



Chandler Unified School District No.80



School Finance Fundamentals – 3/30/2011

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.
- Chandler's plan for the 2011-12 budget.



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**

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



Example: CUSD Funding per Student

2009-2010

Funding Source - State Level Support: \$5,441 *

+ *plus* +

Funding Source - Additional Local Taxpayer Approved: \$499 *

= *equals* =

\$ per Student: 5,940

* Approximate values for illustration purposes only.



Determining State Aid

School District Spending Limit
(Equalization Base)

- *minus* -

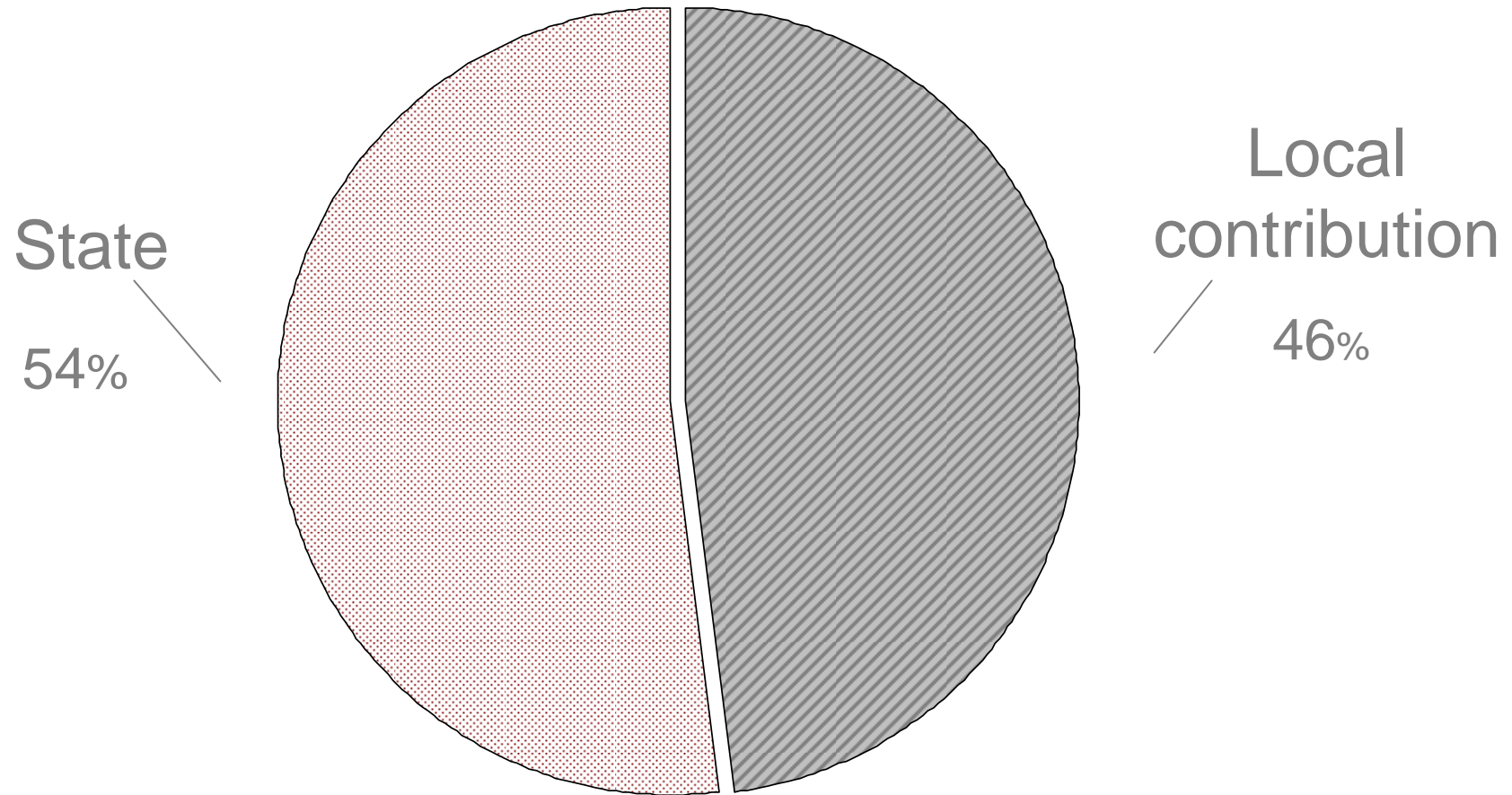
Local Contribution
(Primary Property Taxes)

