



# Chandler Unified School District No.80



## School Finance Fundamentals

# Presentation Objectives

## To provide an overview of:

- Key concepts in Arizona school finance.
- How budget limits determined.
- How a school district generates money for its budget.
- Where CUSD spends its money.
- Why the State has a budget crisis.
- Override (additional local support).



# Understanding Key Concepts



# Setting the Record Straight

True or False?

When property values within the boundaries of the Chandler Unified School District increase from the previous year, the district has more money to spend.



False



# Key Concepts

## Determining Budget Limits

**Arizona funds schools based on the**

- **Number of students in classrooms**
- **Number of miles students transported**
- **Local support (Override) 10%/15%**

**These determine the budget limit  
which is a fixed amount**



# Example: CUSD Funding per Student

**2012-2013**

**Funding Source - State Level Support: \$5,171**

*+ plus +*

**Funding Source - Additional Local Taxpayer Approved: \$486\***

*= equals =*

**\$ per Student: 5,657**

\*Approximate values for illustration purposes only.

Override – 10%



# Determining State Aid

**School District Spending Limit  
(Equalization Base)**

*- minus -*

**Local Contribution  
(Primary Property Taxes)**

*= equals =*

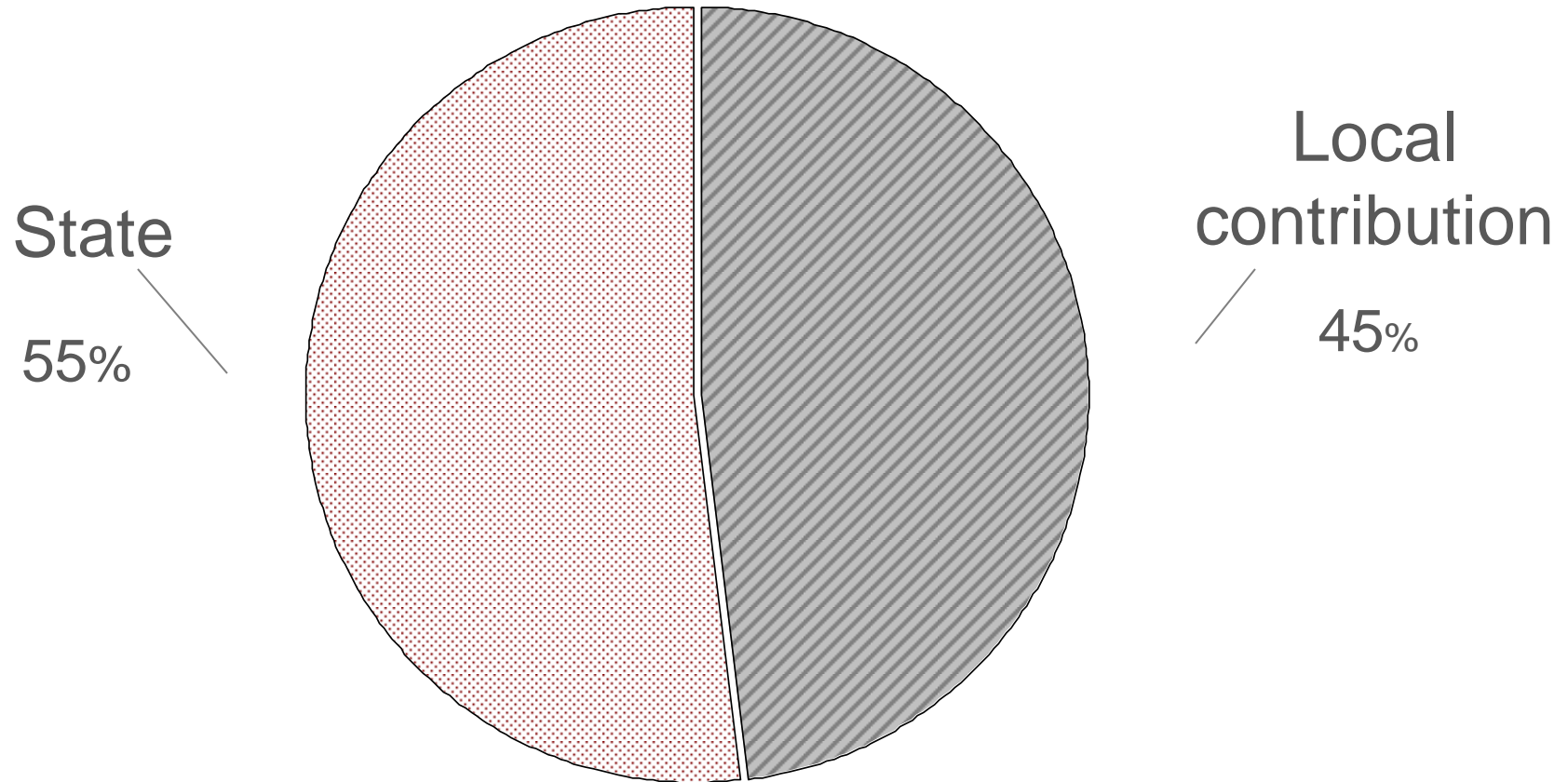
**State Aid  
(Equalization Assistance)**

