



State of Arizona
Department of Education
Office of Superintendent Diane M. Douglas

May 15, 2015

Eileen Sigmund
Arizona Charter Schools Association
1825 E. Northern Ave.,
Ste. 275 Phoenix, AZ 85020

Dear Ms. Sigmund,

You have asked the Department to provide information as to how it intends to implement Senate Bill 1476, 2015 Ariz. Sess. Laws, 1st reg. sess., ch. 15 (SB1476) as amended by Senate Bill 1193, 2015 Ariz. Sess. Laws, 1st reg. sess., ch. 299 (SB1193). Senate Bill 1476 and SB1193 amended A.R.S. § 15-185(B)(1), which describes how the base support level is calculated for purposes of funding charter schools. The changes enacted this year have the effect of limiting the application of the Small School Weight (SSW) as set out in A.R.S. § 15-943(1); the SSW is a weight that increases funding for eligible schools.¹ The primary funding, known as base support level (A.R.S. § 15-943), is calculated by multiplying a charter's weighted student count by the statutorily-set base level.² Application of the SSW increases the weighted student count for eligible charters—and thus the state funding for those schools.

Senate Bill 1476, however, eliminates eligibility for the Small School Weight for some charters; it further provides that this change will be implemented over three years, with a 33% reduction in the SSW for the affected charters in the 2015-16 school year, a 67% reduction in the 2016-17 school year, and complete elimination in the succeeding school year. The law accomplishes the objective of reducing the number of charters that qualify for the SSW by providing that the “small schools weight [prescribed in section 15-943, paragraph 1] shall not be applied individually to a charter holder if one or more of the following conditions exists and the combined average daily membership derived from the following conditions is greater than six hundred . . .” SB1476 at 2:37-40. It then continues, “notwithstanding subdivision (b) of this paragraph, for fiscal year 2015-16 the Department of Education shall reduce by thirty-three percent the amount provided by the small school weight for charter schools prescribed in subdivision (b) of this paragraph.” *Id.* at 3:4-7. It then provides for a 67% reduction in the 2016-17 school year. *Id.* at 3:8-11. Put more simply, the statute establishes that charter schools that meet the specified criteria are not eligible for the small school weight, but that the reduction will be phased in by thirds.

¹ Other factors that affect a school's weighted ADM are set out in A.R.S. § 15-943(2).

² The base level is set in A.R.S. § 15-901(B)(2).



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The Department wants to take this opportunity to clarify another issue with respect to calculation of the SSW. Arizona Revised Statutes § 15-943(1) establishes different SSWs for K-8 schools and for 9-12 schools. *Compare* A.R.S. § 15-943(1)(a) and -943(1)(b). For charters holders with multiple charters that serve both K-8 and 9-12, the Department will aggregate the K-8 student count and determine if it exceeds 600. If it does, the Department will reduce those schools' SSW as provided in the new legislation. It will conduct a similar calculation for grades 9-12 at such schools.

Application of the Small School Weight Reduction to Classroom Site Fund Monies

You have asked how the Department intends to calculate and distribute Classroom Site Fund (CSF) monies, given the above changes. The CSF was established pursuant to Proposition 301, and the rules governing the CSF are set forth at A.R.S. § 15-977. Monies in the Classroom Site Fund are distributed based on a school district or charter school's weighted student count, calculated pursuant to A.R.S. § 15-943(2)(a), multiplied by a per pupil amount determined by the Joint Legislative Budget Committee each year. A.R.S. § 15-977(G). Arizona Revised Statutes § 15-943(2)(a) specifically incorporates the Small School Weight when it states "subject to paragraph 1 of this section;" paragraph (1) of A.R.S. § 15-943 addresses the SSW, and paragraph (2) addresses other weights, related to factors such as ELL status, disability or homelessness. In other words, CSF monies are distributed based on weighted student count. Senate Bill 1476 affects weighted student count for certain charter schools, and its effect will be considered in allocating CSF monies.

