

**Appendix 6: Attachment A**

**Joint Legislative Budget Committee  
Staff Memorandum**

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DATE: December 18, 2007

TO: Martin L. Shultz, Chairman  
School District Redistricting Commission

FROM: Steve Schimpp, Deputy Director

SUBJECT: ESTIMATED STATE FISCAL IMPACT OF PROPOSED SCHOOL DISTRICT UNIFICATIONS

This memo responds to your request for an estimate of the state General Fund impact of school district unifications proposed by the School District Redistricting Commission. Due to the large number of possible scenarios involved, it is not feasible to provide a comprehensive cost estimate for this issue. The proposed unifications, however, could affect state costs in the following areas:

- Career Ladder programs
- Small school district weight funding
- New school construction
- Signage and miscellaneous

A brief discussion of each area appears below.

Career Ladder

The proposed unifications could cause some existing Career Ladder districts to unify with current non-participants, potentially enabling the latter to join the program also. *Attachment 1* shows that this could increase Career Ladder costs by up to \$40 million (\$27 million state + \$13 million local) on an FY 2008 cost basis. The \$40 million estimate assumes that 1) voters in all affected districts would approve the proposed unifications; 2) the State Board of Education (SBE) would authorize all affected school districts to join Career Ladder; and 3) the SBE would authorize all new participants to join the program at its highest funding “phase.” The fiscal impact of would be less than \$40 million under alternative scenarios. Existing Career Ladder districts did not receive full funding for the program until their 5<sup>th</sup> year of participation, pursuant to A.R.S. §15-918.04(A).

Small School Weight

The proposed unifications potentially could affect “small school weight” funding authorized by A.R.S. § 15-943(1)(a). This would occur if any proposed unification merged school districts that currently qualify for small school weight funding into larger districts that would not qualify. *Attachment 2*, however, shows that only 2 school districts (Arlington Elementary and Palo Verde Elementary) would be expected to become ineligible for small school district weight funding under the proposed unifications. This is because of existing provisions in A.R.S. § 15-448, Subsections O – Q, which permit newly unified school

(Continued)



districts to remain eligible for a small school funding weight if all of their component districts qualified for small school weight funding prior to unification. The latter provision would apply to most small school districts proposed for unification. It would not apply, however, to the 2 districts cited above. They would lose an estimated \$347,700 in small school weight funding under current law if the proposed unification for their area was approved by voters (*see Attachment 2*).

Please note that *Attachment 2* does not address the small school district budget adjustment authorized in A.R.S. § 15-949, which exempts small school districts from certain budget limits. This is because those programs are funded with local property taxes and typically do not affect state level K-12 costs. Some school districts potentially could become ineligible for the small school district budget exemption under the proposed unifications.

#### New School Construction

The proposed unifications potentially could affect the number of new school construction projects authorized by the School Facilities Board (SFB) pursuant to A.R.S. § 15-2041. This could occur, for example, if a school district with current or projected space deficiencies was combined with a district or districts having surplus student space. It also potentially could occur if elementary school districts not located within a high school district were combined and subsequently had enough resident high school students to qualify for a first-time high school facility. It is not feasible to estimate the state fiscal impact for this issue, however, given the number of possible scenarios involved and uncertainties regarding population projections for individual school districts.

#### Signage Costs

A.R.S. § 15-912.01 authorizes unifying school districts to increase their Revenue Control Limit (RCL) in order to fund associated changes in signs, letterhead, stationery and similar items. This would temporarily increase state formula costs for affected school districts. The size of that increase would depend primarily on the number and type of signs that would have to be replaced, which are unknown at this time.

Please contact us if you have questions regarding this information.

SSc:ym

Attachments

xc: Richard Stavneak, Director

Potential Maximum Impact of Proposed Unifications on Career Ladder Funding (FY 2008 basis)  
 JLBC Staff  
 12/14/2007

Notes:

1. This analysis shows what the maximum possible impact would have been in FY 2008 if all school districts that are proposed to unify with an existing Career Ladder district did so and were approved by the State Board of Education to join Career Ladder at the highest "phase" of the program in their initial year of participation. This would have entitled those districts to a 5.5% increase in their formula funding "Base Support Level" (BSL) for FY 2008 at a total estimated state + local cost of about \$40 million (*see table below*).
2. Currently the state funds approximately 58% of statewide Career Ladder costs and local property taxes fund the remaining 42% (ratios vary by district). Assuming those same ratios for new participants, the estimated maximum \$40 million cost would have consisted of approximately \$23 million in state funding and \$17 million in local property tax funding for FY 2008.
3. Only about 20% of the current Yuma Union school district would become eligible for Career Ladder funding under the analysis. The table reduces its estimated Career Ladder costs accordingly.

