

The Executive Budget Recommendation

K-12 Education

The Economy/Revenues

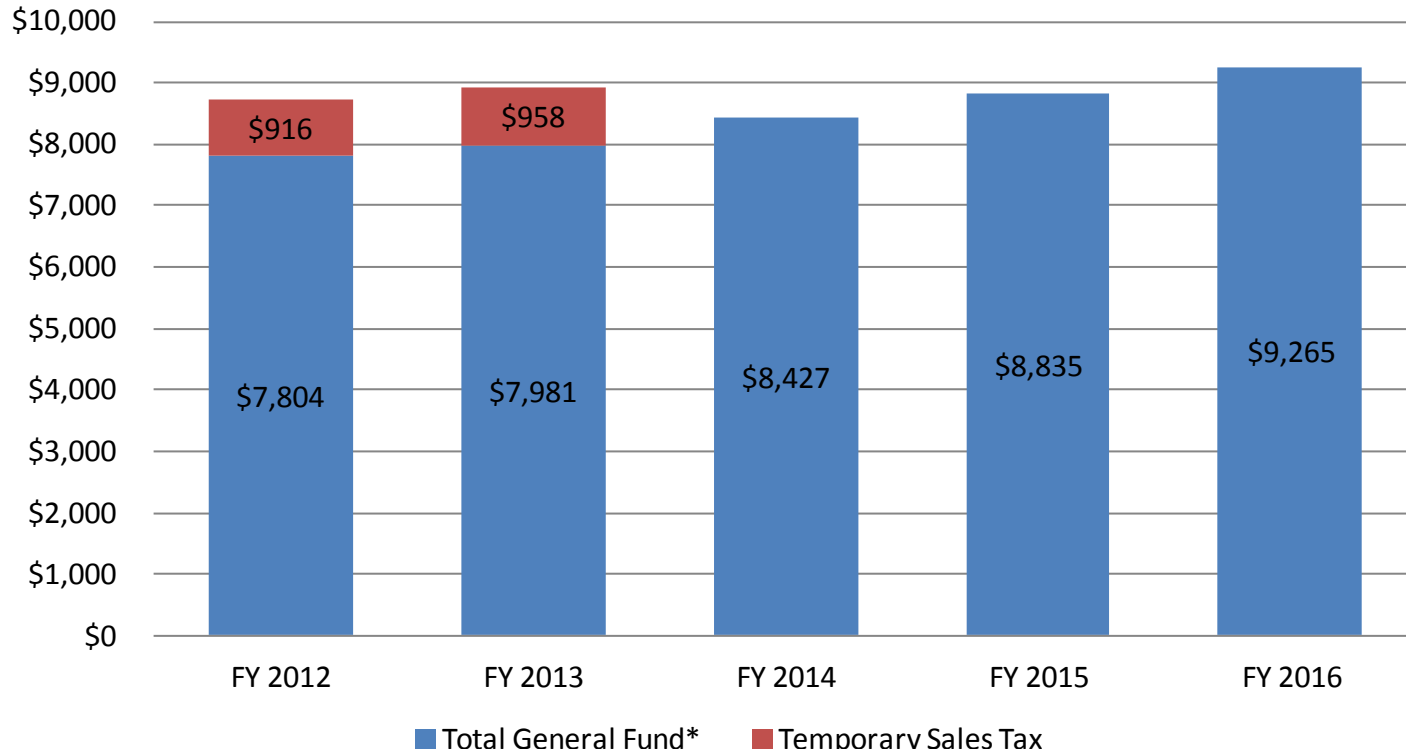
Projecting slow steady improvement over the next four years