= *equals* =

State Aid
(Equalization Assistance)



Example: Funding Source Distribution

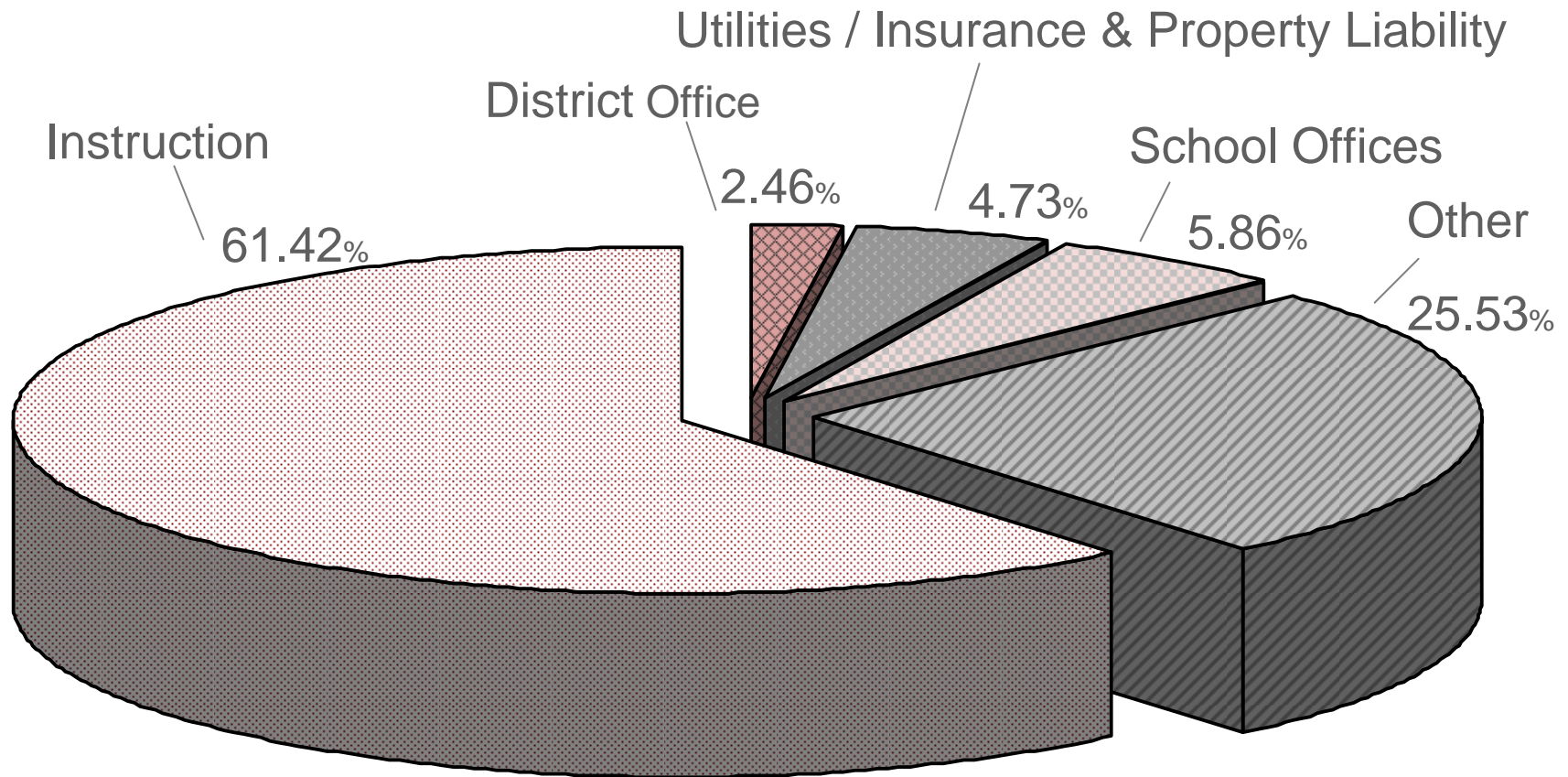


Where does CUSD spend their money?



