ARIZONA DEPARTMENT OF EDUCATION

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STATE OF ARIZONA

SCHOOL FINANCE MEMORANDUM 10-076 - Revised

TO: **District Business Managers, District Superintendents, Charter Holders, Charter Business Managers**

FROM: **Yousef Awwad, Director of School Finance**

DATE: **May 12, 2010**

SUBJECT: **Legislation Impacts**

This memo is to address the many changes that have taken place during the 2009 special sessions and the 2010 regular sessions. The following is a summary of the changes that will have an impact on your districts or charter holder's finances. These changes will be addressed in the USFR memos and changes to the business rules for FY2010-2011

A- Financial impact on School Districts and Charters

1- Increased additional assistance per student for charters: **K-8 =$ 1,607.50**, 9-12= $1, 873.52.
2- Base level amount is set to $3,267.72, same as FY2010.
3- Eliminating the add-on weight for Kindergarten from ARS-15-943 basic support level formula.
4- Allows schools to charge tuitions for full day KG.
5- Increased state support level per route mile for FY2010-2011: Route mile = 2.35, 1.91, 2.35.
6- Funding held at 91% for all JTEDs or 2009-2010 whichever less…etc.
7- Limit Career Ladder at 5%. This is limited to teachers who participated in the program in FY2009-2010.
8- Suspension of the Early Graduate scholarship program.
9- School districts are not allowed to budget for actual utility costs in FY2010-2011.

If prop 100 passes:

Amount of Cuts	Comments
$ (92,800,000.00)	Reduction of State Aid if monies were received from ARRA in FY2010-2011
$ (165,120,700.00)	Soft Capital reductions: No restrictions on using Soft Capital
$ (10,000,000.00)	Reductions of additional assistance to charter schools
$ (952,627,700.00)	Rollover from FY2011 to FY2012

If prop100 does not pass, additional state aid cuts of $428,568,000 estimated as follows:

Amount of cuts	Comments
$ (102,723,300.00)	Basic State Aid
$ (247,844,700.00)	Capital Outlay
$ (47,000,000.00)	Soft capital
$ (31,000,000.00)	Additional assistance to charter school

B- 15-821-C KG: Early KG who did not reach the age of 5 before September 1 in the first fiscal year they are enrolled in will not be funded for a second year if they repeat KG the following year regardless of whether they have reenrolled in the same school, district, charter holder or any other entity state wide.

C- AOI: FTE for the purpose of .95 or .85 of BSL funding: FTE will be reported by the AOI directly instead of being calculated by ADE.

D- JTED: ADM calculation is to mirror AOI except that the number of instructional hours remains the same as regular districts and charter holders :

1- Funding is based on ADA rather than ADM and is calculated based on actual attended instructional hours throughout the fiscal year that starts on July 1st and ends on June 30th.
2- Limit funding to districts and centralized or main campus to 1.75 ADM.

E- Early Graduation Scholarship Program 15-105 D: Eliminate the early semester provisions for funding retroactive to FY2007 and place a moratorium on the program in FY2011-2012.

F- Non-Resident Students enrolled in charter schools 15-185-B-6: Charters and districts shall not include non state residents in their student count and shall charge tuition for non residents.

G- Instructional hours requirement for 7th and 8th grade:

1- Reduce instructional hours required for 7th and 8th grade to 1,000 hours
2- Requires the governing board of a charter school to submit budgets or revised budgets to ADE 10 days before its public hearing for ADE to post on its website- ADE needs to post these for the public.
3- Requires public schools to establish an account for Federal Impact Aid funds and deposit the proceeds into this account rather than the M&O account.
4- School districts that have a zero tax rate can use Impact Aid money received in 2010 and 2011 to offset budget cuts in FY2010 and 2011 retroactive to June 2009.
5- Interest earned on bonds could be deposited in the building fund if the district requested it. Typically the interest is deposited in the debt service fund.
6- E-rate fund to be established and used to fund internet and communication services.
7- Bonds proceeds that were authorized more than 9 years can be used for capital improvement.

H- Grand Canyon Diploma: Students who graduate with a Grand Canyon Diploma will continue to be counted in the district or charter holder student count until they are scheduled to complete their 4 years of high school.

I- Overrides:

1. Cancelation of an override should be submitted 80 days prior to the scheduled voting.
2. Add preschool SPED students to the definition of the special programs
3. Eliminate special reports to report on special programs funded by overrides.
4. Eliminate districts ability to budget up to 50% of unspent overrides from overrides in the carry forward of M&O balance
5. Overrides that were authorized before November 24, 2009 shall continue to exist until one of the following occurs :
    a. The Expiration of a previously authorized override.
    b. The first year of a special program budget increase that was subsequently approved by the qualified electors of the school district as provided in section 15-482, Arizona Revised Statutes.
    c. The first year of a budget increase that was subsequently approved by the qualified electors of the school district as provided in section 15-481, subsection E or F, Arizona Revised Statutes or by laws 2009, third special session chapter 12, section 72, as amended by this act, such that the previously authorized overrides and new overrides would exceed fifteen percent of the revenue control limit.
6. Previously and newly authorized overrides combined cannot exceed 15% of Revenue Control Limit.

7. Authorized elections that took place in March of 2010 for those districts that had a failed November elections in the same fiscal year.
8. Allows districts to calculate overrides as if the budget cuts (including eliminating the add-on weight for KG) that will take place in FY2010- FY2011 would not occur.

J- Budget final revision date extended from May 15 to July 15 for FY2010

K- School Finance clarifications

1- Clarifies base level calculations as a compounded value rather than an added value for added items such as career ladder, 200 days…etc.
2- Apply cuts to the whole fiscal year unless stated otherwise.
3- CSF budget capacity for FY2011 is $120.
4- Eliminate supplanting language for CSF.
5- Remove rapid decline language from statutes.

L- Fundamental changes to ADM : Effective FY 2011-2012
ADM is calculated based on an average of enrollment over 4 points of times Sep 15, Nov 15, Jan 15, and Mar 15.