Personal Income: 3.0% to 5.0% average growth

Employment: 2.0% to 3.0% average growth

Total Base Revenues

Total Base Revenues

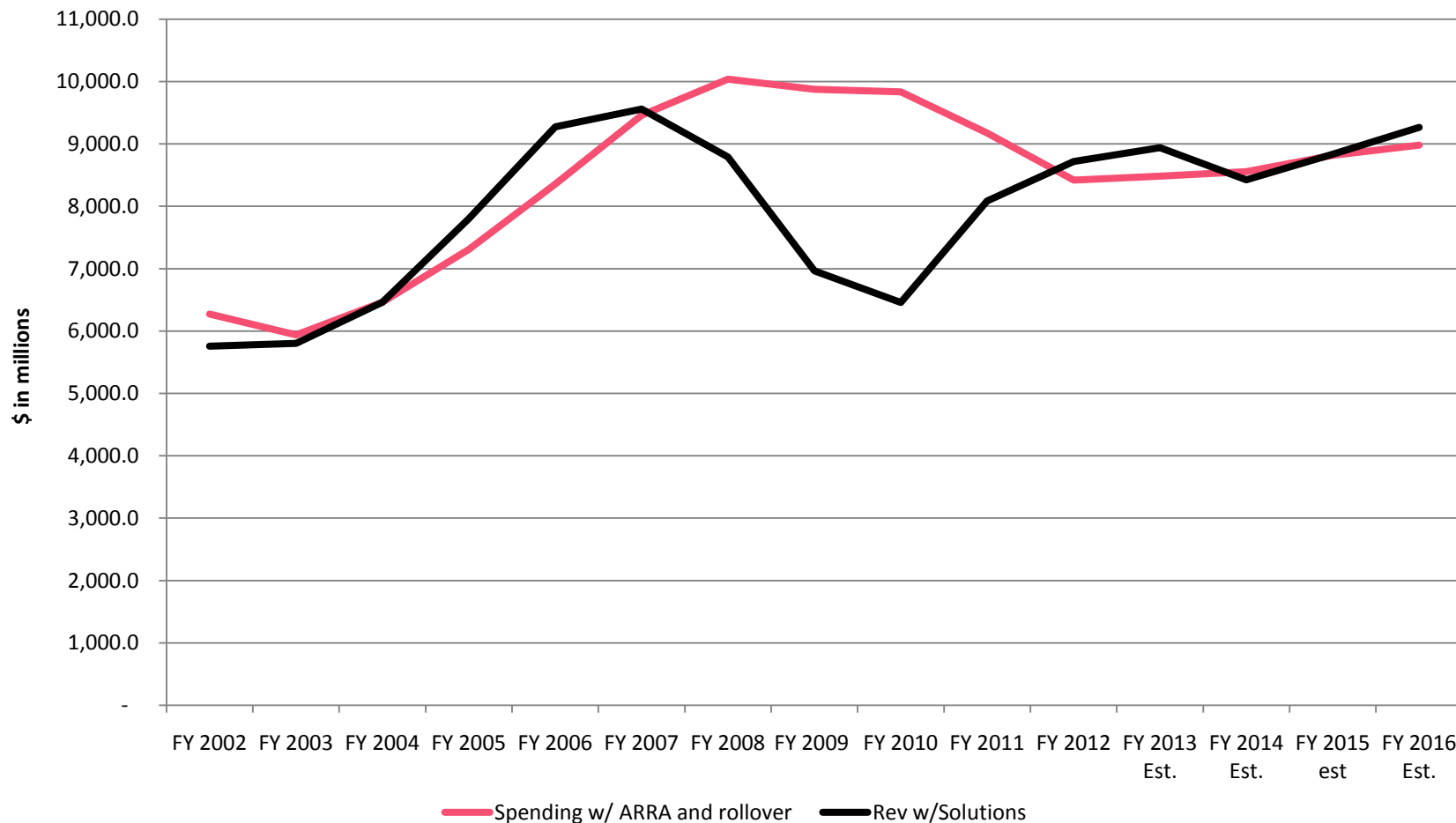


*Note:

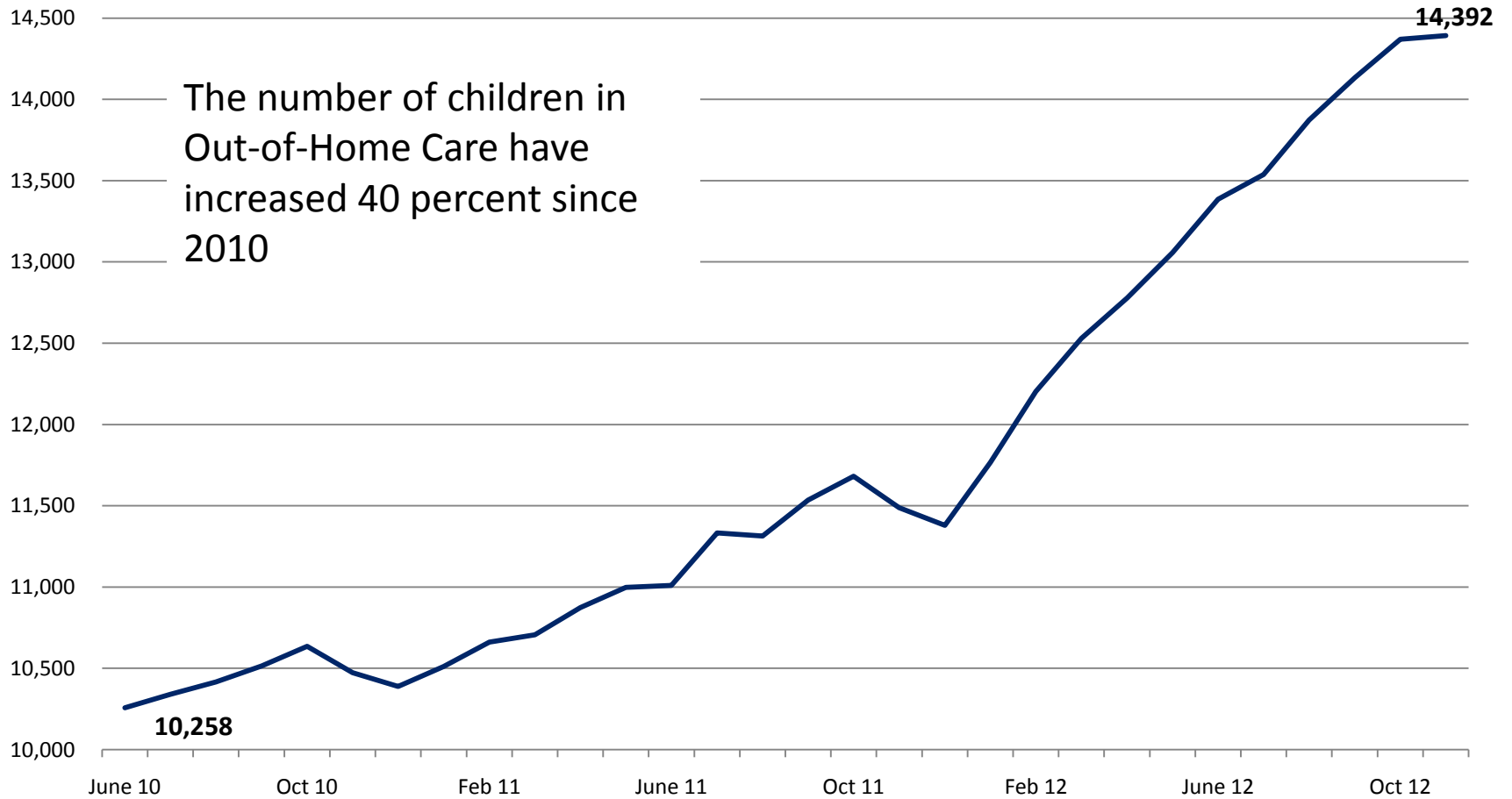
Total revenue amounts include impact from expiration of Proposition 100 in phase in of existing tax reforms