Unification Plan	School District	Base Support Level (BSL) (FY 2008 est)	BSL X 5.5%
Maricopa County Central Plan 2	Alhambra Elementary	66,583,200	3,662,100
Maricopa County Central Plan 2	Balsz Elementary	14,989,100	824,400
Maricopa County Central Plan 2	Cartwright Elementary	86,558,100	4,760,700
Maricopa County Central Plan 2	Isaac Elementary	35,048,300	1,927,700
Maricopa County Central Plan 2	Laveen Elementary	14,660,900	806,300
Maricopa County Central Plan 2	Madison Elementary	21,558,500	1,185,700
Maricopa County Central Plan 2	Murphy Elementary	11,282,600	620,500
Maricopa County Central Plan 2	Osborn Elementary	16,365,900	900,100
Maricopa County Central Plan 2	Phoenix Elementary	33,867,000	1,862,700
Maricopa County Central Plan 2	Riverside Elementary	3,472,000	191,000
Maricopa County Central Plan 2	Roosevelt Elementary	54,528,300	2,999,100
Maricopa County Central Plan 2	Wilson Elementary	5,616,200	308,900
Maricopa County Central Plan 2	Phoenix Union	114,676,000	6,307,200
Maricopa County East Plan 1	Tempe Elementary	56,479,100	3,106,400
Maricopa County East Plan 1	Tempe Union	60,278,400	3,315,300
Maricopa County West Valley Plan 2	Union Elementary	5,918,900	325,500
Maricopa County West Valley Plan 2	Tolleson Union	34,911,000	1,920,100
Maricopa County West Valley Plan 2	Avondale Elementary	25,525,800	1,403,900
Maricopa County West Valley Plan 2	Fowler Elementary	18,799,200	1,034,000
Maricopa County West Valley Plan 2	Littleton Elementary	18,460,800	1,015,300
Pinal County Plan 1	Eloy Elementary	5,058,500	278,200
Pinal County Plan 1	Picacho Elementary	1,112,900	61,200
Pinal County Plan 1	Red Rock Elementary	578,600	31,800
Santa Cruz County	Patagonia Elementary	470,200	25,900
Yuma County	Somerton Elementary	11,528,500	634,100
Yuma County	Yuma Union (partial)	45,334,000	498,680
<b>Total</b>		<b>763,662,000</b>	<b>40,006,780</b>

Estimated state share	23,203,900
Estimated local share	16,802,800
	<u>40,006,700</u>

Potential Impact of Proposed Unifications on Small School Weight Funding

JLBC Staff

12/14/2007

Notes:

1. This analysis pertains to the small school district funding weight authorized in A.R.S. § 15-943, paragraph 1a. It does not address the small school district budget exemption authorized in A.R.S. § 15-949. The latter is funded with local property tax monies and typically does not have a state fiscal impact.
2. A.R.S. § 15-448, Subsections O through Q, allow school districts that unify to keep the small school district funding weight under certain conditions. Those conditions would apply to most small school districts that are proposed to be unified, so only the 2 districts shown in the table below would be expected to lose their small school funding weight under proposed unification plans.
3. The table below shows only districts that would be expected to become ineligible for small school weight funding under the proposed unifications. Some other affected districts potentially could remain eligible, but for a smaller weight because of being combined with other small districts.

Plan	District	Unweighted ADM (FY07)	Current Weight	Proposed Weight	Weighted ADM			Base Level Per Pupil	Funding Loss (state savings)
					Current	Proposed	Change		
Maricopa County West 2	Arlington Elementary	236	1.357	1.158	320	273	(47)	3,267	(153,500)
Maricopa County West 2	Palo Verde Elementary	389	1.311	1.158	509	450	(59)	3,267	(194,200)
Total		625			830	723	(106)		<b>(347,700)</b>