QTR = 4.117





# Example: Funding Source Distribution

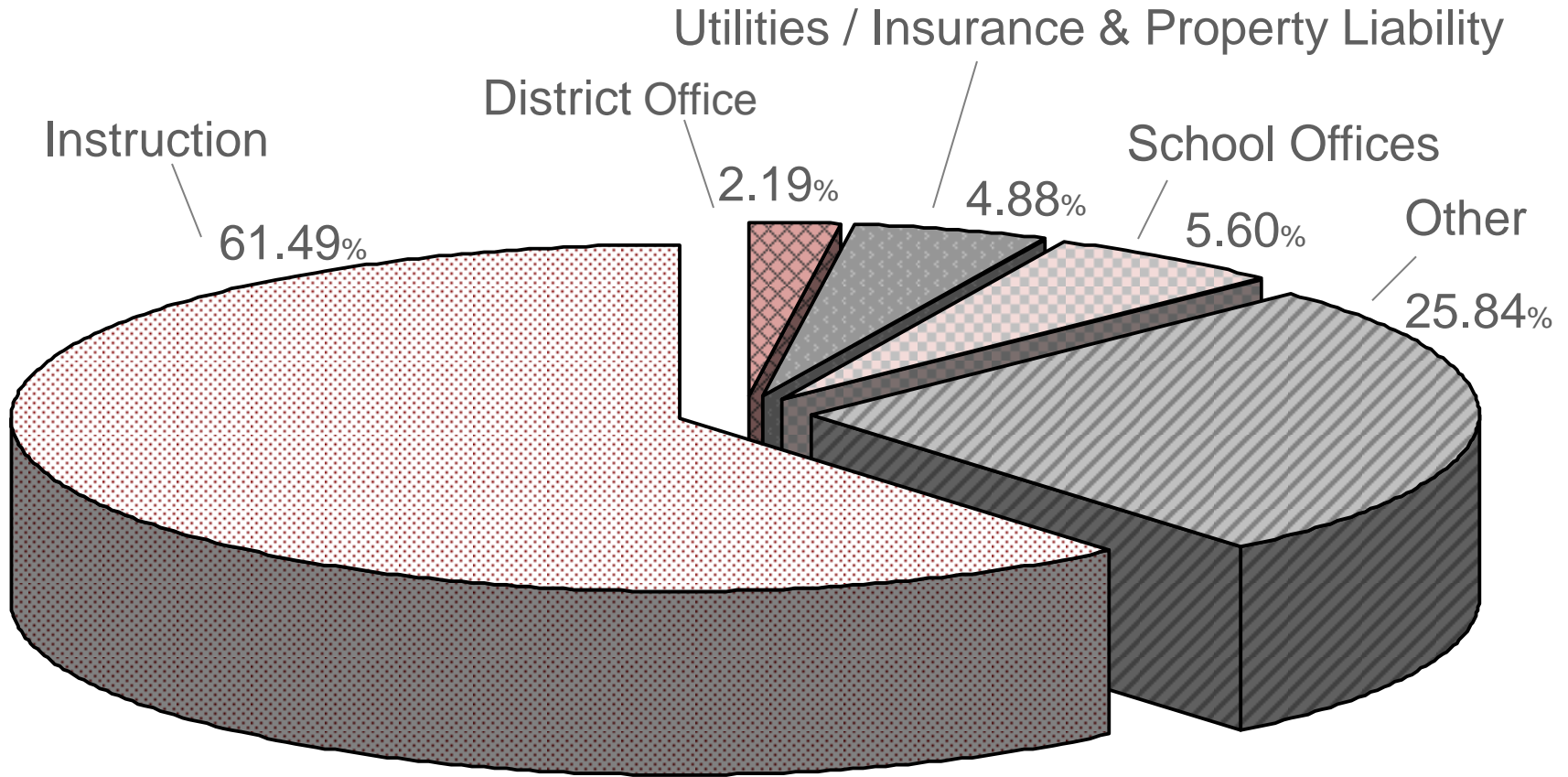


Where does CUSD spend their money?



# Maintenance & Operation Expenditures

**2011 - 2012: \$206,814,637**



Percentage of dollars spent in classroom is well above State average of 58.3%



# 2011-12 Maintenance & Operation Expenditures

## Chandler Unified 2011-12 Maintenance & Operation Expenditures

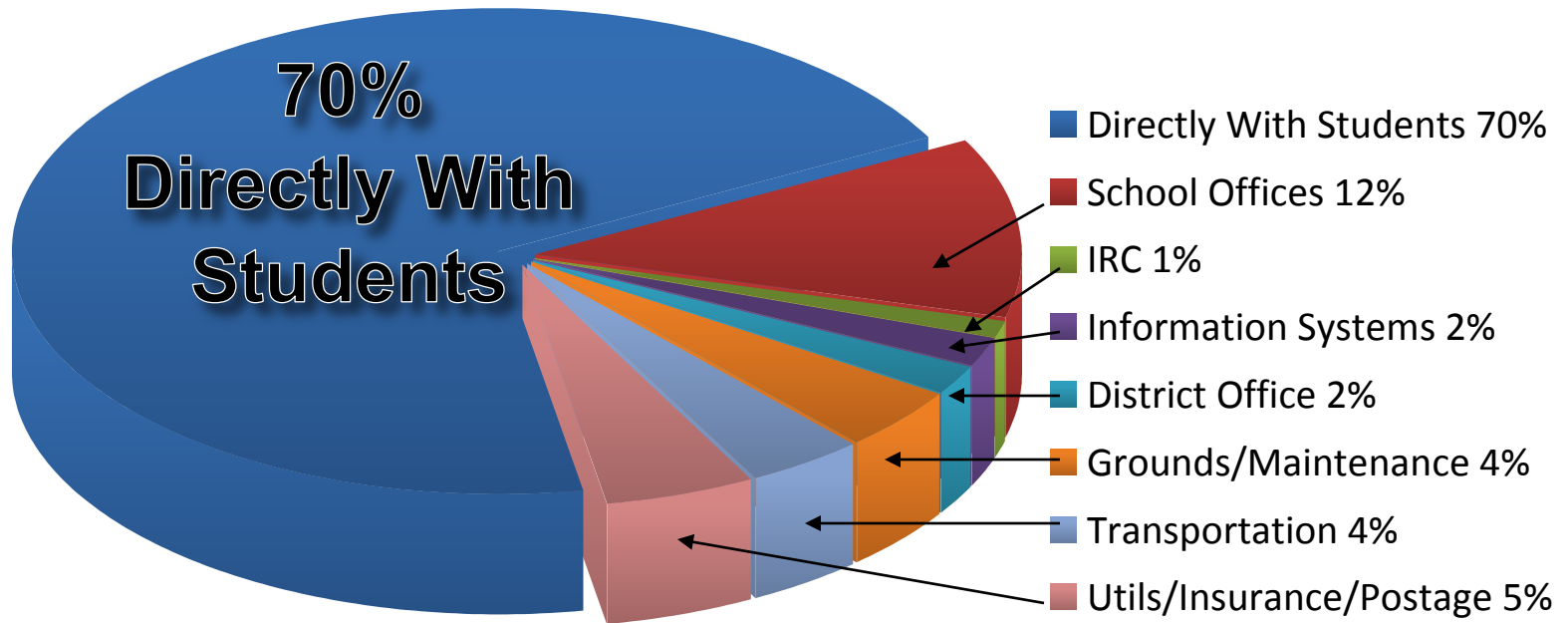
	<u>Actual Expense</u>		<u>Percentage of Total</u>
<b>Instruction - Regular and Special Education</b>			
Teachers/Aides Salaries & Benefits	\$ 119,301,510		57.69%
Teacher Salaries & Benefits from ARRA Edu Jobs Fund	107,704	<b>Note1</b>	0.05%
Supplies	1,581,425		0.76%
Tuition	4,377,494		2.12%
Teacher Travel/Fees	<u>1,806,793</u>		<u>0.87%</u>
<b>Total Instruction</b>	<b>127,174,926</b>		<b>61.49%</b>
<b>Schools</b>			
Principals/Staff Salaries & Benefits	11,584,794		5.60%
Supplies & Other Expenses	843,582		0.41%
<b>Counselors</b>			
Attendance, Nurses & Health Aides	5,132,810		2.48%
Librarians, Technicians & Clerks	4,124,115		1.99%
Staff Development, Teacher Resource Center, Teacher Support	3,485,596		1.69%
AV, TV Studio & Computer Assisted Instruction	3,545,871		1.71%
Psychologists, Speech, Audiology, Physical Therapists	422,877		0.20%
Custodial	4,198,016		2.03%
Security/Police Liaison Officers/Crossing Guards/Noon Aides	7,516,034		3.63%
Transportation	2,134,915		1.03%
Maintenance	8,314,088		4.02%
Grounds	4,884,901		2.36%
Information Systems	2,031,710		0.98%
Warehouse & Property Control	3,748,927		1.81%
District Office	497,200		0.24%
Athletics/Extra-Curricular	4,532,541		2.19%
Utilities/Postage	2,558,291		1.24%
Property/Liability Insurance	8,637,973		4.18%
	<u>1,445,470</u>		<u>0.70%</u>
<b>Total Maintenance &amp; Operation</b>	<b>\$ 206,814,637</b>		<b>100.00%</b>