Baseline Budget Picture

Arizona General Fund Ongoing Expenditures and Revenues
FY 2002-FY 2016



Children in Out-of-Home Care

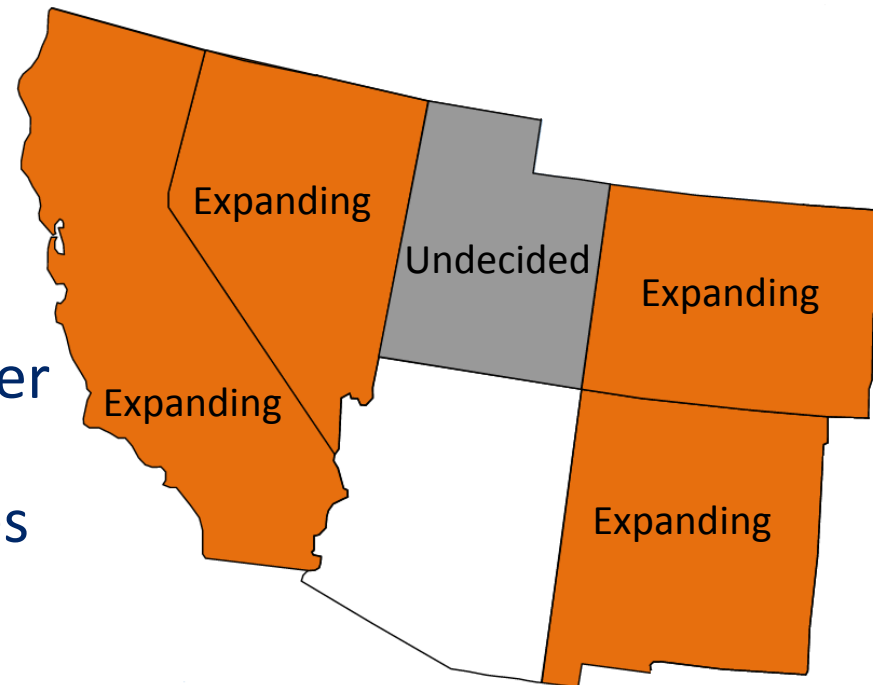


Medicaid Expansion Funding Impacts

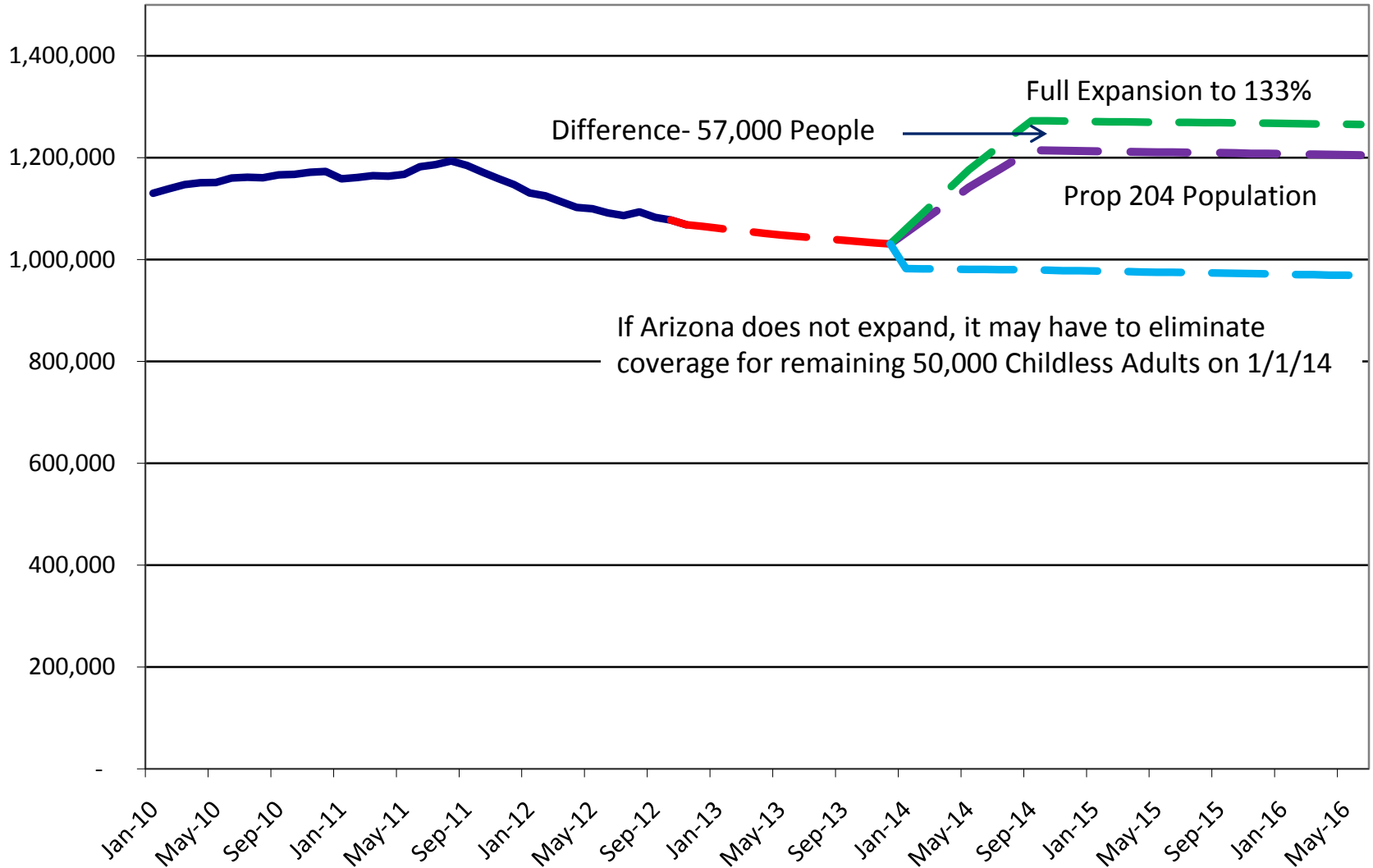
	FY 2014	FY 2015	FY 2016
State Match Increase	\$27 million	\$154 million	\$105 million
Provider Assessment	(\$82 million)	(\$256 million)	(\$224 million)
Increase in Existing Premium Tax	<u>(\$7 million)</u>	<u>(\$34 million)</u>	<u>(\$36 million)</u>
Net Impact on GF	(\$62 million)	(\$136 million)	(\$155 million)
Federal Match	\$337 million	\$1.556 billion	\$1.712 billion