Maintenance & Operation Expenditures

2009 - 2010: \$200,813,032



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



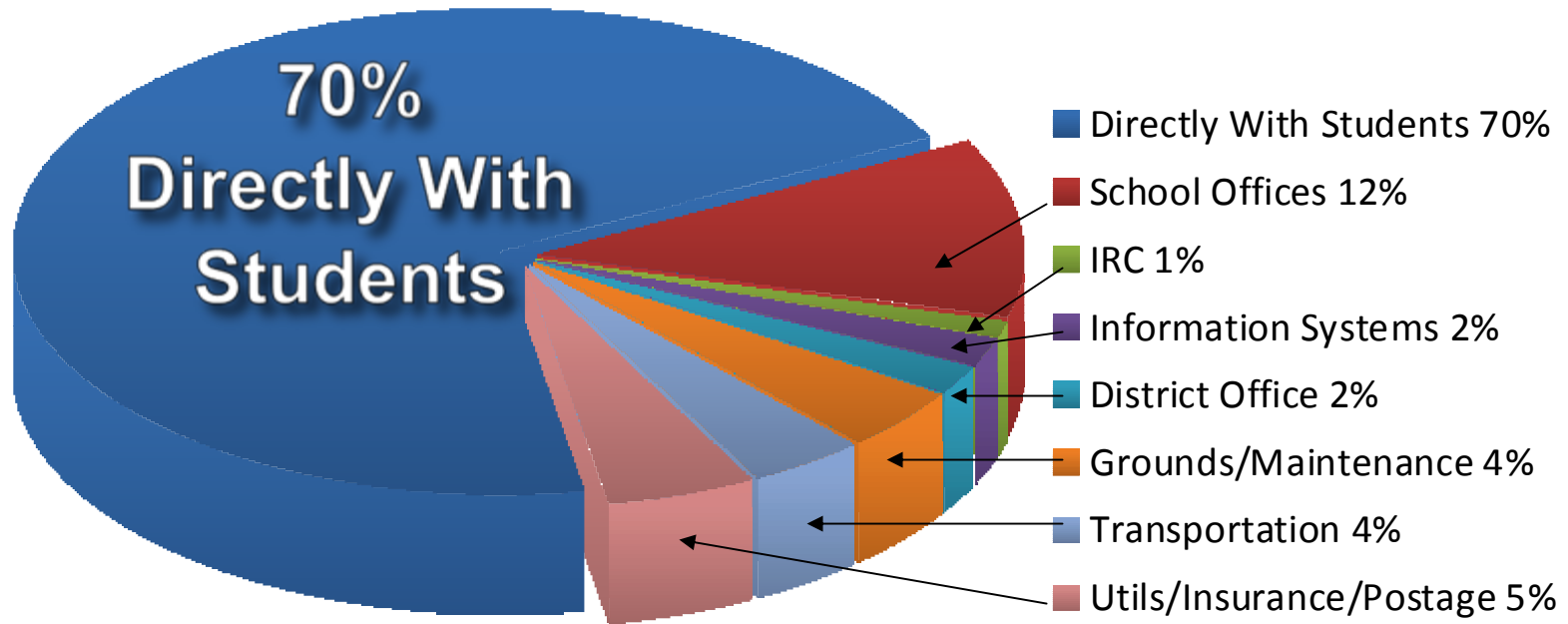
Maintenance & Operation Expenditures

	<u>Actual Expense</u>	<u>Percentage of Total</u>
Instruction - Regular and Special Education		
Teachers/Aides Salaries & Benefits	\$ 117,059,266	58.29%
Supplies	1,569,224	0.78%
Tuition	3,826,893	1.91%
Teacher Travel/Fees	884,581	<u>0.44%</u>
Total Instruction	<u>123,339,964</u>	<u>61.42%</u>
Schools		
Principals/Staff Salaries & Benefits	11,205,303	5.58%
Supplies & Other Expenses	561,428	0.28%
Counselors	4,454,967	2.22%
Attendance, Nurses & Health Aides	4,188,564	2.09%
Librarians, Technicians & Clerks	3,373,225	1.68%
Staff Development, Teacher Resource Center, Teacher Support	3,487,731	1.74%
AV, TV Studio & Computer Assisted Instruction	1,218,332	0.61%
Psychologists, Speech, Audiology, Physical Therapists	3,844,512	1.91%
Custodial	7,498,137	3.73%
Security/Police Liaison Officers/Crossing Guards/Noon Aides	2,060,057	1.03%
Transportation	7,931,008	3.95%
Maintenance	4,713,475	2.35%
Grounds	2,317,926	1.15%
Information Systems	3,280,477	1.63%
Warehouse & Property Control	492,846	0.25%
District Office	4,936,372	2.46%
Chandler Ed. Found., Ombudsman, Americans with Disabilities	37,133	0.02%
Athletics/Extra-Curricular	2,376,173	1.18%
Utilities/Postage	8,091,633	4.03%
Property/Liability Insurance	<u>1,403,769</u>	<u>0.70%</u>
Total Maintenance & Operation	<u>\$ 200,813,032</u>	<u>100.00%</u>



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 individual and corporations 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	\$1,070.50
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Personal Income Tax (2008)

Example 1

(as % of income)

Total Income IRS 1040
State taxes

235,778
6,503

2.8%

Example 2

(as % of income)

Total Income IRS 1040
State taxes

344,751
10,550

3.0%

Example 3

(as % of income)

Total Income IRS 1040
State taxes

145,268
3,503

2.4%

Example 4

(as % of income)

