

**Draft Report of the
110th ARIZONA TOWN HALL
“Funding preK-12 Education”
Hilton Phoenix/Mesa, Arizona
November 12-15, 2017**

INTRODUCTION

“The legislature shall enact such laws as shall provide for the establishment and maintenance of a general and uniform public school system . . .”

Article XI, Section 1, Arizona Constitution

In the 2015-2016 school year, Arizona educated an estimated 1,155,928 students in 237 public school districts (generally referred to in this report as “school districts”), 423 charter school organizations, 480 private schools, and eight accommodation districts. In 2016, Arizona conducted a poll, and a majority of those surveyed said the state should spend more money on education.

In the 1973 case, *San Antonio School District v. Rodriguez*, the U.S. Supreme Court ruled that education “is not among the rights afforded explicit protection under our Federal Constitution,” but that “no other state function is so uniformly recognized as an essential element of our society’s well-being.” *Rodriguez* effectively removed the constitutional burden for providing public education away from the federal government and placed it squarely on the states. Since *Rodriguez*, state high courts in all but seven states have ruled with varying outcomes on whether their state systems were “equitably” or “adequately” providing public education as required by their respective state constitutions.

Article XI of Arizona’s Constitution is dedicated to education. In part, Article XI implemented the commands of the Enabling Act adopted in 1910. Section 1 of Article XI requires the establishment of a public school system. Sections 8 through 10 of Article XI concern funding for education. These provisions evince the high priority attached to public education by the drafters of the Arizona Constitution. It is well-established that, when it comes to the quality of education, resources matter.

With these principles in mind, a cross-section of diverse participants traveled from throughout Arizona and convened in Mesa, Arizona for four days for the 110th Arizona Town Hall to discuss “Funding preK-12 Education.” The intent of the Town Hall was for participants to discuss how best to fund preK-12 education now and in the future while improving the quality of education provided. Participants discussed the following topics, among others: (1) the goals that Arizona is trying to accomplish with its preK-12 education system; (2) how state funding for Arizona’s preK-12 education system affects the accomplishment of these goals; (3) how our distribution of funding affects the attainability of these goals; (4) what revenue sources should fund Arizona’s preK-12 education system; and (5) potential barriers to this funding.

The results of the discussions at the 110th Arizona Town Hall are included in this report. Though not all Town Hall participants agree with each of the conclusions and recommendations contained herein, this report reflects the consensus reached at the 110th Arizona Town Hall.

Setting the Stage

Arizona's Educational Goals

The goals Arizona is trying to accomplish with its preK-12 education systems are to produce students who have developed critical thinking skills and incorporated collaborative abilities that result in civically engaged citizens who demonstrate economic independence and lifelong social and emotional success. Arizona's preK-12 education system should provide for academic proficiency in the fields of reading, writing, math, science, technology, social sciences (including civics and history), and arts and culture. It should also provide social and life readiness skills so students are prepared for college or a career. Focusing on these skills will translate into a productive adult, able to contribute to the workforce and the community.

To meet these goals, there must be a comprehensive curriculum that is equitable and relevant to all students – urban, suburban, rural, and tribal – and there must be highly-qualified and compensated teachers in our classrooms providing learning opportunities for these skills. Because the goals reach far beyond the classroom, we need to engage families and remember that “one-size fits all” is not an optimal approach to teaching. Arizonans need an educational system that meets the needs of a diverse student population that serves all Arizona children. This means that, inherent in the education system, students must be taught life skills, be able to cooperate and collaborate with other people to get along in society, and become engaged, productive citizens.

Arizona is not meeting these goals under the current K-12 educational structure.¹ This may be a result of the fact that we have not done a good job defining what success or “meeting the goals” means. It should include investing in quality teachers, teaching beyond performance measures (i.e., not “teaching to the test”), and focusing on the “why” as opposed to the “what” of education. Unfortunately, we are also not well-positioned to meet these goals in the future. To meet these goals in the future, Arizonans must look not only at teacher funding, but at educational funding in general. Arizonans must also acknowledge school choice as being a current element of the state's preK-12 education system, and that empowerment scholarship and tax credit programs that allow families to choose private or parochial education for their children all impact the funding of school districts and charter schools.

In addition, test performance and grade measurements need to be re-evaluated, especially in light of school choice. Most importantly, school funding sources must be addressed to meet Arizona's future goals, and this includes looking at a whole host of different funding mechanisms.

State Funding: Vital but Inadequate

Arizona's current K-12 education system is inadequately funded, and the funding problem is getting worse. The state's current funding formula does not fund pre-kindergarten (i.e., preK) programs, and does not universally fund full-day kindergarten. Compared to other states, Arizona has disinvested in the state's K-12 education system based on the amount we spend per pupil. In the early 1990s, Arizona ranked 34th in the nation in per pupil funding, when we invested 87% of the national average. By 2015, Arizona was only investing 65% of the national average, dropping our ranking to 48th. We also rank at or near the bottom of all national studies comparing teacher pay among states.

¹ References in this report to Arizona's “K-12 education system” (as opposed to “preK-12 education system”) are intended to highlight the fact that the state does not currently provide funding for pre-kindergarten programs. As discussed later in this report, we believe such programs should be funded in the future. In other words, we believe Arizona should move toward a true, state-funded “preK-12 education system.”

The state's failure to adequately fund Arizona schools and teachers severely limits our ability to achieve the goals we have identified for the preK-12 education system, resulting in a system that does not meet the needs of the state. For example, current funding structures and levels do not provide schools the necessary resources to attract, develop, and retain excellent teachers – or to invest in classroom resources, such as technology. Teachers should not be expected to live in poverty or rely on public assistance. Teachers should not be expected to pay for necessary classroom supplies out of their own pockets. Funding cuts have also adversely affected maintenance and operations budgets for schools, forcing many local districts to seek voter approval for bond issues and budget overrides, creating inequities among districts and communities with vastly different resources.