Expanding will Maintain Arizona's Economic Competitiveness

- Almost all of Arizona's neighboring states are expanding
- Not expanding will expose Arizona to uncompensated care costs that will impact the cost and quality of care
- This cost will hurt Arizona in economic competition with other states
- Taxes from non-expanding states will fund Medicaid growth in expanding states creating a wealth shift

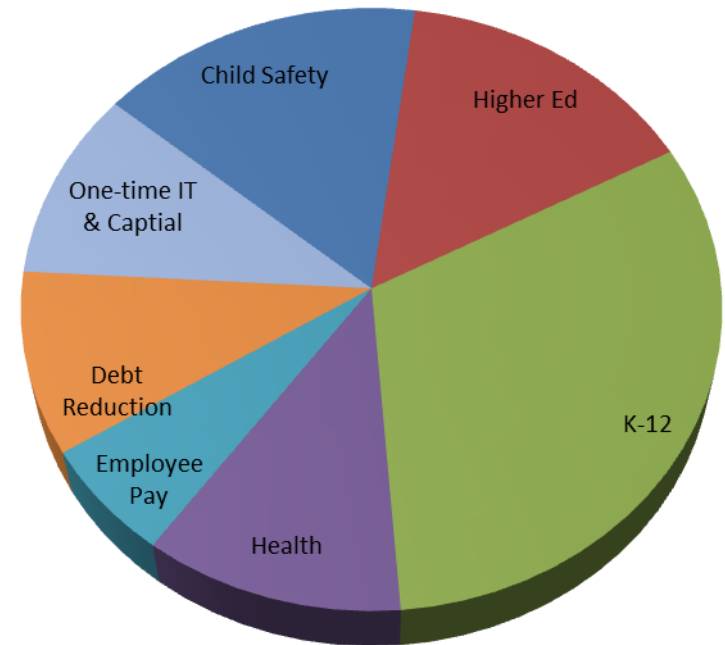


Relatively Minor Tweak to Populations Already Covered by Arizona Voters



Budget Summary – New Spending

Education	\$129.5
Higher Education	61.9
Child Safety	65.7
Health	(46.3)
Employee Pay	25.1
Debt Reduction	40.0
One-time IT & Capital	41.9
Total	\$317.8
On-going	\$194.4



Common Core Implementation

- In 2010, Arizona adopted the Common Core State Standards
- All grades will implement the new standards in SY 2014
- The Executive Recommendation includes \$40 million in one-time funding to districts and charters for:
 - Teacher stipends for professional development
 - Instructional materials that align with the new standards
 - Technology and equipment that support Common Core and PARCC

Common Core Implementation

- \$1.5 million to the Governor's Office of Education Innovation to fund three master teachers at each of the five Regional Centers. Master teachers will coordinate professional development efforts at the local level

PARCC Exams

- As part of Common Core, 23 states including Arizona formed the Partnership for Assessment of Readiness for College and Career (PARCC), to develop a common set of K-12 assessments in English and math
- The PARCC assessment will be administered online to students in grades 3-11 in SY 2015 and will require significant statewide technology upgrades including equipment and software

PARCC Exams

- The Executive recommends a \$20 million grant administered by the School Facilities Board (SFB) to complete a technology needs assessment and bring schools up to the required specifications
- Funding will be based on the number of devices needed with a target student-to-PARCC ready device ratio of 5:1
- SFB may use up to 1 percent for administration of the project

Common Core Summary

Item	Amount	Agency
Flexible funding for local needs: teacher training, curriculum, equipment	\$40 million	School District
15 Master Teachers	\$1.5 million	Governor's Office of Education Innovation
Technology Upgrades/Assessment	\$20 million	School Facilities Board