**Note1: An additional \$107,704 of teacher salaries & benefits was paid from ARRA Education Jobs Fund that would have normally been paid from M&O.**



# The Real Picture...

## HOW WE SPEND OUR BUDGET



# Arizona Budget Status

FY 2010 and FY 2011

Office of Governor Janice K. Brewer



# The Economy, the Budget, issues, talking points, solutions?

Professor Dennis Hoffman  
W. P. Carey School of Business

Office of Governor Janice K. Brewer



# Topics

- What's the Problem?
- How did we get here?
- What action has the State taken?





# How did we get here?

There are at least six reasons that led us to this point:

- The Economy
- Reduced Revenues
- Added Spending
- State Actions
- Constraints Imposed by the Voters
- The Federal Government



# How did we get here?

## Reduced Revenues

- Before the recession
  - A series of tax cuts in personal income and corporate income taxes.
- When the recession hit
  - Since FY 2007 Sales (TPT) Tax down 22%
  - Since FY 2007 Personal Income Tax down 38%
  - Since FY 2007 Corporate Income Tax down 57%



# OK, but is the deficit a spending problem or a tax cut problem ???

- About 90% of our revenue comes from 3 sources, sales, income, and corporate income
- Revenues simply have not kept pace with the economy over the last 3 years. The economy is essentially flat while revenues have plummeted.



# Taxes Paid

I have heard a lot of politicians and economists continually state that we need to cut taxes. I have become convinced that many of them have no idea what percentage they and large corporations are paying. To CPA a rate is theory but what is actually important is what we actually paid.

Below are some actual costs paid by individuals in dollars or percentage of revenue.