These inequities pervade various aspects of Arizona's current K-12 education system, beginning with our heavy reliance on local property taxes when statewide property tax rates are among the lowest in the nation and many Arizona communities have relatively low tax bases. In addition, the bulk of state funding is tied to Average Daily Membership, or ADM,² with imperfect and outdated regard for the significant diversity of our state or the special circumstances confronted by many local schools. This is counterproductive and a major flaw. We need to modify the state's funding formula to better take into account the unique needs of our diverse population.

To achieve our goals for Arizona's preK-12 education system, in addition to addressing the inequities in our current funding system, we also need the state to fulfill its constitutional mandate by providing adequate funding for state schools. In that regard, to the extent that Arizona already dedicates approximately 43% of the state's general fund to K-12 education spending – good enough for a ranking of 11th nationally, as compared to average general fund spending of 35% among other states – the problem has more to do with the “size of the pie” than a lack of *relative* support for preK-12 education spending. Property taxes and sales taxes both have limitations as sources of funding, and we need to develop dedicated, sustainable funding sources for Arizona's preK-12 education system that meet the needs of schools, teachers, and students in an equitable manner. The state's funding system should also be transparent and promote accountability.

Resources Other Than State Funds

For school districts, Arizona divides funding into two categories: operating and capital. The funding formula begins with a per-pupil amount of funding provided for all students attending the district. The second step is to count the number of students in the district, and the actual number is increased or weighted for various factors. Once the weighted student count is established, the formula looks at teachers and provides additional funds based on teacher tenure and experience. Finally, one must factor in things such as inflation, soft capital, and transportation. In other words, the base support level *plus* additional assistance *equals* equalization. While funding may be equitable in certain respects because of the use of a formula, funding is not adequate, especially when it comes to rural schools.

State-supported funding includes Proposition 301, by which the statewide sales tax was raised from 5% to 5.6%. This took effect in 2001, and is set to expire on June 30, 2021. Proposition 123 increased distributions from the State Permanent Land Endowment Trust Fund and state general fund, Proposition 123 is set to expire on June 30, 2025.

² Average Daily Membership (ADM) refers to a method of counting the number of enrolled students based upon the first 100 days of school in session. As examples: a student who enrolls five days after the start of the school year (and is continuously enrolled on a full-time basis thereafter) = $95/100 = 0.95$ ADM; a kindergarten student who only attends school for one-half of the day for the full 100-day period = 0.50 ADM; and a high school student who attends only three of the required four class periods for the full 100-day period = 0.75 ADM. [Source: Arizona Association of School Business Officials, School Finance Manual]

There are resources other than state funds that play a role in accomplishing Arizona's educational goals, including the following: bonding and overrides, federal funds, application of technology, family and parental involvement, support from the business community, public-private partnerships, tax credits, non-profit partnerships and faith-based groups. However, there are fluctuations in these funds based on several factors, including socio-economic factors and the area in which the school is located – urban, rural, suburban, or tribal – and these fluctuations can highlight the disparities among public schools. For example, there may be more of a commitment from the business community in an urban area where business and commerce are primary economic drivers. In addition, there are inequities and inconsistencies created by a community's ability to support bond issuances, budget overrides and other property tax measures. Further, bonding and overrides are now commonly used to support the basic needs of schools when these funding mechanisms were originally intended to provide funding above and beyond those monies received from the state.

It is the ultimate responsibility of the Legislature to create a funding system that provides resources to schools and teachers to meet the goals discussed in the first section of this report. All Arizonans should see public education as a shared responsibility when it comes to funding education at the state level. Innovative private funding, whether through philanthropy, fundraising, or new funding sources in partnership with private industry, can augment state funds.

The Impact of School Choice

Arizona's move toward school choice has unquestionably impacted education. These results, in turn, have implications for the funding, quality, accessibility, and equity of our current K-12 education system.

Conceptually, the virtue of "school choice" may seem obvious to many families who want the freedom to send their children to a school that both provides a good education and fits their particular needs. Open enrollment, specialized programs within school districts, joint technical education districts (JTEDs), and charter schools have increased competition and innovation within Arizona's K-12 education system.

However, the implementation of school choice in Arizona has incentivized schools to view students as products or commodities under our current funding system. In that regard, the competition between and among school districts, charter schools, and other school "choices" has been unhealthy – and empowers some schools to choose their students more than it empowers students (or their families) to choose their schools. In some instances, school choice has made it possible to divert public dollars to private pockets without sufficient oversight and transparency. And in many rural communities, "school choice" is often a fallacy, because there is only one school.

The application of school choice has also resulted in the educational segregation based on race, culture, socio-economic status, and ability. Many students do not actually have a choice based on their limited resources or other life circumstances, because students with resources have the ability to exercise school choice where students without the same resources do not have that ability. The same dynamics often apply to students who have special needs. The schools that serve these student populations face ever-increasing challenges as higher-performing students leave them for other public schools, specialty charter schools or private schools – and take their state funding with them. In other words, school choice tends to concentrate the highest-need and highest-cost students in schools with the lowest levels of state funding, while the highest-performing students are concentrated in other schools that tend to have higher levels of state funding, as well as access to other resources. It is also a concern that students have become commodities in certain desirable markets where existing school districts and charter

schools, even though “A”-rated enterprises, have been poached of students for profit, not the lack of choice or academic need.