Thus, the Department intends to distribute CSF monies as follows: First, it will determine a school's student count. Next, it will determine the school's weighted student count by reference to A.R.S. § 15-943(1) and (2). In determining a school's weighted student count, it will consider the application of SB1476. For those schools where the charter holder meets the conditions set out in the newly added A.R.S. § 15-185(B)(1)(b)(i) through (iv) and the combined average daily membership derived from those conditions is greater than 600, the Department will reduce the effect of the Small School Weight by one-third in the 2015-16 school year and two-thirds in the following year. (Note that the determination of whether the combined average daily membership is greater than 600 will be made in accordance with the principles stated on the previous page for K-12 schools.) The effect will be a slight reduction in CSF monies for charter schools no longer eligible for the SSW. This method of interpreting SB1476 allows the Department to calculate one weighted student count for purposes of determining the base support level and the CSF allotment.

Application of the Small School Weight to the Inflationary Increase

You have also asked whether the reduction in Small School Weight will affect the distribution of the inflationary increase set forth in Senate Bill 1469. 2015 Ariz. Sess. Laws, ch. 8, § 34 (SB1469).



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Senate Bill 1469 provides that the Department shall allocate \$74,394,000 as though it were “an additional increase of \$54.31 in the base level defined for fiscal year 2015-2016 in section 15-901, subsection B, paragraph 2,” but specifies that the “additional inflation amount is not an increase in the base level” as defined by A.R.S. § 15-901. SB1469 at 25:12-24. Because the law states that the inflationary amount shall be allocated as though it were an additional increase of \$54.31 in the base level, the Department intends to add \$54.31 to the amount specified as the base level for fiscal year 2015-16, then multiply that amount by the weighted student count as calculated pursuant to A.R.S. § 15-943, taking into account that some charter schools are not eligible for the full SSW. This interpretation is consistent with the statutory language, which states that the inflationary increase shall be allocated as an additional increase in the base level.

Other Issues

The Department perceives some issues in the new legislation that present problems it intends to address in the next legislation session. First, only charters that meet one of the conditions listed in the newly added A.R.S. § 15-185(B)(1)(b)(i) through (iv) *and* have a “combined average daily membership derived from [those] conditions [that] is greater than 600” will benefit from the delayed phase-out of the SSW. Charter holders that meet the conditions in (i) through (iv) but that have a combined average daily membership of less than 600 are not covered by the phase out in SSW, because A.R.S. § 15-185(B)(1) (c) provides that only the charter schools covered by A.R.S. § 15-185(B)(1)(b) are eligible for the delayed reduction.

The second issue is presented by the limited definition of “charter holder” as a “person that enters into a charter with the state board for charter schools.” A.R.S. § 15-101(3). SB1476 specifically references this definition, at page 2, line 35; the statutory definition excludes those who hold charters issued from other sponsors. Such schools appear to be exempt from the reduction and subsequent elimination of the Small School Weight.

The Department intends to clarify the Legislature’s intent in these matters at the earliest opportunity.

Process for Determining Charter School Eligibility for Small School Weight

Finally, you asked how the Department intends to determine whether any particular charter school is eligible for the Small School Weight. The Department appreciates your willingness to help find a simple method of determining such eligibility that does not burden either the charter schools or the Department with unnecessary paperwork. To that end, we believe the following principles should guide this determination:



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- All charter holders will be required to submit a Statement of Assurance to the Department. The Department is requiring all charter holders to submit this Statement to ensure that it accurately captures information about charter schools' status.
- Charter schools need not submit documents verifying their statements in the Statement of Assurance, but must keep such records on file for three years and are subject to audit.

The Statement of Assurance can be accessed [here](#).

The Department is aware that the new legislation is not as clear as it could be and that it may have some consequences that were not anticipated. If you have any questions, please contact ADE's School Finance Division at (602) 542-5965 or via email at SchoolFinance@azed.gov.

Sincerely,

Lyle Friesen
Deputy Associate Superintendent of School Finance

Ashley Berg
Director of Policy Development and Government Relations

CC: Leslie Cooper, Assistant Attorney General