY22 Budget As Introduced

#### Highlights:

- Appropriates \$5M ongoing beginning in FY22 for 4<sup>th</sup> year CTED funding
- Appropriates \$50M ongoing in FY22 for increased special education group B weights
- Appropriates \$1M ongoing in FY22 for gifted education funding
- Appropriates \$5M one time in FY22 to the Extraordinary Special Education Needs Fund
- Appropriates \$107.5M in FY22 for Building Renewal Funding (total unchanged from FY21)
- Appropriates \$89.4M in FY22, \$29.1M in FY23, and \$14.7M in FY24 to increase the new construction formula cost per square foot to the market rate
- Appropriates \$10M in FY22 and \$20M in FY23 to ADOA for K-12 Transportation Grants
- Appropriates \$17M to ADOA to distribute to counties with political subdivisions owing property tax refunds as a result of the Transwestern Pipeline Co. v. Arizona Department of Revenue litigation.

#### Tax Cuts and Revenue Reductions

- Reduces existing income tax rates to 2.55% and 2.98% in FY23, then to a single tax rate of 2.5% in FY24
- Increases the Homeowner's Rebate from 47.2% to 50% beginning in FY23
- Increases the Dependent Tax Credit by \$50 in FY23
- Exempts Veterans' Pensions from tax liability beginning in FY22
- Expands eligibility for students receiving "switcher" individual or corporate STO scholarships to include students who were homeschooled, moved from out of state, or previously received an ESA.
- Increases the statewide aggregate cap for the Disabled/Displaced STO tax credit program from \$5M to \$6M in FY22

#### Formula Adjustments

- Increases the base level, transportation funding levels, and Charter Additional Assistance by 1.21% for inflation
- Increases the base level by \$32.82 to include into Basic State Aid the \$50M for teacher salary increases that was funded through the Classroom Site Fund in FY21
- Establishes a Group B funding weight of 0.007 for gifted students who score at or above the 97<sup>th</sup> percentile on a test adopted by SBE
- Increases the Group B funding weight from 0.003 to 0.093 for students diagnosed with emotional disabilities, mild intellectual disabilities, a specific learning disability, a speech/language impairment, or other health impairments
- Increases the Group B funding weight from 5.833 to 5.988 for self-contained programs for students with multiple disabilities, autism, or severe intellectual disabilities

- Updates the Qualifying Tax Rate and State Equalization Tax Rate to reflect the Truth in Taxation rates for FY22.

### Arizona Department of Education

- Appropriates \$500K ongoing beginning in FY22 to move the investigation unit from ADE to SBE
  - Transfers the responsibility to direct and oversee investigations of certificated and noncertificated school personnel for unprofessional or immoral conduct
- Appropriates \$1M ongoing beginning in FY24 for CTED certification exam fee reimbursement
- Appropriates \$1.3M ongoing beginning in FY22 for college placement exam fee waiver
- Appropriates \$2.5M ongoing beginning in FY22 for College Credit by Examination Incentive Program
- Appropriates \$3.1M beginning in FY24 for 25 FTE literacy coaches
- Appropriates \$1.5M in FY24 for kindergarten entry assessment
- Appropriates \$1.3M in FY24 for dyslexia screening and training
- Appropriates \$1M in FY24 for teacher reading instruction exam
- Appropriates \$400K in FY24 for Jobs for Arizona Graduates
- Appropriates \$500K in FY24 for alternative teacher development program
- Appropriates \$400K ongoing in FY22 for adult education state match
- Appropriates \$50M ongoing in FY22 for special education group B weights
- Appropriates \$1M ongoing in FY22 for gifted education funding
- Appropriates \$5M in FY22 for statewide assessment funding
- Appropriates \$850K in FY22 to procure a statewide gifted assessment
- Appropriates \$350K for school personally identifiable information policies/security plan in FY22

### School Facilities Board

- Appropriates \$107.5M in FY22 for Building Renewal Funding
  - Also Includes a FY21 supplemental appropriation of \$38.8M to fund submitted projects
- Appropriates \$89.4M in FY22, \$29.1M in FY23, and \$14.7M in FY24 to increase the new construction formula cost per square foot to the market rate
- Appropriates \$10.3M in FY22 for Yuma Union High School District construction project
- Appropriates \$3M in FY22 for Kirkland Elementary School District construction project
- Allows SFB to use money from the Building Renewal Grant Fund to determine whether a grant from the Fund is warranted based on the current guidelines.
- Specifies that each annual market adjustment applies to all projects approved by SFB during that year
- Applies the market rate adjustment calculation to new school facilities previously approved by SFB in the following school districts:
  - Douglas USD, Liberty ESD, Maricopa USD, Queen Creek USD, Safford USD, Santa Cruz Valley UHSD, Sahuarita USD, Somerton ESD, Tanque Verde USD, Vail USD