Differences in funding, governance, and accountability as between school districts, on the one hand, and charter and private schools, on the other hand, contribute to a lack of equity within Arizona’s current K-12 education system. For example, school districts are required to comply with public bid procedures, are subject to performance audits, and provide transportation to their students – while charter schools are not subject to public bid requirements if they receive a waiver from their authorizer, and some charter schools opt not to provide transportation for their students. Charter schools, however, also face unique constraints given their lack of ability to use voter-approved bond financing or budget overrides to generate additional revenues.

Overall, there should be a level playing field for all types of public preK-12 schools in Arizona. School choice that serves the unique needs of individual students in an equitable manner is a goal worth preserving – but families and students should have a *real* choice, which frequently is not the case in the current system.

Efficiency, Equity, and Teachers

Methods Used to Distribute Funds

The methods used to distribute funds for Arizona’s current K-12 education system are ineffective, inequitable, and inefficient.

For example, currently charter schools and school districts receive funding from the state in different ways. For operational budgets, the funding formulas are the same, but 100% of charter school funding comes from the state, while school districts receive some of their funding from the state and some from traditional property taxes. Charter schools receive additional state assistance, relative to access School Facilities Board funding. School districts, with voter approval may levy taxes, obtain bonds and fund overrides. In addition, school districts and charter schools in wealthier areas generally have more money to spend, because extra-curricular tax credits can be designated for their particular school. The same holds true for the private school tax credit, a portion of which taxpayers can now actually designate for a specific student’s tuition. Finally, state law provides for automatic annual increases in the maximum allowable tax credits that benefit private schools and organizations, while the maximum allowable tax credits for public schools are locked in statute and may only be increased by a change in state law.

“Current year funding” is also not efficient or effective because it does not allow for the predictability of funds and proper budgeting. Historically, school districts were funded based on their prior year student count, while charter schools were funded based on their current year student count. The Legislature recently changed this, such that all public schools in Arizona now receive funding based on their current year student count. This approach creates challenges, especially for school districts, because it makes planning and budgeting difficult – particularly with teacher contracts, since school districts must enroll every student that comes that year, whereas charter schools limit the number of students they enroll for a particular year.

Funding structures need to adequately account for economic disparities between schools and their students by incorporating an opportunity measurement reflective of socio-economic status.

Results-based funding also creates challenges; because it tends to allocate more money to schools with students who are already performing well, which does not necessarily translate into sufficient funding for the schools most in need of funding. Arizona should provide additional resources, including master teachers and mentors, to improve performance in failing schools so all children have a realistic chance to succeed.

While the Legislature can say that state funding of our current K-12 education system is “equitable” in that every school gets the same amount of money per student based on the formula, the reality is that state funding is inequitable because of each district’s variable access funds, including grants, bonds, and budget overrides. Accordingly, even a comparison of district-to-district funding reveals that Arizona’s current funding mechanisms are inherently ineffective and inequitable.

The “one size fits all” funding mechanism is inequitable because of variables between and among school districts, charter schools, and private schools receiving tax credits. And performance or results-based funding, both student- and teacher-based, often deprives the schools with the greatest need because the schools that are already graduating highly proficient students are getting more money, which means less money is going to the underperforming schools, thus widening the funding – and performance – gap, resulting in greater inequities.

To level the playing field, changes in the methods of distribution of available funds must be considered. One suggestion is that the Legislature should deviate from current year funding, as it adversely impacts school districts and instead schools should be funded based on their prior year student count. Another suggestion is to modify the current property tax “qualifying tax rate” to a universal state property tax rate.³ Other considerations should include: allowing schools to obtain capital funding prior to children already being in the seats; removing all unfunded mandates that are placed upon public schools, increasing administrative inefficiencies, and implementing a statewide technology solution.

Valuing – and Paying – Teachers as Professionals

Inadequate state funding for Arizona’s current K-12 education system hinders our ability to recruit, develop, and retain teachers in several ways – which, in turn, is hurting the quality of education in our state. This is an emergency that needs to be addressed immediately; while the teacher shortage problem is not unique to our state, Arizona is facing a *crisis* when it comes to current and anticipated teacher shortages.

The most obvious concern is in the area of teacher compensation. Current state funding for teacher salaries and other compensation often fails to provide an adequate wage, much less a professional wage. Many teachers are forced to work second jobs and ultimately leave the profession or the state. Arizona salary ranges for teachers are not reflective of the educational and professional development required for educators. We need to increase our teachers’ base pay and provide other types of compensation aimed at attracting and retaining excellent teachers, such as tuition reimbursement and student loan forgiveness. In that regard, our system should also provide financial incentives for teachers to obtain certificates and complete professional development training.

Deficiencies in state funding for Arizona’s current K-12 education system adversely affect teacher recruitment and retention in other, less direct ways, as well. For example, requiring teachers to

³ Qualifying Tax Rate (QTR) means a hypothetical tax rate that is multiplied times the Primary Assessed Valuation and Assessed Valuation for SRP properties to determine the local tax levy effort required before a school district is eligible to receive state equalization assistance. The QTR is adjusted annually, based on an inverse relationship to the assessed valuation for the entire state. [Source: Arizona Association of School Business Officials, School Finance Manual]

teach subjects outside of their specialty, large classroom sizes, restrictions on teacher autonomy, and a lack of community support all affect job satisfaction among teachers. As a state, we need to respect teaching as a profession by investing the resources necessary to address these problems – and fund classroom support, such as teacher aides, that allow teachers to focus on being teachers. Funding structures also need to provide work-life balance for teachers, as well as encourage the development of teacher mentors within the profession, and incorporate trauma informed teaching modules and cultural sensitivity training as strategies for encouraging development and retention of excellent teachers.