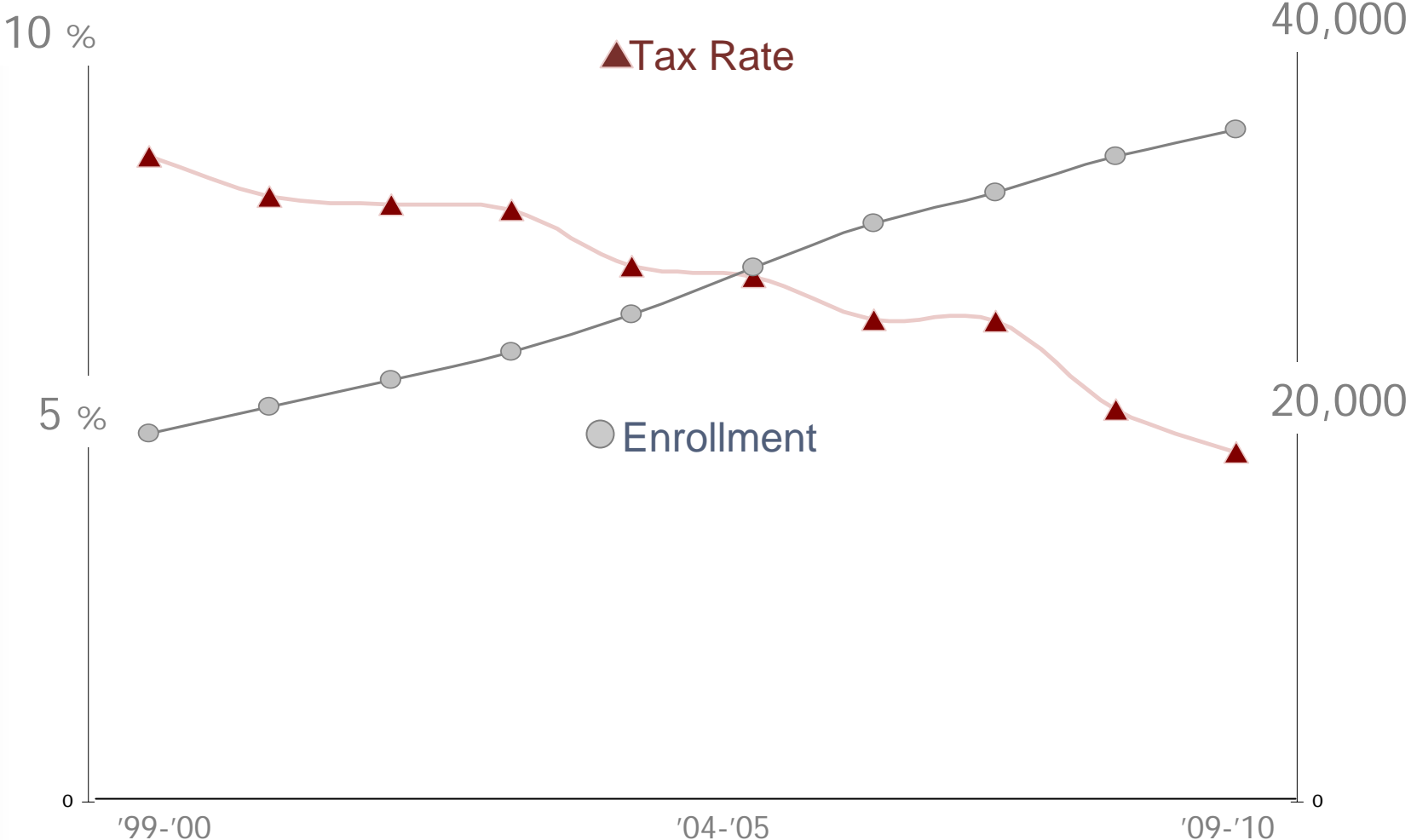
Total Income IRS 1040
State taxes

49,972
1,308

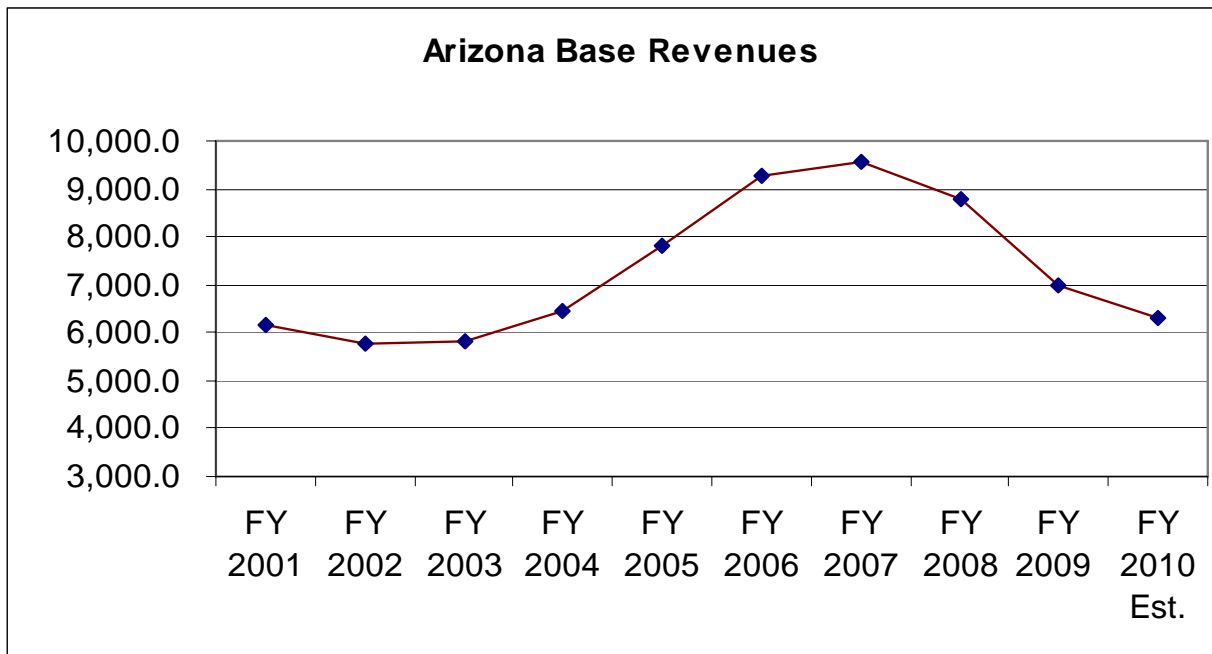
2.6%



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?

K-12 Spending Shift

Qualified Tax Rate

- FY 1998 Rate: \$4.40
- FY 2010 Rate: \$2.74

Approximate Value: \$700 million



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)



How did we get here?