Performance Funding

Districts and Charters can earn funding through two mechanisms:

1. Achievement Funding

Earn graduated achievement payments for scoring above 100 points (a grade of C or higher) on the 200 point A-F Accountability scale. The higher the score the more funds are available with a maximum payment of \$500 per pupil

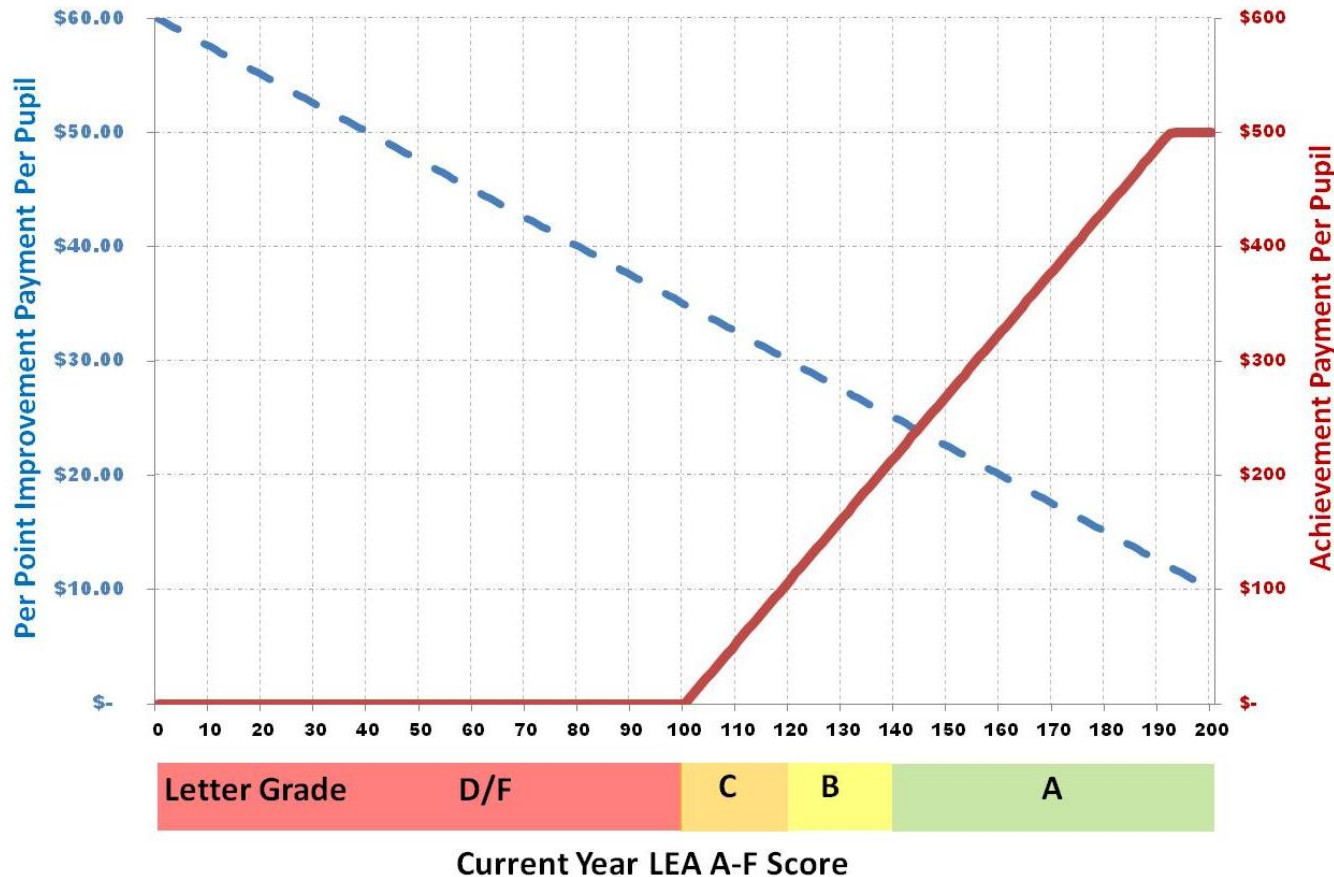
2. Improvement Funding

Districts and charters earn improvement payments by scoring above their current five-year high score. Improvement payments will be higher for lower-performing LEAs with a maximum payment of \$500 per pupil

Districts and charters will have flexibility to determine how to spend monies earned through performance funding

Performance Funding

K-12 Performance Funding



The maximum per-pupil payment is \$500 for improvement, and \$500 for achievement.