Starting salaries make it difficult to recruit new teachers. Arizona’s teacher shortage crisis is both a pipeline problem, and most pressing, a retention problem. Low teacher salaries and the other job satisfaction issues described above all contribute to this retention problem. Indeed, we lose 50% of our new teachers within 3-5 years after they begin working in the classroom. Given the large number of experienced teachers that will retire in the near future, this creates a circular problem, because experienced teachers are needed to train and mentor new teachers – but many of them are getting burned out due to the burdens imposed by such high turnover in the profession.

Quality education is dependent on quality teachers. Our state’s public policy and education funding must recognize the importance of recruiting, developing, and retaining excellent teachers. To that end, we need better public awareness about the value and importance of Arizona’s preK-12 education system. Specifically, we need to value teachers as professionals and provide them with compensation and other support reflective of that status. To achieve this result, a significant new revenue stream must be provided to enable substantial new investment in public education, and no potential revenue streams should be excluded from this discussion.

Funding Education Infrastructure

In 1994, the Arizona Supreme Court declared in *Roosevelt v. Bishop* that Arizona’s system of school capital finance was unconstitutional. The court found that the statutory financing scheme for public education was the cause of undisputed gross disparities in school facilities and was in violation of the “general and uniform” clause of the Arizona Constitution. While the court did not ultimately require equal funding per pupil for capital, the court did require that Arizona establish minimum facility standards and allow districts to go beyond these minimum standards, if desired, spending local funds.

Arizona responded to the court’s decision by establishing a centralized, statewide system for funding school capital (with the exception of soft capital) administered by the School Facilities Board. The system was based on the premise that the state would provide full funding to ensure that all educational facilities in school districts meet minimum state standards, and provide new facilities in response to enrollment growth. Consistent with the court’s decision in *Roosevelt*, the system also allowed school districts to spend local monies to exceed the applicable state standards. However, the school capital funding mechanisms have been modified substantially since they were first enacted, and the state’s failure to adequately fund the School Facilities Board has detrimentally affected the infrastructure of our current K-12 education system. Significant deferred maintenance, even with a change in the funding distribution mechanism (from a building renewal formula to a grant formula), has exacerbated the problem. As a result, earlier this year, another lawsuit was filed on similar grounds to those argued in the *Roosevelt* case.

Arizona school facilities should foster a space where children can learn in a safe and healthy environment. All Arizona public district school facilities are taxpayer assets that should be treated as such. With the School Facilities Board, the formula used to be \$250 million – though fully funded only in one year – and the new grant program is \$30 million, which is “a drop in the bucket” relative to our

schools' infrastructure needs, especially considering this includes technology costs.

To make up the difference in funding, school districts must use bonds to bring all schools up to minimum state standards. As a result, those districts in which bond elections pass are better-positioned to maintain their school facilities and other infrastructure, including technology. But in districts where bond elections do not pass, schools are crumbling, transportation systems are unsafe, and technology needs are not being met. Charter schools do not have the capacity to issue bonds but can use additional taxpayer money received from the state for school construction and other infrastructure projects. Overall, the dual system of school districts and charter schools does not foster efficient use of public capital resources and taxpayer dollars.

The Legislature needs to be held accountable for ensuring that the quality of Arizona's school facilities demonstrates our respect for teachers and students, and instills pride in our local communities. Under the state's current infrastructure funding model, that is not the reality.

Revenue Sources

Quantifying the Additional Funds Needed to Achieve our Educational Goals

As noted above, current funding of our K-12 education system is inadequate to achieve our goals for Arizona's schools – but that has not always been the case. Historically, Arizona was not at the bottom statistically in national rankings measuring public support for education until the state began reducing its investment in the system in the early 1990s. Since then, the Legislature's propensity for adopting new tax cuts, vouchers, and tax credits starves our public schools of funding by reducing overall public support for our current K-12 education system and diverting available funds to private or parochial schools or extra-curricular activities in public schools.

We need to change course and begin reinvesting *substantially* in Arizona's preK-12 education system. Specifically, we need to consider each of the following investments:

- A one-time investment to address existing deficiencies, including deferred maintenance – \$1.3 billion (amount estimated as of 2002, to be updated; one-time expense)
- Increasing teacher pay with a view toward bringing Arizona's teacher salaries in line with the national median – \$900 million annually
- Restoration of the capital funding formula – \$380 million annually
- Restoration of the cut in Charter Additional Assistance – \$18 million annually
- Updating and fully funding the building renewal fund – \$250 million annually
- New school construction – \$343 million (one-time expense); \$250 million annually
- Implementing full-day kindergarten – \$240 million annually
- Development and implementation of a state-funded preK program – \$200 million annually

Additional investments are also needed to fund other teacher recruitment and retention initiatives, such as in-state tuition waivers and student loan repayment programs; early childhood education programs (in addition to full-day kindergarten); community college workforce development programs; programs that serve higher-need students; and measures designed to reduce class sizes. These investments must be in addition to, not in lieu of, voter-approved funding generated pursuant to Proposition 301. In all cases, we must identify sustainable sources of funding for the ongoing

investments that need to be made in our preK-12 education system; we cannot allow educational funding to be left to the political whims of individual legislative sessions or elected officials.

In simple terms, we need to invest at least \$1.3 billion (to be updated to reflect the current need) on a one-time basis – and at least \$2 billion annually, with annual increases for inflation in the future – to position our preK-12 education system to meet the educational goals that we have identified for it.

Approaching such funding needs incrementally with a long-term outlook may make certain goals, such as increasing teacher pay and reducing class sizes, more attainable in the short-term. To the extent that direct voter involvement is required to approve additional funding, we must be intentional in our approach to voters with proposals that are well-articulated and provide sufficient funding for a long period of time, given that proponents can only go “back to the well” every 10 to 15 years.