### Results-Based Funding

- Continues to base Results-Based Funding (RBF) program on Spring 2019 AzMERIT results as follows:

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- \$225 per student for a school with less than 60% free and reduced-price lunch (FRPL) eligibility and AzMERIT scores in the top 13%
- \$225 per student for a school with more than 60% FRPL eligibility that have AzMERIT scores in the top 27%, but not the top 13%
- \$400 per student for a school with more than 60% FRPL eligibility and with AzMERIT scores in the top 13%
- \$400 per student for an alternative school if its reported AzMERIT scores for both math and English language arts for Spring 2019 testing and its average pass rate for those two combined tests meets or exceeds the average combined pass rate for the top 27% of schools with 60% or higher FRPL eligibility

#### In-Lieu of Transportation Grants

- Allows a school district to use a portion of its transportation funding to provide in lieu of transportation grants to parents of students who attend the school pursuant to a plan submitted by ADE
  - Allows a charter school to use a portion of its Charter Additional Assistance funding for the same purpose
- Allows a school district to issue grants to support individual parents or neighborhood carpools in transporting students to school
- Prohibits a school district's transportation funding allocation from being reduced due to the district awarding grants in lieu of transportation
- Requires ADE to adopt policies and procedures to account for expenditures and require proof of attendance for students whose transportation is supported through these grants

#### Public School Transportation Modernization Grants Program

- Appropriates \$10M in FY22 and \$20M in FY23 to ADOA for K-12 Transportation Modernization Grants
- Establishes the Public School Transportation Modernization Grants Program ("Program") within ADOA.
- Directs ADOA to select an organization to administer the Program that meets the following:
  - Is a 501c3 nonprofit that has experience awarding innovation grants to both school districts and charter schools in Arizona that promote expanding educational options for students or innovative approaches to K-12 education
  - Have previously been awarded funding from Arizona or the federal government to grant to school districts or charter schools in the current or previous fiscal year
  - Demonstrate ability and history to provide ongoing evaluation and compliance to entities that are awarded grants
- Requires the selected program administrator to:
  - Distribute grants to school districts, charter schools, and other entities deemed to be eligible grant recipients
  - Develop a Public School Transportation Modernization Grant application and application procedures that require an applicant to explain how it would use grant monies to improve access to reliable and safe transportation for charter school students or open enrollment students or support K-12 transportation innovations and efficiency solutions.
  - Make final grant determinations and awards

- Submit a report by December 31, 2021 to various state officials and outlines content of the report
- Distribute the monies appropriated for the program based on demand and the most innovative solutions.
- Award at least 25% of the grants to support rural and remote proposals, unless an insufficient amount of rural and remote proposals are submitted
- Retain no more than 5% of monies appropriated each fiscal year to administer the grant program, including costs to design a public awareness campaign about school choice

#### Instructional Time Model Changes (Changes to Laws 2021 Ch. 299)

- Shifts the responsibility to individual school sites, rather than school districts, to deliver the minimum instructional time or hours required by statute
- Allows a school site to deliver the required number of instructional hours through any combination of direct instruction, project-based learning, independent learning, or mastery-based learning
- Permits schools to provide instruction under an instructional time model that includes remote learning up to 50% of the time in FY22 and 40% in FY23 and every year thereafter

#### Open enrollment

- Requires governing boards to ensure that if a school remains open as part of a boundary change and capacity is available, students assigned to a new attendance area may stay enrolled in their current school.
- States that attendance boundaries may not be used to require students to attend certain schools based on the student's place of residence.
- Defines "resident pupil" as a pupil whose residence is within the attendance area of a school
- Requires school district open enrollment policies to include the following:
  - Basic information needed to request enrollment, consistent with state and federal law about student privacy and civil rights
  - Information regarding transportation or resources for transportation
  - Requires the policies to be easily accessible from the home page on each school's website in English and Spanish or any other language used by a majority of the populations served by the school or school district
  - Requires school districts to update each school's website with current capacity and whether the school is currently accepting open enrollment students, by grade level and by specialized program, at least once every 12 weeks, unless there are no changes
- Requires schools to accept open enrolled students throughout the school year as capacity allows
- Requires students denied access due to capacity to be informed of their status on a wait list and be selected as seats become available
- Requires districts to enroll at any time a resident student who applies for enrollment
- Requires enrollment preference and reserved capacity for:
  - Resident students
  - Students returning to the school from the prior year

