

Appendix 4: Attachment A

Information from the Arizona Auditor General's report titled *Arizona Public School Districts' Dollars Spent in the Classroom, Fiscal Year 2006* was presented to the School District Redistricting Commission.

The executive summary of the report, as well as one-page information sheets on each affected individual school district is included below:

The Office of the Auditor General has conducted an analysis of Arizona school districts' percentage of dollars spent in the classroom during fiscal year 2006. In addition, this report summarizes how districts reported spending their Classroom Site Fund monies resulting from Proposition 301, the education sales tax approved by voters in November 2000.

The definition of classroom dollars used in this report is the same definition developed by the U.S. Department of Education's National Center for Education Statistics (NCES) for "instruction." This definition, as described in Table 1 (see page 2), includes current expenditures for classroom personnel, instructional supplies, instructional aids, certain tuition payments, field trips, athletics, and co-curricular activities. This year, for the first time, NCES has reported a combined category of instruction and instruction-related expenditures. Using either of these measures, Arizona consistently lags behind the national average by 3 to 4 percentage points. This report continues to use the instruction-only definition of classroom dollars because of this consistent relationship and because it more accurately reflects expenditures directly connected to educating students. In addition, this measure has been applied by NCES for a number of years and provides a basis for comparing Arizona's results with other states, the national average, and Arizona's past performance.

Dollars in the classroom

In fiscal year 2006, Arizona's state-wide percentage of dollars spent in the classroom was 58.3 percent, which was slightly less than the previous 3 years. Despite the infusion over the past 5 years of significant state-provided resources largely directed to the classroom, Arizona's classroom dollar percentage continues to lag about 3 percentage points behind the national average of 61.5 percent.

Arizona's classroom dollar percentage could have been higher. If districts had continued spending their other monies in the same proportions as they did in fiscal year 2001 prior to receiving the additional Proposition 301 and Indian gaming monies, the new monies would have raised the state-wide average to 59.7 percent. However, most districts now spend proportionately less of their other monies in the classroom than they did before Proposition 301.

Excluding certain special-purpose districts, classroom dollar percentages for individual districts ranged from 28.6 to 84.5 percent. This wide range is somewhat misleading, though, as nearly two-thirds of Arizona districts were within 5 percentage points of the state average. Many of the districts with very high or low percentages are the State's very smallest districts, which have fewer than 200 students each. Because of their size, these districts tend to either not provide some nonclassroom services, such as administration or food services, or have very high costs relative to their size to do so.

The 11 largest school districts in the State, those with more than 20,000 students, account for 43 percent of Arizona school districts' total current spending, and therefore, significantly impact the State's classroom dollar percentage. For example, between fiscal years 2005 and 2006, this group's classroom dollar percentage decreased by 0.1 percentage point, identical to the state-wide decrease. Even individual districts within this group can affect the state-wide average. For example, excluding just the district with the highest or lowest classroom dollar percentage within this group from the state-wide calculation would lower or raise the state-wide average by 0.2 percentage points.

Arizona's lower classroom dollar percentage may be related to a combination of several factors, including lower per-pupil spending, below average district size, higher population growth, higher student-to-teacher ratios, higher poverty rates, and higher percentages of students eligible for free and reduced-price meals. Although none of these factors individually appears to be associated with low classroom dollar percentages, they may have a relationship when combined. The ten other states with the lowest classroom dollar percentages share more of these characteristics with Arizona than do the ten states with the highest classroom dollar percentages.

Compared to national averages, Arizona school districts, on a state-wide basis, continue to allocate a lower percentage of their dollars to administration costs, but higher percentages of their dollars to plant costs, student support services, and food service. Energy and other supply costs account for more than half of the difference between the national and Arizona plant cost percentages. Similarly, student support service salaries account for more than half the difference in that category of spending. The higher salary costs appear related to each full-time equivalent employee serving, on average, fewer students than the national average. Higher food service expenditures may relate to Arizona's having a higher-than-average eligibility for the National School Lunch Program. In Arizona, a higher proportion of free- and reduced-price-eligible students eat meals at school, which results in more meals being produced and higher food service costs.

Within Arizona, the primary factor associated with higher classroom dollar percentages continues to be larger student populations. Larger populations provide districts with more money, allowing them to meet their necessary fixed costs and leaving more money to devote to the classroom. Conversely, higher plant operation

and maintenance, administration, student support services, and transportation costs were the most significant factors associated with lower classroom dollar percentages.

Further, within Arizona, higher total per-pupil spending does not equate to higher classroom dollar percentages. Although these districts have more resources available to spend per pupil, on average, they put a smaller proportion of each dollar in the classroom. As a result, districts with the highest per-pupil spending, on average, have lower classroom dollar percentages.

Districts' uses of Proposition 301 monies

Districts spent more than \$337 million from their Classroom Site Funds during fiscal year 2006 and continued to use the monies almost solely for teacher compensation. School districts had more monies available to spend than in previous years. This was largely because of increased sales tax revenues, but also due to the distribution of over \$17 million in sales tax monies that had accumulated from previous years.

School districts continued to use Proposition 301 monies primarily to increase the salaries of certified teachers and other employees they have defined as eligible, such as librarians, counselors, and speech pathologists. These eligible employees received amounts ranging from \$407 to \$8,426. Since Proposition 301's inception, the state-wide average teacher salary has increased by \$5,791, with the largest portion of this increase, \$3,872, occurring in fiscal year 2006. While some of this is attributable to the increase in Proposition 301 monies, the Arizona Department of Education (ADE) also revised the way it collects average teacher salary data from districts, making prior years' averages not fully comparable to the current year. Further, one joint technological education district has accumulated approximately \$262,000 in Proposition 301 base and performance pay monies that it cannot spend because it does not employ teachers. Although the district has been seeking guidance from ADE, this issue has yet to be addressed.

While over 93 percent of Proposition 301 monies were used for teacher salaries and benefits, some monies were spent for unallowable purposes. Specifically, statute requires menu option monies for AIMS intervention, class size reduction, and dropout prevention to be spent only on instruction. However, four districts spent approximately \$209,000 for these three programs on plant, transportation, and administration expenditures. In addition, while statute prohibits districts from using Proposition 301 monies to supplant, or replace, existing teacher compensation monies, a review of three basic indicators—Proposition 301 monies paid to teachers, teachers' average years of experience, and average teacher salaries—suggests that supplanting may have occurred in as many as 36 districts.

To access the full report, please visit the following website:

http://www.auditorgen.state.az.us/Reports/School_Districts/Statewide/2007_February/2007_Classroom_Dollars_Spent_in_the_Classroom_Prop301.htm