The Impact of Propositions 301 and 123

When Arizonans approved Proposition 301 in November 2000, they raised the statewide sales tax from 5% to 5.6%, with the increased revenues dedicated to public education. The new sales tax rate took effect in 2001 and is scheduled to expire on June 30, 2021. This measure, championed at the time by Governor Jane Hull, and companion proposals passed by the Legislature, laid the foundation for a substantial portion of Arizona’s education policy regarding infrastructure and funding. For example, in FY 2017, the sales tax generated more than \$696 million in support to public universities, community colleges, school districts, and charter schools. Proposition 301 also provides for annual cost-of-living increases, with funding per student rising annually by the rate of inflation or 2%, whichever is less.

Proposition 123 was championed by Governor Doug Ducey in 2016 as a solution following many years of litigation over education funding, as it increased distributions from the State Permanent Land Endowment Trust Fund and made other changes in Arizona’s K-12 finance system. Proposition 123 increases land trust distributions from 2.5% per year to 6.9% per year through FY 2025 and provides for additional general fund support. In FY 2016, Proposition 123 generated \$299 million in funding for Arizona’s current K-12 education system for the purpose of fulfilling unmet inflation funding requirements, as mandated by voters when they approved Proposition 301.

The revenues generated from Propositions 301 and 123 are essential to the current funding structure for Arizona’s K-12 education system. While Proposition 301 has some issues, in that a sales tax can be regressive, it still should be renewed prior to its expiration date – and voters should strongly consider raising the incremental statewide sales tax from 0.6% to at least 1% (or more). If Proposition 301 is not renewed, the state will lose more than \$600 million annually, much of which goes directly to teacher pay. The pay cut would equal more than \$500 million for Arizona’s teachers, which translates to approximately \$6,000 per certified teacher. In other words, a loss of the revenue generated by Proposition 301 would decimate public education funding in Arizona.

Proposition 301 should be placed on the ballot and renewed by Arizona voters in either 2018 or 2020 to preserve and increase the essential funding that it provides to Arizona’s preK-12 education system. Proposition 123 provides for a steadier income to schools, but there is great concern as to what is going to happen when the measure expires, so it should be placed on the ballot for renewal beyond FY 2025. The impact of this funding scheme on the State Permanent Land Endowment Trust Fund is yet to be determined, so this should be monitored closely for the next several years, and the state should be prepared to replace the funding if necessary.

Alternative methods of funding preK-12 education could include a statewide property tax, which would be palatable to the Legislature, as opposed to an increase in our statewide sales tax, which is regressive and cyclical. Yet, an increase in the statewide sales tax would still be beneficial for education funding. By eliminating loopholes in the corporate income tax system, we could also generate additional revenues available to be spent on Arizona's preK-12 education system. There should be an effort on the part of state leaders to identify a dedicated revenue source than could replace the funding currently generated by Propositions 301 and 123, if necessary.

Diversifying Arizona's Sources of Funding for PreK-12 Education

Despite Arizona's constitutional mandate to adequately fund education, our current sources of funding for the state's preK-12 education system are not meeting the needs of our schools, our teachers, or the individuals and communities they serve. In addition to restoring funds that were previously cut from our K-12 schools and preserving funding sources like Propositions 301 and 123 to avoid sending our educational system over a "fiscal cliff," we need to develop new, sustainable sources of funding that supplement rather than supplant existing resources. We must also focus on diversifying the sources of education funding, because each individual funding source has advantages and disadvantages, both for the system and for taxpayers.

Given that framework, we should examine the following as potential new funding sources for Arizona's preK-12 education system: (1) a new uniform statewide property tax, potentially augmented by property taxes levied by local school districts; (2) increased corporate income taxes, funded by eliminating loopholes; (3) sales taxes on personal services; (4) increased sales taxes; and (5) excise taxes on energy, tourism and entertainment activities. In addition, federal funding, grants, other private support, and finite resources like state trust lands can be used to augment basic state funding for preK-12 schools. We also need to revisit the various individual tax credits, private school tuition scholarships, and other school vouchers that have been adopted over the past 20 years and assess their impact on the state's ability to meet its obligation to adequately fund the preK-12 education system.

Difficult questions will need to be addressed as we modernize Arizona's educational funding system. For example, relying too heavily on property taxes to fund our preK-12 schools would negatively affect Arizonans on fixed incomes and potentially make our state less attractive for people considering relocation. Relying too heavily on sales taxes, on the other hand, would be regressive and make the funding system vulnerable to cyclical trends in the economy. Striking the right balance is a very complex proposition, requiring consideration of multiple factors such as public support, legislative viability, fiscal impact, and whether a given funding source is sustainable, dedicated to education, regressive, or cyclical.

Breaking Down Barriers to Improving Arizona's Public School Funding System

Arizona's current education funding system has regressed over the past 40 years into a complicated patchwork of temporary solutions. As a result, there are many barriers to improving Arizona's public school funding system to meet current and future goals as identified in the first section of this report.

One barrier is the lack of a concrete statewide program or plan to implement funding increases; most likely, such a plan will need to be a multi-year plan and contain recommendations regarding funding and spending.

Another barrier is Arizona's Legislature and the fact that many legislators are not necessarily "on board" regarding the constitutional requirement to adequately fund education, and there does not seem to be a consensus regarding the meaning of "adequate." Arizona's voters must overturn Proposition 108, which requires a two-thirds majority vote within the Legislature to approve tax increases, because tax increases will need to occur if we intend to meet the future educational needs of this state. Increasing awareness and keeping track of their voting records are effective ways to decrease apathy among legislators.

