

Joint Legislative Budget Committee Staff Memorandum

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DATE: September 11, 2012
TO: Richard Stavneak
FROM: Steve Schimpp, Deputy Director
SUBJECT: K-12 FUNDING REPORT FROM CENTER ON BUDGET AND POLICY
PRIORITIES

We have received several inquiries about the “New School Year Brings More Cuts in State Funding for Schools” report released by the Center on Budget and Policy Priorities (CBPP) on 9/4/2012, particularly regarding the following 2 issues:

- 1) (21.8)% decrease in per student spending from FY08 to FY13 (from Figure 1 of CBPP report)
- 2) \$5 per pupil funding increase for FY13 (from Figure 4 of CBPP report)

Technical Background

The report states in its Appendix that its figures “reflect the funding distributed through states’ major education funding formulas... (and) do not include any local property tax revenue.” As a result, the report focuses on the \$3.3 billion state-funded portion of Arizona’s \$5.6 billion school funding formula and excludes the \$2.3 billion that is funded with local property taxes from the Qualifying Tax Rate (QTR) and State Equalization Tax Rate (SETR) established in A.R.S. § 41-1276 and §15-994, respectively.

Detailed technical backup from the CBPP indicates that their Arizona funding data came from <http://www.azleg.gov/jlbc/allfunding.pdf> (the “All Funding” table available on our website). It also indicates that the CBPP used enrollment estimates from the National Center for Education Statistics (NCES) in order to compute per pupil funding figures for all states and adjusted all per pupil funding figures for inflation using the Consumer Price Index (CPI) measure of inflation.

Analysis of CBPP (28.8)% Estimate

Table 1 (attached) shows how the CBPP calculated the (21.8)% decrease estimated cited above. Table 2 (attached) shows that we would compute an (18.9)% decrease under the same assumptions (i.e., excluding QTR and SETR monies and adjusting for CPI inflation), but using our own student count data. (The report assumes 6.6% student growth for Arizona between FY 2008 and FY 2013 versus our current estimate of 1.5% based on current ADE data.)

If QTR and SETR monies were included (showing total formula funding rather than only the state-funded portion), the inflation-adjusted per pupil decrease would be (12.1)% rather than (21.8)% (see Table 3):

Table 3: Per Pupil Funding Changes – Equalization Formula Only (state + local)

<u>Equalization Formula Only</u> ^{1/}	<u>FY 2008</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Funding per Student	5,431	5,244	(187)	(3.4)%
Inflation Adjusted Funding per Student	4,850	4,265	(585)	(12.1)%

^{1/} From <http://www.azleg.gov/jlbc/allfunding.pdf>, which uses JLBC rather than NCES enrollment estimates and the GDP rather than CPI deflator.

(Continued)

JLBC

If the comparison included all state, local and federal monies spent on maintenance and operation (M&O) by Arizona public schools, the inflation-adjusted per pupil decrease would be (15.1)% (see Table 4):

Table 4: Per Pupil Funding Changes – All M&O Funding (state, local & federal)

State, Local and Federal (equalization + non-formula & misc) ^{1/}	FY 2008	FY 2013	\$ Change	% Change
Funding per Student	6,416	5,978	(438)	(6.8)%
Inflation Adjusted Funding per Student	5,729	4,863	(866)	(15.1)%

^{1/} From <http://www.azleg.gov/jlbc/mofunding.pdf>, which uses JLBC rather than NCES enrollment estimates and the GDP rather than CPI deflator.

Analysis of CBPP \$5 Estimate

Table 1 (attached) also shows how the CBPP calculated the \$5 (0.2%) inflation-adjusted per pupil increase for Arizona for FY 2013 cited above. They subtracted QTR and SETR monies from estimated formula funding totals for FY 2012 and FY 2013, divided the remaining amounts by estimated NCES student counts, adjusted the results for CPI inflation and subtracted the computed FY 2012 amount from the computed FY 2013 amount (\$2,801 - \$2,796 = \$5).

