



# SCHOOL FINANCE REFORM

An Initiative of the Arizona Business & Education Coalition  
**PROGRESS REPORT— JUNE 2008**

## OUR VISION

*By 2012, Arizona's public education system will be recognized as world class, producing responsible citizens who contribute in a globally competitive workforce.*

## Background

In 2006, the ABEC board of directors identified **School Finance Reform** as one of its top issues that must be addressed. ABEC believes education is a long-term investment and the foundation for Arizona's future economic success – improving student achievement is paramount! Arizona's school funding formula needs to be updated and has gaps which must be addressed. The current formula to fund schools was created in the 1980's and revenues generated from this formula are raised in an inequitable manner among all taxpayers.

The original scope of the initiative and the charge given by the ABEC board of directors were to examine public policy that governs school finance of Arizona's K-12 public school system, **INCLUDING maintenance and operations, capital, new school construction, and building renewal** by:

- Establishing guiding principles;
- Reviewing current spending practices to understand what and why those practices exist;
- Understanding current sources of revenue; and
- Reviewing alignment with pre-kindergarten and postsecondary funding.

The intent of the initiative is to promote not only fiscal accountability, but also an equitable and adequate funding model for the state of Arizona. This new model for education funding should:

- Be flexible, feasible and obtainable;
- Be easy to understand;
- Be accountable;
- Recommend equitable funding sources;
- Provide incentives for districts to spend their funds effectively and efficiently;
- Ensure funds are distributed and used in the best possible ways for increasing student achievement; and
- Lead to a system that provides a better-prepared, competitive workforce leading to a higher quality of life for all.

An expected outcome of this ABEC-driven initiative would be the development of a series of proposals for public policy representative of this new model for education funding.

ABEC has created a leadership team of eleven, co-chaired by one business and one education leader, to help provide framework and direction for this initiative. The ABEC officers and board of directors, along with ABEC staff, provide management oversight and approve funding decisions and "next steps" for this initiative.

## OUR MISSION

*Sustaining collaboration between business and education leaders to improve and invest in K-12 as an element of a superior public education system and economic future for Arizona.*

The leadership team has met on several occasions since the fall 2007.

Extensive background material continues to be gathered; meetings with various stakeholders and content experts have been held in order to educate and to better understand the issues, as well as to begin to develop a framework for the work ahead, which included:

- **Crash Course on School Finance** – Almost 100 school administrators, school board members, business executives, parent advocates, education leaders, and many other special interest groups attended this event held October 30, 2007 at the Hyatt Regency in downtown Phoenix. Experts shared how Arizona public schools are currently funded; a panel of leaders from business and education addressed specific issues from their perspective. By the end of the course, those attending left with a better understanding of how Arizona public schools are currently funded.
- **Crash Course on State Equalization Rate/Property Tax** – On February 22, 2008, a panel of school finance and property tax experts from business and education shared their knowledge with approximately 30 ABEC members on how property tax currently “drives” the funding of schools as well as their opinions as to how and why property tax “should” fund schools in the future.
- **Meeting with Alan Maguire** – A content expert on Arizona school finance and a member of legislative staff during the development of the current school finance model, Mr. Maguire reflected back on the process in the early 80’s and his involvement in creating the funding formula still in existence today, as well as the assumptions and the guiding principles established at that time. He also asked the leadership team if the issue was more focused on funding sources, allocation or levels, and surveyed each member independently. The result of these discussions and survey were four recommendations on how to proceed:
  - 1) Understand “what is”: conduct an accurate, thorough examination of current actual spending levels and practices
  - 2) Consider “what ought to be”: determine what the “right” level should be to support achievement
  - 3) Develop a tax proposal
  - 4) Develop the mathematical allocation process

- **Meeting with the Arizona Association of School Business Officials (AASBO) and Windsor Management** – School finance data is accessible via AASBO’s data collection project and Windsor Management. The original data is obtained from the Arizona Department of Education. Complex and customized reports along with comparison reports can be prepared, on request. *Financial* data is available via AASBO’s data collection project, but *performance* data linked to finance data will be harder to find, if even available.

The leadership team also acknowledges that there are many complex sub-issues related overall to school finance. ABEC must continue to take the lead in educating stakeholders on these issues in the short term and the relationship of each to the bigger issue of school funding. They include, but are not limited to:

- Excess Utilities Tax
- Career Ladder Program
- Performance-based Compensation Issues
- Role of School Facilities Board and School Construction
- Business Property Tax Issues

## EXPECTATIONS

- *To educate the public on public school funding.*
- *To invite, encourage and secure stakeholder participation in the process.*
- *To build consensus among stakeholders on an equitable funding model for the state.*
- *To take this project through to the end.*

“What Is”

The leadership team will continue to examine the “what is,” i.e., conduct an accurate, thorough examination of current actual spending levels and practices of the Arizona K-12 public school districts. To accomplish this, the leadership team plans to meet in the coming months with Windsor Management to obtain more details about the data collection project: what exact information is being collected, where this information is coming from, and how this information might best be used in this initiative. In addition, the leadership team plans to convene subgroups to examine capital funding and charter school issues.

Project Management

To assist in guiding this work, ABEC has issued an RFP for a project manager. We are seeking someone with expertise in and knowledge of national efforts in school finance. The RFP closed May 30 and the project manager should be on board by the end of June.

Benchmark

At the end of the study of “what is”, the leadership team and board of directors will decide next steps, which could include: 1) issuing guiding principles and recommendations for redesign of the finance system or 2) continuing on to envision “what ought to be” and developing proposed policy change.