## Property Tax - Homeowner – Chandler

Property Tax PAID from 1993 to 2009

1993 = paid	1,003.52
2009 = paid	<u>1,348.10</u>
Dollar Increase	344.58

Average increase over 16 years - 2.2% per year

2010 = paid	\$1,177.56
2011 = paid	\$1,123.36



# Personal Income Tax (2008)

## Example 1

Total Income IRS 1040  
State taxes

235,778  
6,503

(as % of income)

2.8%

## Example 2

Total Income IRS 1040  
State taxes

344,751  
10,550

(as % of income)

3.0%

## Example 3

Total Income IRS 1040  
State taxes

145,268  
3,503

(as % of income)

2.4%

## Example 4

Total Income IRS 1040  
State taxes

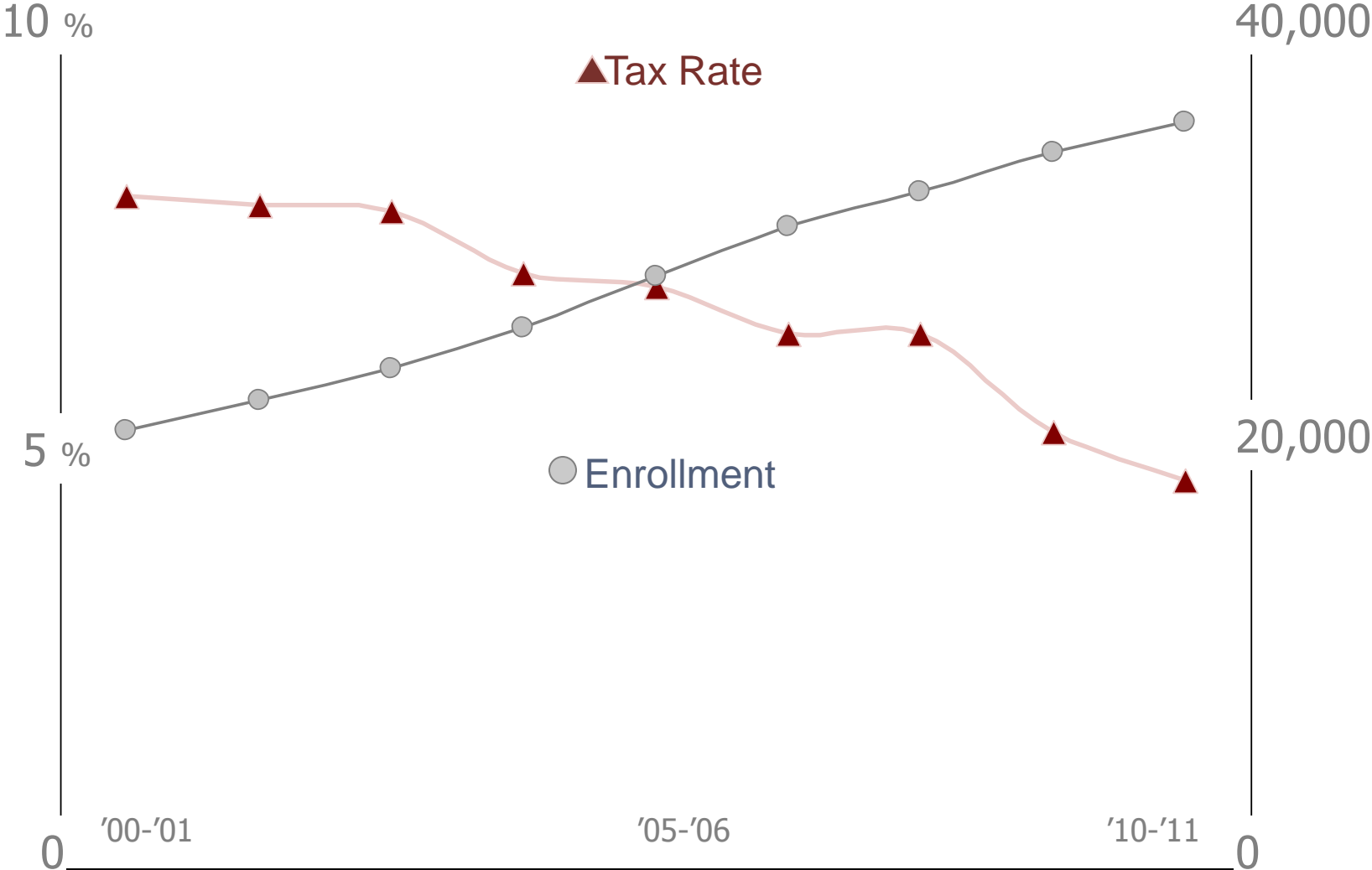
49,972  
1,308

(as % of income)

