



arizona business & education coalition

School Finance Reform Initiative *June 2009*

BACKGROUND

In 2006, the ABEC board of directors identified **School Finance Reform** as one of its top issues that must be addressed. The charge given by the ABEC board of directors is to examine public policy that governs finance of Arizona's K-12 public school system, INCLUDING maintenance and operations and new school construction. An expected outcome of this ABEC-driven initiative would be the development of a series of proposals for public policy.

From the beginning of the School Finance Reform Initiative (SFRI), it has been clear that ABEC's goal is not to "tinker around the edges" or to "fix" problematic aspects of the current system, but to rethink fundamentally the way Arizonans pay for public education. This requires setting aside the current system and building a new one that supports student learning—an objective completely absent from the current system.

ABEC knows that designing such a system will be a challenge, especially while engaging and building support from various audiences. The SFRI has been designed to allow for maximum participation from business and education stakeholders throughout the design process.

ABEC created a leadership team, co-chaired by a business and an education leader, to help provide framework and direction for this initiative. This ambitious project is managed by **Anabel Aportela**, Project Manager. Anabel has worked at the Arizona Department of Education in research and served on several school finance projects in various states as a consultant. The project is given oversight by the ABEC officers and board of directors.

Original members of the team include:

Co-Chairs:	Eileen Klein (UnitedHealthcare)	Mary Kamerzell (Catalina Foothills School District)
	Dave Howell (Wells Fargo)	Kent Scribner (Phx Union High School District)
	Suzanne Taylor (Arizona Chamber)	Frank Davidson (Casa Grande Elementary Sch Dist)
	Jason Bagley (Intel)	Robin Berry (Palo Verde Elementary School District)
	Dick Foreman (Southwest Gas)	Sheila Breen (Grand Canyon School District)
	Christopher Smith (Cox Communications)	Michael Block (BASIS Charter School)
	Bob King (Arizona Community Foundation)	

Jason Bagley assumes the business leader role, since Eileen Klein has changed positions; also Bob King is no longer with ACF. The current team, however, continues to monitor the process and proposal

Near the end of 2008, the leadership team drafted and the ABEC board of directors approved *School Finance Reform: Guiding Principles & Framework*, as well as a project map to accomplish the School Finance Reform Initiative.

Funding to initiate the work was provided by ABEC, the Arizona School Boards Association, and the Arizona School Administrators. Additional funders include the Arizona Community Foundation, Greater Phoenix Leadership, Wells Fargo Bank and Arizona Public Service. A public engagement effort has been funded by grants from the Arizona Community Foundation and the national Kettering Foundation. With our partner Center for Civic Participation, ABEC convened stakeholder leaders in nine communities statewide and engaged them in the issues of the current school finance system. Highlights of those discussions will inform the working groups, ABEC board of directors and policy makers.

Legislative leaders and the **Office of the Governor** have been kept regularly informed and have expressed great interest and urgency about this project.

WORK TO DATE

The SFRI has been moving forward on two fronts during the first half of 2009. Both provide critical information and a foundation that will shape the design of a new school finance system.

Working Groups

Four Working Groups (Revenue, Structure & Reporting, Funding Level and Compensation) began by using GroveSite, an online project collaboration tool, to discuss topics posed to them by the Project Manager as well as introduce some of their own topics for conversation. All four groups then met face-to-face, to react to a “strawman” developed to spark dialogue about key issues, including:

- the amount of flexibility that should be allowed to local schools and districts in the use of funds;
- whether equity of resources should be measured at the district or school level;
- whether the expectations currently placed on schools are appropriate; and
- the relationship between how and how much we compensate school personnel and student achievement.

This list is not limited. We know that many other topics will be covered in these conversations as we move forward with detailed “drafts” of proposals.

Data Collection, Analysis and “Simulations”

Enrollment, financial, demographic, and other information has been gathered and is being analyzed by Anabel Aportela and Mark Molique, the Project Analyst. This information will provide the Working Groups with data on the current state of affairs, trends over time, and contextual information to help guide their decisions as they evaluate competing policy proposals and will allow for the “simulation” of the various policy proposals.

The simulations will provide a way for the Working Groups and others to see how the proposed finance system will work and its impact at the state and local levels. It will allow project participants the ability to run “what if” scenarios, showing the impact of intended and unintended consequences. This tool will prove invaluable, considering the complexity of any school finance system, the number of moving pieces, and the need to see how each level of governance is affected by potential policy changes.