Voter apathy is another barrier to improving Arizona's public school funding system. We need to engage and empower the millennial generation to change the hearts and minds of the voting public. We also need appropriate messaging to our senior citizen community so that they understand the importance of funding education even if they do not have children attending public schools.

Another barrier is the common misconception that cutting taxes is the sole determinant in attracting quality businesses to Arizona. The truth of the matter is that investing in public schools translates into an investment in the quality of life for all Arizonans, which is far more attractive to employers and the growing business community. The high rates of childhood poverty in Arizona create many barriers to improved education outcomes. We must implement and support programs that assist families and children outside of school.

Misconceptions about the quality of Arizona's current K-12 education system can also be a barrier to meeting educational goals. The perception that that Arizona schools and teachers are failing, along with a lack of transparency encourage Arizonans to be short-sighted, not look for long-term solutions to long-term problems, and wrongly portray schools as unworthy of investment.

To overcome these barriers and improve Arizona's public school funding system, we must reframe public education as a shared public benefit for all Arizonans, and that is why it is critical that all Arizonans support education funding. One way of reaching the public is to launch a public outreach or media campaign that informs families, senior citizens, millennials, opportunity youth, and the business community about the goals of our preK-12 education system and how Arizona intends to meet these goals. Community outreach and collaboration with existing support organizations will also give a louder, more prominent voice to those who are advocating for increased public school funding.

Finally, families also have an important role to play in supporting Arizona's preK-12 education system. They can educate the public about the reality of what happens when we do not adequately fund our public schools. If we can include all of Arizona's residents in recognizing the crisis in public education and being part of the solution, then we will have come a long way in removing barriers to improve public school funding in Arizona.

Setting Priorities and Taking Action

Action Items and Priorities: What Needs to be Done?

Increased state funding is urgently needed to improve our preK-12 education system and position it to achieve the goals discussed in the first section of this report. To maximize the beneficial impact on Arizona's future, and the likelihood of success, we should prioritize the following critical action items:

1. Improving our education system through recruiting and retaining talented teachers, which would be achieved by developing a significant, dedicated revenue stream used to increase teacher pay to levels commensurate with the national average.
2. Restoring full funding for school capital, including school facility construction, maintenance, investments in technology, and other capital needs.
3. Funding full-day kindergarten and early childhood education programs.
4. Eliminating "results-based" funding.
5. Implementing consistent, transparent accountability standards applicable to all institutions within our preK-12 education system that accept public funds.
6. Ensuring that all existing and new sources of funding for Arizona's preK-12 education system are dedicated accordingly and cannot be diverted for other purposes.

We can achieve these important goals by doing the following:

- Supporting ballot initiatives to:
 - renew and expand Proposition 301 to provide for an incremental statewide sales tax of *at least* 1.0% (in lieu of the current 0.6%); and
 - repeal the limitations on Legislature-approved tax increases that were enacted pursuant to Proposition 108.
- Lobbying the Legislature to:
 - modernize the basic formula for state funding of preK-12 education to level the playing field among different types of schools and take into account the unique needs of our diverse student population;
 - implement a new uniform statewide property tax to provide an additional revenue;
 - adjust the equalization formula to require all districts to levy the "qualifying tax rate," which, if levied uniformly across the state, would generate nearly \$200 million in additional funding on an annual basis;
 - streamline the bureaucracy in our preK-12 education system, focusing on whether the differences in the rules applicable to school districts versus charter schools make sense and contribute to adequate, equitable funding throughout the system;
 - revisit and repeal tax credit and private school tuition scholarship programs that essentially utilize public funds for private endeavors, ultimately resulting in an increased financial burden on the public school system; and
 - create new and improved policies requiring accountability for use of all taxpayer dollars in our preK-12 schools.
- Using state bonding authority to address deferred maintenance and other significant capital deficiencies.
- Identifying additional sources of funding for Arizona's preK-12 education system to create the conditions necessary for future legislative action or ballot initiatives, such as:
 - sales taxes on personal, professional, or other services;
 - making all nicotine delivery devices subject to the existing tobacco tax;

- excise taxes; and
- closing corporate tax loopholes
- exploring public/private partnerships whenever possible for infrastructure and construction needs.
- Increasing awareness within the general public about the value and importance of adequately funding our preK-12 education system – and also about what is working, and what is not working, in our current system.
- Using research, statistics, and available data to quantify what “adequate” means so legislators and taxpayers alike better understand the proper meaning and scope of Arizona’s constitutional mandate to adequately fund education.
- Holding elected officials accountable for explaining their support of our preK-12 education system, as well as how they intend to provide adequate funding.
- Encouraging young people to be involved – and vocal – in supporting our preK-12 schools, including by voting for those eligible to do so.
- Launching and sustaining a grassroots effort to support funding for our preK-12 education system by increasing collaboration and coordination among local communities, educational advocacy groups, tribal organizations, chambers of commerce, and other business groups.
- Working diligently with all involved to reduce burdensome compliance and oversight, suplicate paperwork, and use technology for efficiency.

Implementation: The Importance of Leadership and Individual Action

Ideally, the Governor of the State of Arizona would lead a unified effort to improve and adequately fund preK-12 education in Arizona. The Superintendent of Public Instruction should also be at the forefront of this effort. In engaging other elected officials in the process, we should make it abundantly clear that funding our preK-12 education system is a top priority for Arizona, and that the current funding mechanisms are antiquated and too heavily restricted. We also need to challenge our legislators to rethink how they see educational funding. Educational advocacy organizations should be involved in advocating for additional education funding.

