

## Estimated Classroom Site Fund Per Pupil Amount for FY 2015

A.R.S. § 15-977 requires the JLBC Staff to determine by March 30 of each year a per pupil amount from the Classroom Site Fund (CSF) for the upcoming fiscal year. The CSF was established by Proposition 301 from the November 2000 General Election. It receives funding from the 0.6¢ education sales tax established by Proposition 301 and any K-12 state trust land revenues that exceed \$72.3 million. For FY 2015, the JLBC Staff currently estimates that public schools will receive \$295 per pupil from the CSF for FY 2015 on both a cash and “budget capacity” basis, as described below.

### Statutory Formula

A.R.S. § 15-977G1 stipulates that the per pupil funding amount from the CSF for a given budget year shall be computed using the estimated “weighted” student count for the current year and estimated resources in the CSF for the budget year, adjusted for any prior year carry-forward or shortfall. The Arizona Department of Education (ADE) currently estimates that the weighted student count for the current year will be 1,326,718 and the JLBC Staff currently estimates that the CSF will have \$391,045,500 in available resources for FY 2015. These 2 estimates would yield a CSF per pupil amount of \$295 per weighted student for FY 2015 (*see attachment*).

### Estimated Weighted Student Count

The estimated FY 2014 weighted student count of 1,326,718 is based on preliminary 100-day Average Daily Membership (ADM) counts from school districts for the current year (FY 2014) and projected 100-day ADM counts for charter schools for next year (FY 2015). This is because CSF allocations are based on “student counts,” which in statute means “prior year” ADM for districts (FY 2014 for the FY 2015 distribution) and “current year” ADM for charter schools (FY 2015 for the FY 2015 distribution). The portion of the estimated count that pertains to charter schools, therefore, is more uncertain than the district portion because it will depend on actual charter school ADM growth next year.

ADE’s student count estimate includes pupils from the Arizona State Schools for the Deaf and the Blind (ASDB) and the Department of Juvenile Corrections (DJC), since they both also receive CSF funding. Per pupil allocations for public schools and DJC are based on their “Group A weighted” student counts pursuant to A.R.S. § 15-977G. ASDB allocations are based on its “Group B weighted” student counts pursuant to A.R.S. § 15-977L.

### Estimated CSF Revenues

The CSF revenue estimate of \$295 per pupil for FY 2015 assumes a 5.7% increase in Proposition 301 sales tax revenues for FY 2014 and a 5.4% increase above FY 2014 for FY 2015. Those growth rates are identical to the ones assumed for state sales tax revenues in general (not just from Proposition 301) for those respective years in the FY 2015 JLBC Baseline.

The \$295 per pupil estimate also includes a projected \$38,748,200 in K-12 endowment earnings for FY 2015. Proposition 301 requires all K-12 endowment earnings above \$72,263,000 to be deposited into the CSF. Based on input from the State Treasurer and State Land Department, total K-12 endowment earnings are projected to be \$111,011,200 for FY 2015. Of that amount, \$72,263,000 would be used for Basic State Aid and School Facilities Board debt service and the remaining \$38,748,200 would be deposited into the CSF pursuant to A.R.S. § 37-521B4.

### Cash versus “Budget Capacity”

The CSF per pupil amount that is computed each year pursuant to A.R.S. § 15-977G1 represents an amount that school districts and charter schools are authorized to spend (“budget capacity”) per pupil for the fiscal year regardless of how much CSF cash actually ends up being available for that year. If CSF

cash ends up being insufficient to fully fund the authorized per pupil CSF “budget capacity” amount, school districts and charter schools may borrow cash from some of their other local funds in the short term in order to make up the difference. The following year, however, A.R.S. § 15-977G1 requires a corresponding reduction in CSF per pupil “budget capacity” in order to bring cumulative CSF cash and “budget capacity” back into balance and repay borrowed local funds.

For FY 2011 through FY 2013, CSF “budget capacity” per pupil was less than the available “cash” amount in order to eliminate large CSF cash shortfalls that developed during the Great Recession. ADE indicates, however, that those cumulative cash shortfalls have now been fully repaid. As a result, the CSF amount for FY 2015 is \$295 per pupil on both a “cash” and “budget capacity” basis. This means that school districts and charter schools should be able to spend all of their FY 2015 CSF cash on current year CSF expenditures, rather than having to use a portion to address prior year shortfalls.