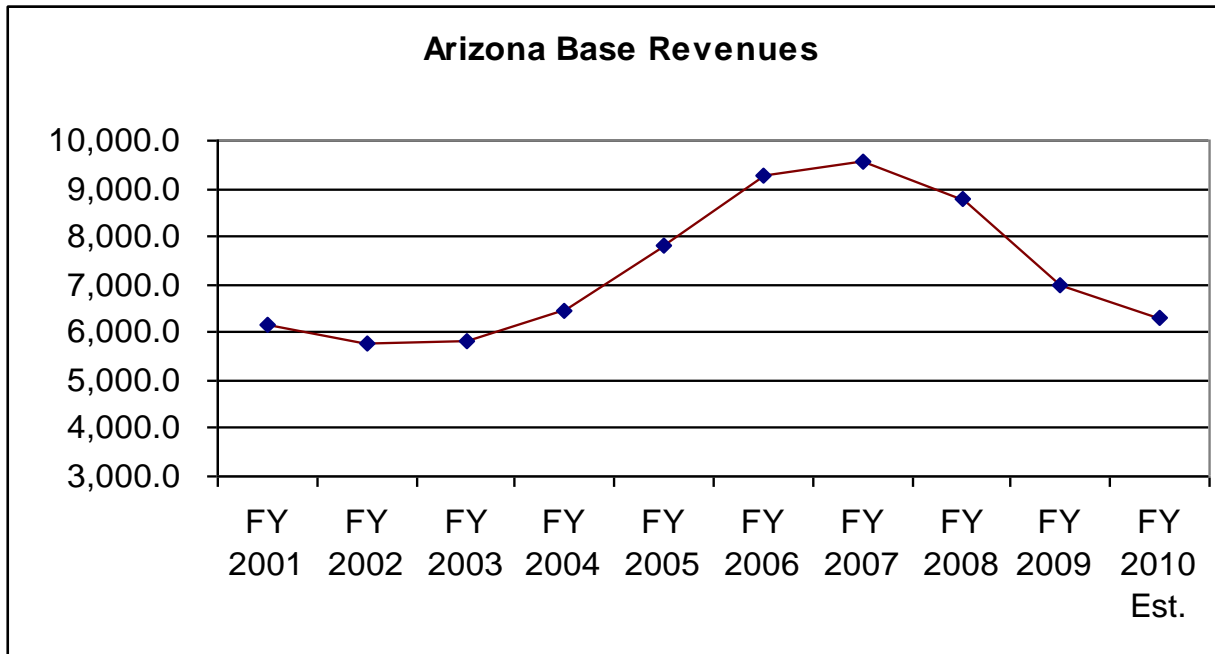
2.6%



# Growth



# State tax revenues have declined 34 percent in three years.



Office of Governor Janice K. Brewer



IN **16** OF THE LAST 22 YEARS  
TAXES HAVE BEEN CUT

*(per Dennis Hoffman)*





# Just Looking at the Tax Cuts and Spending Growth, there is little context, but here is some

- Tax cuts since 1993
  - Total about 1.6 billion “per annum”
  - Adjust for inflation, 2 billion “per annum”
  - Adjust for size of the economy, 3 billion “per annum”
- Expenditure pressures from voters have been enormous
  - Prop 301 protections
  - Mandatory sentencing
  - AHCCCS eligibility



# Budget Basics: Much of Spending is Formula Based

- K-12 Education
- Corrections
- AHCCCS & Health Care
- These are 2/3 of General Fund

*Office of Strategic Planning & Budgeting*



# How did we get here?

## Added Spending

- Before the recession
  - The State took on major expenditure programs without any adjustments to revenues, e.g. property tax reform shifted the support of the cost of K-12 to the General Fund; courts forced responsibility for building and maintaining school facilities; voter initiative expanded AHCCCS
- When the recession hit
  - Major increases in the AHCCCS population