The Federal Government

- Through ARRA, Arizona is scheduled to receive, over all, \$4.8 billion in formula grants from FY 2009 through FY 2011.
- A good portion of the ARRA formula grant money will be received by the State and concentrated in education and AHCCCS.
- There will be no ARRA money for the State or CUSD for FY2011-12.

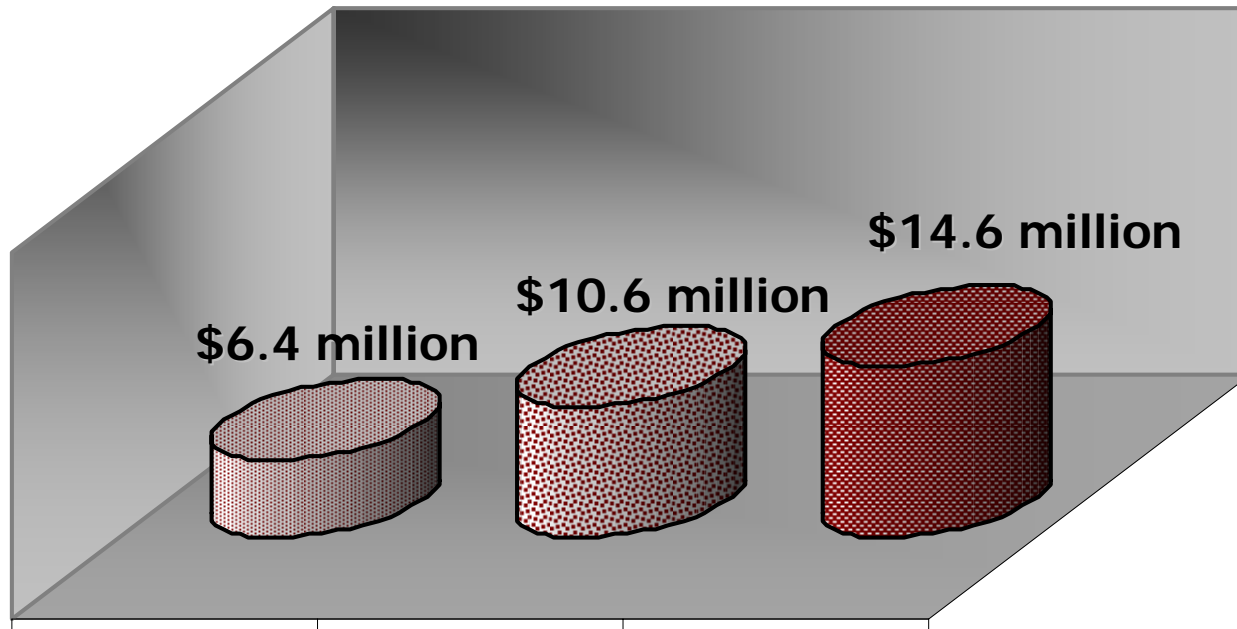


Chandler's Plan

FY 2011 - 2012

We believe budget cuts
to K-12 will be
less than \$10 million to CUSD





CUSD cut \$6.4 million in 08-09, \$10.6 million in 09-10 and \$14.6 million in 10-11



Chandler's Plan

- District's enrollment is approximately 39,000 out of approximately 1,071,000 students
- Therefore, the district's share of a cut to education would be 3.64% times the total projected cut
- We believe the "worst case" cut would be as follows:

Governor's Budget	55,000,000
Legislative Cut	<u>200,000,000</u>
	255,000,000
CUSD Share	x <u>3.64%</u>
	9,282,000



Chandler's Plan

Due to projected student growth and contingency funds, the District is prepared for cuts of up to

\$10 million without:

- ** increasing teacher : pupil ratio **
- ** reducing base pay for staff **
- ** reducing instructional offerings **
- ** mass layoffs or reduction in force **



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

- **K – 3 override** (*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)**



Seeking Community Input



As part of our commitment to improve district-community communication, your perceptions and comments are important to us.

Agree with budget

Disagree with budget

(Optional) Please state your reason:

The Business Office is in the process of updating its webpage. What information would you like to be able to access?

(Optional) If you would like to have a representative of the Chandler Unified School District (CUSD) respond, please provide your contact information. The information provided below will be used by the CUSD Business Department only.

Name: _____ **Email:** _____

Phone: _____

Thank you for your time.