#### Potential Impact of Estimation Error

The March 30 estimates are based on projected sales tax revenues, endowment earnings, carry-forward amounts, student counts, and other factors. If revenue factors or student counts vary from the assumptions, more funding will end up being available per pupil than anticipated, and vice versa. If the March 30 per pupil estimate is too *high*, recipients will receive only what is available for distribution from the CSF for the year, which would be less than the March 30 estimate. Under this circumstance, A.R.S. § 15-977M and 15-978 would allow school districts to borrow from other internal funds or issue “warrants” (short-term loans from commercial banks) to temporarily make up the difference. Districts would then have to pay back their internal funds or warrants with interest the following year. Charter schools do not have statutory authority to issue warrants, however, so would have to cover any CSF shortfall with alternative funding, such as from separately-arranged bank financing.

If the March 30 per pupil estimate is too *low*, recipients potentially could receive at least a portion of the surplus funding in FY 2015 through prior year back-payments authorized by A.R.S. § 15-977K if any prior year shortfall exists from FY 2014. Otherwise, surplus monies would be carried forward into FY 2016 and factored into CSF per pupil computations for that year.

It should be noted that the \$295 per pupil “cash” and “budget capacity” estimate for FY 2015 does not include adjustments for contingencies related to revenue or enrollment growth. Current law does not make provisions for such adjustments.

#### FY 2014 Update

In March 2013, the CSF per pupil cash distribution for FY 2014 was estimated at \$310. That estimate remains unchanged under updated calculations.

JLBC Staff  
March 31, 2014

## Estimated Classroom Site Fund Per Pupil Allocation for FY 2015

JLBC Staff  
3/31/2014

Notes:

1. "Sales Tax" revenue estimates assume 5.7% growth in FY 2014 and 5.4% in FY 2015.
2. "Prop 301 Expenditure" estimates for FY 2014 and FY 2015 are based on the distribution formula in A.R.S. § 42-5029E.
3. "Endowment Earnings" estimates for FY 2014 and FY 2015 are based on projections from the State Treasurer and State Land Department.
4. The "Weighted Student Count" estimates for FY 2014 and FY 2015 are from ADE and include ASDB and DJC, which also receive CSF funding.
5. The "Cumulative Prior Year Shortfall Per Pupil" amount equals the difference between "cash" and "budget capacity" that schools have received from the Classroom Site Fund (CSF) cumulatively since its inception in FY 2002 (no difference currently projected for FY 2015).

	FY 2013	(original) FY 2014	(revised) FY 2014	(estimated) FY 2015
<b>Prop 301 Revenues</b>				
Sales Tax	564,207,100	588,939,500	596,366,900	628,570,700

### Prop 301 Expenditures

SFB Debt Service	65,809,200	56,215,600	56,215,600	64,114,900
Universities	59,807,800	63,926,900	64,818,200	67,734,700
Community Colleges	14,854,500	15,981,700	16,204,500	16,933,700
Tribal Assistance	738,400	748,900	741,900	762,600
Additional School Days	86,280,500	86,280,500	86,280,500	86,280,500
School Safety	7,800,000	7,800,000	7,800,000	7,800,000
Character Education Matching Grants	200,000	200,000	200,000	200,000
Accountability Measures / SAIS	7,000,000	7,000,000	7,000,000	7,000,000
Failing Schools Tutoring Fund	1,500,000	1,500,000	1,500,000	1,500,000
Income Tax Credit for Sales Tax Paid	25,000,000	25,000,000	25,000,000	25,000,000
Classroom Site Fund	295,216,700	324,285,900	330,606,200	351,244,300
Total (sales tax only)	564,207,100	588,939,500	596,366,900	628,570,700

### Classroom Site Fund Revenues

Prop 301 Sales Tax	295,216,700	324,285,900	330,606,200	351,244,300
Endowment Earnings	39,800,000	39,581,800	38,359,800	38,748,200
Prior Year Carryforward	35,590,700	40,054,900	38,064,900	1,053,000
Total Estimated Revenues	370,607,400	403,922,600	407,030,900	391,045,500

### Classroom Site Fund Expenditures

Total Estimated Revenues	370,607,400	403,922,600	407,030,900	391,045,500
Less: Backpayments for Prior Year Shortfalls	(38,682,200)	-	-	-
Less: Carryforward to Next Year	(38,064,900)	-	(1,053,000)	-
Net Revenues Available for Current Year	293,860,300	403,922,600	405,977,900	391,045,500
Weighted Student Count	1,294,451	1,304,978	1,309,606	1,326,718
Available Funding Per Weighted Pupil -- Cash	\$227	\$310	\$310	<b>\$295</b>
Cumulative Prior Year Shortfall Per Pupil	\$0	\$0	\$0	\$0
Available Funding Per Weighted Pupil -- Budget Capacity <sup>1/</sup>	\$227	\$310	\$310	<b>\$295</b>