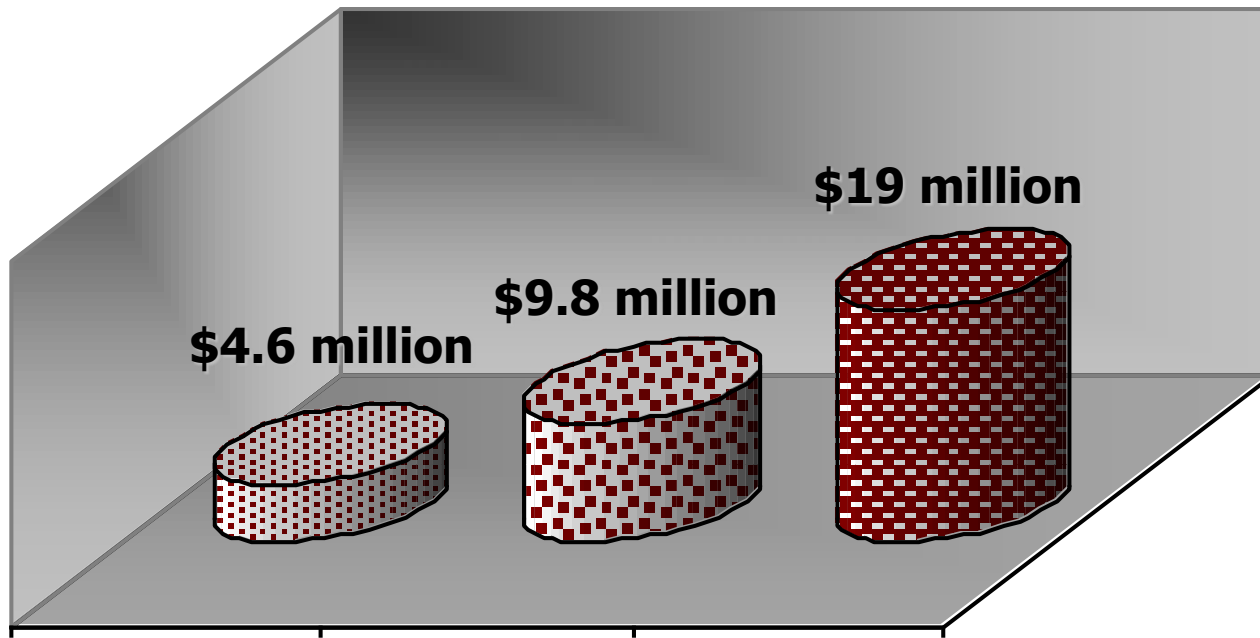
# How did we get here?

## Constraints Imposed by the Voters

### Two primary areas

- “Proposition 108” - requires either a two thirds vote of the Legislature or a vote of the people to increase “State revenues”
- “Proposition 105” - effectively prohibits the legislature from modifying programs or revenues approved by the voters, e.g. portions of the AHCCCS, K-12 programs, and First Things First (preschool)





CUSD cut \$4.6 million in 08-09, \$9.8 million in 09-10 and \$19 million in 10-11

(includes loss of Career Ladder funding which equals 5.5% of our budget)



## Preparing for the Future

**When growth slows down, a significant portion of the district's new revenue each year will be gone**



# Strategies to prepare for projected revenue reduction

- **Changes effective July 1 2009 in the District's early retirement program**
- **Re-structure of ALL District's salary schedules (from stepped to stepless)**
- **Implementation of Health Savings Accounts (HSAs)**
- **Contingency**



# Strategies to prepare for projected revenue reduction

## Potential New Revenue Sources

- **Override 1- 15% (*if approved by voters*)**
- **Capital outlay override (*if approved by voters*)**
- **Expansion and enhancement of community education program to general revenue**
- **Fees for extra-curricular activities (athletics)**





# Projected Override Amounts and Tax Rates

<u>Percentage</u>	<u>Amount</u>	<u>Override Tax Rate*</u>
10%	\$18,428,647	\$0.85
11%	\$20,271,512	\$0.93
12%	\$22,114,376	\$1.02
13%	\$23,957,241	\$1.10
14%	\$25,800,106	\$1.19
15%	\$27,642,970	\$1.27

\* Used current assessed valuation of \$2,171,288,896 to project tax rate



How this Committee has worked in the past

Seeking Community Input