Performance Funding

EXAMPLES

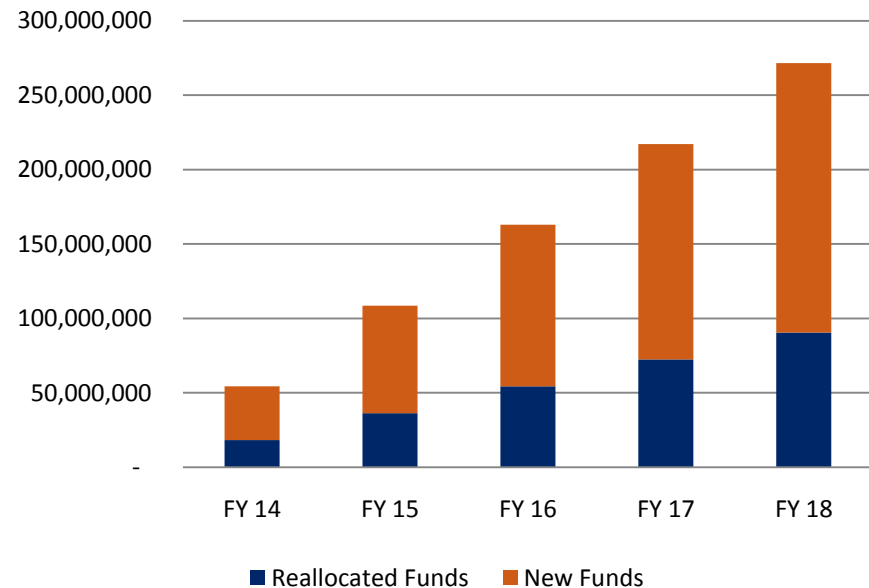
If district X's previous high score was 80 points and they score 90 points, they receive no *Achievement Payment*. The *Improvement Payment* is calculated by taking the growth in points (10 points) and multiplying it by the dollars associated with the new high score (\$37.50) for a total improvement payment of \$375 per pupil.

If district Y's previous high score was 137 and they score 138 points earning a "B" grade, their *Achievement Payment* will be \$206 per pupil and their *Improvement Payment* will be \$25.50 per pupil for a total performance funding payment of \$231.50 per pupil.

Performance Funding

- The Executive recommends that performance funding should be 5 percent of the total K-12 formula
- The Proposal phases in the recommendation over five years
- 1/3 of the performance dollars are reallocated from existing funds, 2/3 will be new monies

Funding Sources for Performance Funding



	FY 14	FY 15	FY 16	FY 17	FY 18
Reallocated Funds	18,101,200	36,202,400	54,303,600	72,404,900	90,506,100
New Funds	36,202,400	72,404,900	108,607,300	144,809,800	181,012,200
Total Performance Allocation	54,303,600	108,607,300	162,910,900	217,214,700	271,518,300
Percent of Formula Funding	1%	2%	3%	4%	5%

Career and Technical Education

GOVERNOR'S
CORNERSTONES

2

- \$2 million General Fund to ADE to establish an IT Academy
- ADE to contract with Microsoft to provide certification and licensing programs to Arizona students and teachers statewide

School Safety

- The Public School Safety Program is a state grant that provides funding to school districts for School Resource Officers (SROs)
- The Public School Safety Program receives \$7.8 million in Prop. 301 monies each year. In FY 2012, 40 percent of grant applicants received funding
- The Executive recommends \$3.6 million to add a 1-to-1 state-matching program for eligible grant applicants that are not covered by the Prop. 301 distribution
- This is sufficient funding to cover all current requests

Data System

- Provide \$7.0 million in FY 2014 for completion of the Student Longitudinal Data System (SLDS)
- Provide ongoing funding in FY 2015 and FY 2016 to complete SAIS replacement
- Move the appropriation to ASET and require JLBC oversight

K-12 Formula Reform

- Eliminate the Soft Capital and CORL funding formulas
- Replace with a new capital formula called Additional Assistance governed by the existing CORL statutes
- These dollars will have the same flexibility as CORL dollars

Where We End Up

Arizona General Fund Ongoing Revenue and Expenditures FY 2005-FY 2016