Table 2 (attached) shows that we would compute \$54 (1.8%) increase under the same assumptions (i.e., excluding QTR and SETR monies and adjusting for CPI inflation, but using our own student count data (\$3,062 – 3,008 = \$54)). A simplified breakdown of this increase appears below:

\$15 M CORL & Additional Assistance Increase
 9 M Inflator
 (8) M Career Ladder Phase Out
40 M New K-3 Reading Weight
 \$56 M ÷ 1,046,000 ADM Pupils = \$53.53 Per Pupil

Major Funding Changes Since FY 2008

Table 5 below shows major funding changes under the state K-12 funding formula since FY 2008. The table excludes changes in state funding for non-formula programs, funding shifts due to changes in local property tax collections, funding increases for enrollment growth (which do not affect per pupil funding) and funding increases for inflation.

Table 5: Major State K-12 Formula Funding Changes Since FY 2008

Item	\$ Change (millions)
Soft Capital/CORL/Charter Additional Assistance	(255)
Full Day Kindergarten	(218)
Base Support Level	(98)
JTED 9 th Grade Funding	(29)
Career Ladder Phase Out	(22)
No Kindergarten Repeaters	(12)
K-3 Reading Weight	<u>40</u>
Total	(594)

Please let me know if you have questions regarding this information.

SSc:lm
 Attachment

Analysis of CBPP K-12 Spending Figures
 JLBC Staff
 9/10/2012

Note: The CBPP study focuses on the \$3.3 B state-funded portion of the \$5.6 B state K-12 formula. It excludes \$2.3 B in local monies that also help fund the state formula.

Table 1: CBPP Original

Formula Component	2008	2012	2013
Equalization Total (state + local)	\$5,401,592,200	\$5,403,443,500	\$5,561,820,800
QTR (local)	(1,819,150,600)	(2,041,550,200)	(2,052,308,900)
SETR (local)		(257,839,300)	(261,526,400)
Ed Jobs (federal treated as state)		35,000,000	
Total (state \$ only)	\$3,582,441,600	\$3,139,054,000	\$3,247,985,500
Student Count NCES 1/	1,087,447	1,136,281	1,159,533
Per Pupil Funding	3,294	2,763	2,801
Per Pupil Funding Adjusted for Inflation 2/	3,584	2,796	2,801

\$ Change 2008-13 3/	(783)
\$ Change 2012-13 3/	5
% Change 2008-13 3/	-21.8%
% Change 2012-13 3/	0.2%

1/ As estimated by the National Center for Educational Statistics (NCES)

2/ Assumes 8.8% inflation between FY 2008 and FY 2013 and 1.2% inflation between FY 2012 & FY 2013 (CPI)

3/ Adjusted for inflation (CPI)

Table 2: JLBC Adjusted

	2008	2012	2013
Equalization Total	\$5,401,592,200	\$5,403,443,500	\$5,561,820,800
K-12 Rollover	272,000,000		
SETR backfill	(228,000,000)		
QTR	(1,819,150,600)	(2,041,550,200)	(2,052,308,900)
SETR		(257,839,300)	(261,526,400)
Ed Jobs		35,000,000	
Total	\$3,626,441,600	\$3,139,054,000	\$3,247,985,500
Student Count ADE/JLBC 1/	1,044,785	1,056,245	1,060,644
Per Pupil Funding	3,471	2,972	3,062
Per Pupil Funding Adjusted for Inflation 2/	3,776	3,008	3,062

\$ Change 2008-13 3/	(714)
\$ Change 2012-13 3/	54
% Change 2008-13 3/	-18.9%
% Change 2012-13 3/	1.8%

1/ Current ADE actuals for FY 2008 and FY 2012. Current JLBC Staff estimate for FY 2013.

2/ If also use CPI deflator. (GDP deflator would be about 0.5% lower for FY 2008 versus FY 2013.)

3/ Adjusted for inflation (CPI)