

Fiscal Note

BILL # SB 1101

TITLE: schools; calculated opportunity index

SPONSOR: Carter

STATUS: Senate Engrossed

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Description

The Senate Engrossed version of SB 1101 establishes a "calculated opportunity index" (COI) within the Basic State Aid (BSA) funding formula for public schools. The COI increases BSA funding to a school district or charter school if any of its individual schools has a pupil eligibility rate for the federal Free or Reduced-Price Lunch" (FRPL) program that exceeds the statewide average (currently 56%). Schools with the highest FRPL eligibility rates would have the highest COIs under the bill and therefore would receive proportionately more BSA funding under it. The bill requires a school district that is eligible for COI funding to reduce its desegregation expenditures pursuant to A.R.S. § 15-910K, if any, by an amount equal to 50% of its COI funding.

Estimated Impact

The bill would increase state General Fund costs for BSA by an estimated \$36,228,400 in FY 2020 and \$38,003,600 in FY 2021.

Analysis

The [attached tables](#) show the estimated amount of COI funding that each individual school would have generated for its school district or charter school under the bill for FY 2019 if it had been in effect for that year. Estimates in the tables are based on the COI formula established by the bill and current FY 2019 data from the Arizona Department of Education (ADE) for Average Daily Membership (ADM), FRPL eligibility and BSA formula costs.

Summary (state-level) estimates appear on page 41 of the attached tables. They indicate that eligible school districts and charter schools collectively would have received an estimated \$36,777,000 in additional BSA formula funding under the bill in FY 2019 if it had been in effect for that year. The state would have funded an estimated \$34,536,100 of that total with the remaining \$2,240,900 coming from local property taxes only in school districts that are not eligible to receive state aid under the BSA formula ("non-state aid" districts).

The COI would cost approximately 4.6% more annually in FY 2020 and FY 2021 due to "base level" increases required for those years for teacher pay raises and inflation under the BSA formula. This would increase the state share of formula costs for the bill to an estimated \$36,228,400 in FY 2020 and \$38,003,600 in FY 2021.

ADE does not have a fiscal impact estimate for the bill.

Local Government Impact

Property owners in non-state aid districts would pay an estimated \$2,700,500 in additional K-12 "Qualifying Tax Rate" (QTR) taxes under the bill in FY 2020 to fund the new COI formula component.

Property owners in school districts that currently budget for desegregation expenditures pursuant to A.R.S. § 15-910K would pay an estimated \$(6,946,000) less in secondary property taxes under the bill, since it would require school districts with desegregation expenditures to reduce them by an amount equal to 50% of their COI funding. School districts with desegregation programs would receive an estimated \$13,891,200 in COI funding under the bill (*see Table 1 below*).

(Continued)

Table 1

Required Desegregation Expenditure Reductions Under SB 1101 (estimated)

<u>School District</u>	<u>Budgeted Desegregation Expenditures FY 2019</u>	<u>Estimated COI Funding</u>	<u>Required Desegregation Reduction</u>
Tucson Unified District	63,711,000	1,445,300	722,700
Phoenix Union High School District	55,800,900	2,545,500	1,272,800
Roosevelt Elementary District	13,570,500	881,600	440,800
Tempe School District	12,178,200	570,300	285,200
Phoenix Elementary District	11,151,500	514,000	257,000
Mesa Unified District	8,774,100	1,804,600	902,300
Scottsdale Unified District	7,382,200	133,000	66,500
Glendale Union High School District	6,132,000	365,300	182,700
Washington Elementary School District	5,300,000	2,283,700	1,141,900
Isaac Elementary District	4,951,200	773,000	386,500
Cartwright Elementary District	4,628,100	1,545,900	773,000
Amphitheater Unified District	4,025,000	364,900	182,500
Holbrook Unified District	2,518,500	118,800	59,400
Flagstaff Unified District	2,241,300	124,000	62,000
Wilson Elementary District	1,867,000	100,400	50,200
Buckeye Elementary District	1,608,900	275,600	137,800
Maricopa Unified School District	1,291,000	39,500	19,800
Agua Fria Union High School District	<u>999,000</u>	<u>5,800</u>	<u>2,900</u>
STATE TOTALS	208,130,400	13,891,200	6,946,000

4/3/19