

Public School Students Vulnerable as Pressures Mount on the General Fund

1. Equalization Formula (EF) for Districts and Charters (source is JLBC)

Increasing number of students funded 100% by the GF	25% (223,773 charter and 61,689 ESA) of total K-12 students funded in FY23
Increases to the base level amount = increases to cost of the EF	Added \$2B to cost of EF since FY21 and QTR only picked up \$224.5M (11%) of the added cost
	QTR does not rise as the base level rises; no mechanism for the QTR to keep up with cost of the EF
Move of State Equalization Tax Rate from county to state shifted \$314M cost to GF	
Upcoming expiration of Prop 123 in FY26 will shift an estimated net \$195M cost to GF	Shifts estimated cost of \$270M (FY24) from State Trust Land to GF
	Frees up \$75M in the GF

2. Capital Funding Lawsuit impact on GF is to be determined.

3. Impact of ESAs on the General Fund

	Elem (FY24)	HS (FY24)		Average
Any school choice away from a school district is an <i>additional</i> cost to the state general fund.				
From District to Charter	\$ (1,260.67)	\$ (1,463.42)	Non-Special Education	\$ (1,362)
From District to ESA	\$ (486.63)	\$ (601.41)		\$ (544)
From No State Aid district to Charter*	\$ (7,740.35)	\$ (8,620.06)		\$ (8,180)
From No State Aid district to ESA*	\$ (6,966.32)	\$ (7,758.06)		\$ (7,362)
From Charter to ESA**	\$ 774.04	\$ 862.01		\$ 818
Previously unenrolled students:				
From private or home school to ESA	\$ (6,966.32)	\$ (7,758.06)		\$ (7,362)
*E.g., Scottsdale USD, Cave Creek USD, Prescott USD				
**ESA administration costs at ADE will affect "savings" to the state				

Other Sources of Revenue and Their Impact on the General Fund

Source <i>(Bold indicates available to both districts and charters)</i>	Amount	Reduced when students leave a district?	Can be redirected to relieve pressure on GF?	Notes
Federal	\$1.7B [^]	Long Term	No	USDOE may re-direct to other states
Bonds/Debt Service	\$826M*	No	No	Set amount, regardless of enrollment
Classroom Site Fund and IIF	\$795M*	No/No	Maybe/No	IIF is voter protected
M&O Overrides	\$649M	Yes	No	Percentage of RCL, which is tied to enrollment
SFOB	\$249M*	Long Term	Yes	Dependent on building needs
Deseg	\$207M***	Maybe	No	Set by local district, cap set by legislature
TRCL	\$139M**	No	No	Set amount, regardless of enrollment
Capital Overrides	\$97M***	No	No	Set amount, regardless of enrollment
Adjacent Ways	\$36.5M*	Long Term	No	Dependent on building needs
Small District Adjustment	\$30M***	No	No	Set by local district
Early Literacy Program	\$12M***	Yes	Yes	Stand alone program
College Credit Incentive	\$3.9M***	Yes	Yes	Stand alone program
*FY22 SAFR			**FY23 BA-55	
[^] Federal revenues were \$900M prior to ESSER/COVID funds			***School Finance Reports	

Prepared by EFRG, ASA, AASBO
October 18, 2023

<https://www.azjlb.gov/units/allfunding.pdf>
<https://schoolfinancereports.azed.gov/>

<https://www.azed.gov/finance/reports>
<https://www.azed.gov/blog/finance>