As to changing the tax structure to provide for additional funding or creating new funding mechanisms for both soft and hard costs, the Governor, the Superintendent of Public Instruction, education stakeholders, advocacy groups including chambers of commerce, educational foundations, business groups, and associations of local elected officials should be talking with our legislators and executive leaders about the expansion of funding for preK-12 education. Chambers of commerce, economic development agencies, and other business groups should be leaders in advocating for positive change and additional education funding in the Legislature.

To achieve the implementation and full funding of full-day kindergarten, again we need to engage the Governor, the Superintendent of Public Instruction, the business community, other community organizations, and the public to push this initiative forward and ensure adequate funding. In doing so, we will need to demonstrate the benefit of full-day kindergarten as it relates to enhanced performance in both grade school and high school.

Ultimately, all Arizonans need to take ownership of their preK-12 education system and be outspoken advocates for adequate funding. Without a coordinated grassroots effort, sustained over an extended period, it will be extremely difficult – if not impossible – to implement the significant changes that are needed. The structural and other barriers are simply too great to overcome in the absence of

such an effort. To that end, each individual participant of the 110th Arizona Town Hall *personally* committed to take action to advance the priorities identified in this report. Those commitments are memorialized below in this report, under the heading “Individual Actions,” and we encourage all Arizonans to consider them as a guide for actions they might take in support of our preK-12 education system.

Conclusion

The participants of the 110th Arizona Town Hall on “Funding preK-12 Education,” after three days of serious and intense deliberations, believe there is a *state of emergency* with respect to Arizona’s underfunding of our preK-12 education system, which *requires urgent, decisive action*. We urge implementation of the previously delineated priorities, including increasing teacher pay to ensure that Arizona’s preK-12 schools can recruit and retain excellent teachers; restoring full funding for school facility construction and maintenance; funding full-day kindergarten and early childhood education programs; eliminating “results-based” funding; improving transparency and accountability among all preK-12 educational institutions that accept public funds; and launching various initiatives to create the conditions necessary to invest more in the future. To that end, we encourage all Arizonans, including but not limited to our elected officials, to take appropriate and timely actions to ensure that our preK-12 education system is adequately and equitably funded to meet the needs of our students, teachers, and families – and our state as a whole.

Individual Actions

Recognizing that the power to change the future begins with each individual, participants committed to take personal actions based on their experience and discussions at the 110th Arizona Town Hall. Below are individual actions that were shared:

I WILL...

- Establish and lead an ad hoc committee to study education funding needs in the Arizona House of Representatives. I will bring Arizona Town Hall results to the ad ho committee. I will write a letter to media about Arizona Town Hall results.
- Leverage the Launch Flagstaff partnership to make a collective impact using the Arizona Town Hall report and the Flagstaff Community Town Hall report to improve our system of education for all children in Arizona.
- Continue to encourage my fellow school board members and school staff to advocate for public education whenever they can. I will continue to lobby legislators at the capitol to support public education as an individual and attend lobby days for organizations (ASBA, ABEC, etc.).
- Use social media as well as personally speak to my community about the importance of voting, the need for more funding in education, and hiring and retaining “highly qualified” teachers in Arizona schools.
- Actively work on a gubernatorial campaign to elect a true pro-public education governor.
- Spread the word to voters to use their voting right to elect pro-education officials and pass legislation that will benefit Arizona’s public education system.
- Promote discussion of education issues/funding. I will contact legislators. I will vote.
- Support funding for a study of how different taxes impact revenues that help support state needs.

- Bring the results and concerns discussed back to the members/leadership of my organization (SALC).
- Get this report into the hands of everyone I know, as well as forward it on to groups and association I am affiliated with.
- Use the recommendations of the 110th Arizona Town Hall to inform my interactions with legislators in 2018. I will highlight the Town Hall reports received when lobbying on behalf of public schools.
- Dedicate myself to the cause of adequate funding for education, hopefully by raising awareness among my peers. I will vote for more pro-public school officials.
- Work to increase knowledge and awareness about the funding of preK-12 education with our community and Legislature.
- Attend the January 25, 2018 event at the Legislature. I will get a group to attend above stated session. I will write letters to state representatives and state senators about education. I will promote voting rights to independent voters. I will bring ideas to the ad hoc legislative committee.
- Share results with Pima County Interfaith Counsel Metropolitan Education Committee and the ad hoc legislative committee.
- Educate the HOA members/residents. I will inform local press of results.
- As a business owner, I will champion the vital necessity for restoring preK-12 education funding in my community.
- Communicate the top priorities of the 110th Arizona Town Hall to my local PTA and educational community. I will continue the conversations pertinent to our district to initiate change.
- Share results with my cohort/classmates. I will attend January 25, 2018 event at the Legislature. I will contact elected officials regarding ESA.
- Encourage and increase youth participation in the political process and “drag” people to the event at the capitol in January.
- Contact my elected officials regarding Proposition 301 support. I will get in contact with students on the UA campus about political/civic engagement.
- Bring the information back to my school so as to inform young people of the magnitude of the problem, as well as tell students that they have a voice, which is the driving force for change.
- Work with various Valley task forces to communicate Arizona Town Hall priorities for strengthening education in Arizona to legislative candidates and the general public.
- Advocate for education issues in my local community by talking with friends and by writing a letter to the editor of our local paper.
- Ask my representatives if they support (a) raising teacher pay to the national media; (b) restoring cuts to capitol; and (c) full day kindergarten and how (do they support Proposition 301 and/or statewide property taxes). I will encourage others to ask the same questions either via e-mail/by phone/or in person. I will also consider potential internet grassroots options.
- Leverage Helios Education Foundation’s political/community support to promote the need for Proposition 301 expansion to increase teacher pay prior to the 2021 legislation.
- Talk/share Town Hall talking points with my work colleagues. I will talk/share Town Hall talking points with higher education colleagues. I will talk/share Town Hall talking points with ECE organization colleagues.
- Send personal e-mails to my state senator and representatives. I will encourage my family and friends to do the same. I will find community groups to volunteer with.
- Research/contact education foundations. Arizona Charter Schools Association outreach. LD 24 outreach. I will communicate importance/immediacy with networks.
- Share the report and our priorities with the economic development organizations in my community.
- Continue to build a community advocacy group in Yavapai County to support key education

initiatives and educate our community of important issues important to building a world class education organization in Arizona.