Education/School Finance Reform

A parallel conversation has been initiated with a focus around the guiding questions and issues that are raised in the *School Finance Redesign Project*, a national project funded by the Bill & Melinda Gates Foundation, addressing the basic question, “*How can resources help schools achieve the higher levels of student performance that state and national education standards now demand?*” By convening various stakeholders and engaging them in a thoughtful discussion on school finance, we hope to educate as well as collect their comments and concerns. Initially, this will be accomplished by:

- **2008 ABEC Annual Meeting & Conference** – As part of its annual conference, ABEC is convening an entire afternoon session addressing school finance. Jacob Adams, professor of education at Claremont Graduate University and the founding director of the *School Finance Redesign Project*, will start the session by sharing the findings of their study.

Group interaction will solicit comments and reactions to the report, as well as views on the current funding system in Arizona.

- **Community Engagement Project** – In partnership with **Mesa Community College’s Center for Public Policy**, ABEC plans to launch a series of statewide community engagement forums to inform and engage stakeholders on the issue of school finance. Funds for this project have already been secured from the Arizona Community Foundation (ACF) and the Kettering Foundation.

The purpose of the **first series** is to educate key stakeholders at the grassroots level about school finance, how it works, define the vocabulary, and to ask guiding questions about efficiency and adequacy. The first forum in this series is scheduled for Mesa, mid-June, and will be convened by leaders of Mesa Public Schools and the East Valley Partnership. Remaining forums will be scheduled for the fall.

A **second series** is envisioned that will build upon the ACF report “Educating Arizona” encouraging local civic leaders to consider the Arizona they want for their children and their economic futures.

Communications

Once the project manager is on board, the initiative will likely take on a personality of its own. A marketing and communications plan will be developed for the initiative as well as for the public engagement series. A logo unique to the project will be developed as well as a school finance electronic newsletter. A unique website or an enhanced ABEC website is possible, depending on available funding.

Funding

**The initiative is partially funded** – The hope is both business and education partners will financially support this initiative. ABEC has set aside \$75,000 of its own funds and several funding partners have stepped forward, including the Arizona Community Foundation and the Kettering Institute as well as the Arizona School Boards Association (ASBA) and the Arizona School Administrators (ASA). ABEC continues to seek more partners from the business and education communities as well as other foundations.

Many “volunteer hours” have already been put into this initiative and we are only just beginning. ABEC staff and the leadership team will continue to frame the School Finance Reform Initiative as a multi-year project. While the issue of school finance is very complex, the Arizona Business & Education Coalition stands committed to its charge!

## THE LEADERSHIP TEAM

Members of this team were approved by the ABEC Board of Directors. Members include five business and five education leaders plus one leader from philanthropy. They are:

### Co-Chairs:

Eileen Klein – *vice president, government relations, UnitedHealthcare*

Mary Kamerzell – *superintendent, Catalina Foothills Unified School District*

### Members:

Jason Bagley – *government affairs manager, Intel*

\*John Baracy – *superintendent, Scottsdale Unified School District*

Robin Berry – *superintendent, Palo Verde Elementary School District*

Dick Foreman – *director, corporate public affairs, Southwest Gas Corporation*

Dave Howell – *vice president, Wells Fargo*

Robert King – *president & CEO, Arizona Community Foundation*

\*Roger Pfeuffer – *superintendent, Tucson Unified School District*

Kent Scribner – *superintendent, Isaac Elementary School District*

Suzanne Taylor – *vice president of policy development and research, Arizona Chamber of Commerce & Industry*

*\*Retiring and replacement in process*

## WHY HAVE PREVIOUS EFFORTS FAILED?

Numerous reports and tweaking of the existing school finance formula through statutory changes have been completed since the formula was first created in the 1980's. Past efforts to make major revisions to the formula have failed in part because:

- Reformers are not clear or unified on the goal they seek. What is the purpose for the reform? To save money? Improve efficiencies? Increase test scores?
- School finance has always been handled from the perspective of winners versus losers; an inability to compromise and find a middle ground led to solutions that lost sufficient votes to doom the effort. (the 16 and 31 rule)
- Efforts have either been too narrow (excess utilities, desegregation) or too broad (ACE initiative) and didn't contemplate a phased-approach to minimize disruption and uncertainty.
- The Arizona State Legislature is very unlikely to pursue options that would lead to increases in residential property taxes, and the ability of business personal property tax payers to shoulder additional tax burden is limited.
- While school districts have generally supported school finance reform that would increase state support, they have strongly opposed restrictions on their ability to raise local funds (i.e. for construction, bonding, overrides)
- The issues of school finance have been too complex to handle as most other bills are handled, and the attention span at the legislature for difficult, long range work is extremely limited.
- Other issues, like school choice, Title 15 reform, have a tendency to get inserted into the debates, causing major arguments.



*The Arizona Business & Education Coalition (ABEC) is a 501(c)3 organization providing a balanced forum for business and education leaders to collaborate and improve K-12 public education policy, with linkages to pre-kindergarten and postsecondary education. Guiding principles include: increasing public awareness about the relationship between Arizona's future workforce and the quality of the K-12 public education system; actively and effectively influencing public education policy; and sharing responsibility for the growth of student achievement in Arizona. In 2007, The Arizona Capitol Times recognized and presented ABEC with its “LEADERS OF THE YEAR” In Public Policy for Education Award.*