- Siblings of students already enrolled
- Allows a district to grant enrollment preference for homeless students and students attending a school that is closing
- Allows a district to give enrollment preference and reserve capacity for:
  - Students who are children of someone employed by a school in the district
  - Resident transfer students and their siblings
  - Students who meet additional criteria established and published by the district's open enrollment policy
- Specifies that if remaining capacity is insufficient to enroll all the students who submit a timely open enrollment request, the school or district must select students through an equitable selection process like a lottery
- Prohibits a school district from limiting admission based on:
  - Ethnicity or race
  - National origin
  - Sex
  - Income level
  - Disability
  - English language proficiency
  - Athletic ability
- Allows the school district to provide transportation for students who qualify for free or reduced-price lunch or whose IEP includes transportation up to 30 miles each way to and from the school of attendance, rather than 20 miles.
- Requires SBE to adopt a model format for open enrollment policies that complies with statute and adopt rules, policies, and guidance to assist districts.
- Requires ADE to investigate and enforce any complaints of unlawful or inappropriate enrollment practices by a school district and refer any charter school complaints to the State Board for Charter Schools
- Requires ADE to annually report on the open enrollment participation rate by school district, school, and county and outlines specific requirements
- Subject to availability of funds, requires SBE each January to design a public awareness campaign about open enrollment options.
  - Allows SBE to collaborate with public and private partners and ADE to design the campaign

#### Extraordinary Special Education Needs Fund

- Appropriates \$5M in FY22 for the Extraordinary Special Education Needs Fund
  - States that school districts and charter schools are eligible for reimbursement from the Fund if they have a student receiving special education services who incurred costs at least 3x the statewide per pupil funding average.
  - Allows a district or charter school to submit a claim for expenses incurred as a result of an independent educational evaluation.
  - Allows ADE to retain up to 2% of monies in the fund to cover administration costs
  - Specifies that if available money in the Fund is insufficient to cover the cost of claims, ADE shall prioritize districts and charter schools with the largest difference between the funding received for the students and the actual costs incurred for that student.

- Requires ADE to report by December 15 annually to the Governor, the President of the Senate, the Speaker of the House, JLBC, and OSPB on the number of claims submitted and paid as well as use of the funds by recipient districts and charters.

#### 4<sup>th</sup> year CTED funding

- Appropriates \$5M ongoing beginning in FY22 for 4<sup>th</sup> year CTED funding
- Allows students in CTED programs to generate ADM during any day of the week at any time between July 1 and June 30.
- Allows a student enrolled in an internship course as part of a CTED program to be included in the student count of the CTED for that internship course.
- Allows students in grades 9-12 and the year immediately following graduation to be enrolled in a CTED program
  - Specifies that funding may not be provided for more than four years for the same student
  - Specifies that for a student in grade 9, funding will be provided only if the student reaches the 40<sup>th</sup> day of grade 11 enrolled in a CTED program. At that time, funding will be provided for grade 9 and any subsequent year the student is eligible for funding.
- Requires the Office of Economic Opportunity to collaborate with ADE to compile a list of in-demand regional education programs that lead to a career path in high demand with median to high wage jobs in that region.
- Requires the Office of Economic Opportunity to incorporate industry feedback and submit the list to the Arizona Career and Technical Education Quality Commission for review and approval
- Specifies that funding will only be provided for students in grade 9 or the year immediately following graduation if the student is enrolled in a program that was included on the list for the year in which the student began the program.
- Adds additional reporting requirements for CTEDs on the enrollment of 9<sup>th</sup> grade and 13<sup>th</sup> grade students

#### School Financial Transparency Portal

- Appropriates \$3M in FY22, \$1.5M in FY23, and \$1.5M in FY24 to ADOA for a “K-12 Financial Transparency Reporting System”
- Requires ADOA, beginning in FY22, to develop a transparent and easily accessible school financial transparency portal that includes the following school-level data for charter schools, individual schools operated by a school district, and school districts:
  - The detailed total revenues generated by weighted student count
  - The total allocated federal, state, and local revenues
  - The allocation of Classroom Site Fund monies
  - The amounts allocated for teacher pay and benefits, classroom supplies, student support, and other expenditures
  - A comparison of the funding information for each school in relation to the funding information for other schools in the same school district.
  - Any other information necessary for a transparent comparison between schools with respect to their revenue, expenditures, student demographics, or academic achievement

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- Requires ADE, the State Board for Charter Schools, and the Auditor General to provide and assist with any data necessary to create this portal
- Requires ADOA to contract with a third party to develop the portal and outlines specific requirements with regard to the company's relevant experience and credentials