- Bring the knowledge I have learned back to my school and community and bring the information to the forefront of conversations.
- Send a letter to the editor of *The Arizona Republic*. I will inform and work with the members of our organization to advocate for the proposed solutions.
- Gather solutions from pre service teachers regarding school funding and encouraging students to become more educated about school funding issues and encourage young adults to vote on education issues.
- Contact my legislators. I will contact business leaders. I will contact the lawyers involved in *Roosevelt v. Bishop*.
- Encourage other mayors to engage their communities in supporting improvement to Arizona's education system, recognizing that education is a crucial component to work force development. We recognize the need to recruit and retain quality teachers by increasing salaries, implementing all-day kindergarten, and improving deficient school facilities.
- Engage directly with my legislative district senator (Sean Bowie) and representative (Mitzi Epstein) to begin a dialogue for supporting or an expansion of Proposition 301.
- Promote upcoming elections and reach out to young adults so they are educated on state/community issues and ballots and so they become more active voters.
- Share the Arizona Town Hall report with local lawmakers and influential folks. Strong schools make strong families and neighborhoods.
- Continue to educate the Yavapai County rural members of the RASE (Rural Arizona School Coalition).
- Support LD 1 candidates running against present LD 1 legislators.
- Get to civics classes at the high school for base educators.
- Collaborate to develop a political endorsement coalition in the Verde Valley to elect pro-public education candidates for LD 6.
- Share the funding preK-12 education report with all Coconino County school superintendents and school directors.
- Promote the results from the town hall to people within my community and enlist to actively assist in one of the alphabet groups to forward the agenda on education.
- Promote the reports on social media. Run for senate. Support pro-education candidates. Invite people to PUSH patron tour. Lobby cities and towns to embrace school districts.
- Compel my peers to register and vote as soon as possible in their capacity. Educate them in terms of what voting decisions will positively affect funding.
- Educate communities about working and not working with finding and achievement.
- Reach out to the alphabet groups I'm associated with the reports from Town Hall.
- Reach out to community business groups and Town Hall to participate.
- Stop by my local public school and ask: what do you need from me?
- Be at the capital on January 25, 2018.
- Educate communities on what's working in the current system and how this impacts schools.
- Participate in a process to evaluate the school finance system.
- Do a feature story in the *White Mountain Independent* newspaper that covers Apache and Navajo Counties covering the action subjects of Arizona Town Hall and run a story in August or September 2018.
- Share the report used in this Town Hall and generated by the Town Hall with local voter support groups. I will meet with my state reps to discuss education funding.

- Attend the January 25, 2018 event at the Legislature and recruit others to attend.
- Support grassroots efforts to educate voters on putting students first when making funding decisions.
- Meet with county school superintendents across the state to be better educated on the effects on our community.
- Share the Arizona Town Hall report with my LD 23 candidates for state legislature as well as my Congressional representative (Schweikert) and senators.
- Support pro-public education candidates in meaningful, substantive ways: fundraisers, get others to vote, money, blog, write to Expect More Arizona.
- Stand strong in my community as a well-educated leader using my education to go forth and help in whatever way possible to promote a community of voters who will have the influence necessary to vote to the best of their own beliefs.
- I will not be disheartened by the current environment but will remain vigilant to fight for what's best for Arizona's children through participating in dialogue and engaging other to take any step toward reconciliation.
- Discuss the results of the Town Hall with the League of Women Voters of Greater Tucson, state legislators, and host a dinner.
- Mobilize students, teachers and students to vote in the primary and seek out legislators to meet with.
- Educate my community, state and country on the importance of educating our future.
- Engage my legislators to increase unrestricted funds to the education budget.
- Contact my legislators with information about the need for increase education funding.
- Continue to support our education consortium The Verde.
- Share the result of the Town Hall in my community. Bring the group to the state capitol on January 25, 2018. Share the process with other high school students. I will engage the city, chamber and county.
- Expand the Education Committee of the Yuma County Chamber of Commerce to include media outreach, education finance and reforms. I will convene policy makers at the state level for discussion and lobby lawmakers.
- Share the results of the Town Hall with family, church members, tribal council, tribal community, local tribal education First Things Frist Regional Councils and Boards and school board.
- Use my voice and position to advocate for increased funding to support the education needs of all of Arizona's students.
- I will on behalf of the Arizona Business and Education Coalition (ABEC) convene, connect, and advocate for additional funding discussions of the 110th Town Hall that could advance the financial needs of all of Arizona's public schools.
- Engage a younger audience and the overall community of the crisis that Arizona is in.
- Use my vote and advocate for students by challenging candidates that run for office to invest in the future of our nation: students. If all else fails, we'll have a bake sale.
- Work to encourage an increase the number of youth engaged in current issues in our city and state.
- Work to educate policy makers and the public about how public school finance works and be a technical resource.
- Organize an "Independent Voter Bootcamp" to encourage greater voter turnout for the 2018 primary.
- Share the Town Hall results with the Metropolitan Education Commissioners, elected officials for the City of Tucson and Pima County.