#### Student Level Data

- Allows access of student level data to all of the following entities:
  - County school superintendents for students currently enrolled in a school district located in the superintendent's county of jurisdiction
  - SBE for students currently enrolled in a school district or charter school in the state
  - The State Board for Charter Schools for students currently enrolled in a charter school sponsored by the State Board for Charter Schools
- Requires ADE to develop and publish policies and procedures to comply with FERPA and other relevant laws and policies, including policies that manage access to personally identifiable information, to be implemented by ADE, county school superintendents, SBE, and the State Board for Charter Schools.
- Specifies all of the information that must be included in this detailed data security plan

#### Industry-Recognized Certification and Licensure Reimbursement Fund

- Establishes the Fund that consists of non-lapsing legislation appropriations, gifts, grants, and other donations to be administered by ADE
- The fund will receive \$5M each year in FY22 and FY23 (Laws 2019, Ch. 263, Sec. 163)
- Appropriates \$1M ongoing beginning in FY24 to the Fund
- Directs ADE to use the Fund to eliminate or reduce exam costs to obtain industry-recognized certificates and licenses for low-income students.
- Specifies that to qualify for reimbursement, a student must:
  - Successfully pass a certificate or license exam related to a CTED program
  - Meet eligibility requirements to receive free or reduced-price lunches
  - Apply to ADE to receive reimbursement for the cost of the exam
- Directs ADE to reduce the award amount for each student in proportion to the exam cost if the available Fund monies are insufficient to cover the costs of all qualified applicants.

#### Student Support and Safety Fund

- Requires the State Treasurer, annually by September 1, to report to JLBC and OSPB on distributions made from the Student Support and Safety Fund created by Proposition 208 to the, Auditor General, ADE, SBE, and the Department of Revenue
- Requires the State Treasurer, annually by September 1, to report to JLBC and OSPB on distributions made from the Career Training and Workforce Fund to the State Treasurer and ADE

#### Learning Loss Report

- Requires school districts and charter schools, by July 1, 2021, to report to ADE whether they offered in-person, teacher-led instruction for at least 100 days of the 2020-2021 school year.

- Specifies the report must delineate the number of days of in-person, teacher-led instruction that was offered by school site
- Requires ADE to submit a report to JLBC and OSPB that compiles the information reported by August 1, 2021.
- Requires ADE to post on its website by September 1, 2021 school district and charter school plans to address learning loss by spending ESSER appropriated to the state
- Requires OSPB to post on its website its allocation of \$350M of COVID relief funds to school districts and charter schools for assistance to supplement ESSER.

### School Finance Data System

- Appropriates \$7.2M in FY22 to ADOA via a fund transfer for ADE School Finance Payment System Replacement
- Requires ADE to submit the purpose and estimated costs of expenditures to ADOA and the IT Authorization Committee for review and approval before spending any monies appropriated for the school finance data system replacement.
- Requires ADOA to develop milestones for the replacement of the school finance data system within 30 days of the last day of FY21 and specifies what the milestones must address.

### Miscellaneous

- Requires unrestricted federal funds to be deposited into the state General Fund to pay essential government services.
- Changes the name of the Public Safety Interoperability Fund to the School Safety Interoperability Fund and shifts the control of the fund from the Department of Public Safety to the Treasurer.
  - Appropriates \$1.5M to the fund to be distributed to Maricopa, Mohave, and Yavapai County Sheriff's Offices to fund a "school safety pilot program" of a "secure, multimedia data communications system" that meets certain requirements.
- Appropriates \$600K in FY22 to ADOA for Charter Board IT Platform Upgrade
- Appropriates \$500K in FY22 to DES for after school/summer youth program funding
- Appropriates \$250K in FY22 and \$200K in FY23 to the Auditor General for K-12 Federal Funds Oversight
- Grants local education agencies the final authority in determining the use of masks in schools.
- Allows Buckeye Union High School District to submit corrections to the Teacher Experience Index calculations for FY21
- Extends the placement of the crisis management team in Peach Springs Unified School District until April 1, 2022.
- Requires SBE to process state aid payments on the 15<sup>th</sup> day of each month, rather than the first day of the month.
- Allows ADE to require school districts and charter schools to submit student level data necessary to calculate apportionment of state aid payments on or before July 1 and on or before the first day of the month thereafter.
- Appropriates \$17M to ADOA to distribute to counties with political subdivisions owing property tax refunds as a result of the Transwestern Pipeline Co. v. Arizona Department of Revenue litigation.



- Requires counties to reimburse affected political subdivisions for refunds, including interest costs, except for any refunds paid by school districts that are reimbursed by ADE via the K-12 Basic State Aid formula.
- Stipulates that affected political subdivisions submit a claim for reimbursement to counties by June 30, 2021 and that if the appropriated amount is insufficient to cover the cost of all submitted claims, the counties shall proportionately reduce reimbursement to cover all eligible claims.