WHERE WE ARE HEADING

The coming months will see a number of policy alternatives presented, as the Project Manager and Analyst begin to “simulate” various alternatives for the Working Groups and other audiences. Meetings are scheduled for the rest of the summer. The feedback obtained at all presentations will be used to refine the work in progress until a final set of recommendations is generally agreed upon and approved by the ABEC board of directors in August.

Public engagement will continue. ABEC will return to the communities across the state with the “prototype” as the subject for public deliberation.

The recommendations will go to a fifth group, the Strategy & Implementation Working Group. They will tackle the question of transitioning into the new system. The goal is to have the proposals ready in August or September, 2009.



School Finance Reform: Guiding Principles and Framework

We, the **Arizona Business and Education Coalition (ABEC)**, believe that our public schools are the foundation on which the state's economy and its citizens' quality of life rest. Whether or not we attended public schools ourselves or send our own children to public schools, we interact each day in a world where the outcomes of our public education system are readily apparent. Throughout our state and our country, public schools educate countless children who grow up to be engaged, contributing members of their communities, who teach our children, run our corporations, and provide numerous goods and services. At the same time, we know that many students are leaving public schools each year without graduating from high school or with minimal skills and competencies.

The current system for financing Arizona's public schools, designed almost thirty years ago, set out to equalize spending disparities across school districts in the state while curbing increases in local property taxes. Over the years, this system has been layered with many additions, caveats and short-term fixes that became long-term funding strategies. The result is a complex, often impenetrable, system of financing public schools that does little to promote the work of schools: to teach all students to increasingly higher levels of learning. It is irresponsible for us, as a state, to continue on this path.

The challenge now is to design a school finance system for the 21st Century; one that supports high levels of learning for all students, regardless of geographic location, neighborhood wealth, or whether they choose to attend a traditional or charter public school. The challenge now is to recognize, with word and action, that the money spent on Arizona's public schools is not just an expenditure, but our most critical investment.

This document puts forth a set of guiding principles and a framework for the design of a school finance system that supports schools in their responsibility of educating all students to increasingly higher standards of learning. The new system must remove barriers to student progress, create incentives for the effective and innovative use of resources, emphasize the importance of quality instruction, and challenge all stakeholders to rethink the role of K-12 education in relation to our other social institutions. The design of a new comprehensive system of school finance will be undertaken through the work of the School Finance Reform Initiative (SFRI) and will examine all aspects of public school funding, including, but not limited to, revenues, capital and facilities, state aid, barriers to achievement, and compensation.

The guiding principles and framework articulate the values that ABEC believes should be reflected in our public school finance system and are intended to provide a lens through which SFRI participants can judge the merits of any and all policy proposals they will consider during this process. Our goal is that the result will be a set of policy recommendations that efficiently support all public schools and students, make room for innovation, and allow educators to deploy the best possible educational strategies to teach Arizona's children.

Last Revised on December 17, 2008



School Finance Reform: Guiding Principles and Framework

PURPOSE STATEMENT

Arizona must redesign its school finance system so that it supports increasingly higher levels of learning in all public schools.

ABEC BELIEVES that Arizona's comprehensive public school finance system should exhibit

1. **PRINCIPLE: FAIRNESS** for all students and taxpayers

FRAMEWORK: revenue and funding structures that

- a. minimize the relationship between property wealth and resources for students;
- b. minimize the relationship between the type of school attended and resources for students;
- c. take into account the needs of students with unique challenges; and
- d. create balanced and steady revenue streams for education.

2. **PRINCIPLE: SUFFICIENT RESOURCES** to meet expectations for student achievement

FRAMEWORK: a funding level that

- a. allocates enough resources for schools to educate all students to the expectations stated in the state and federal school accountability system; and
- b. allocates enough resources for schools and districts to meet all state and federal statutory requirements.

3. **PRINCIPLE: FLEXIBILITY** for districts and schools in the use of resources

FRAMEWORK: a funding structure and enabling statutes, rules, and regulations that

- a. provide most resources in a way that allows for maximum flexibility, creativity, and experimentation by districts and schools; and
- b. tie flexibility to a set of meaningful fiscal and academic accountability measures.

4. **PRINCIPLE: REWARDS** innovation and efficiencies

FRAMEWORK: a funding structure that

- a. promotes rewards to individuals, groups, or schools that show significant measureable growth in student learning; and
- b. removes barriers to the effective and efficient use of resources.

5. **PRINCIPLE: TRANSPARENCY** in all aspects of the system

FRAMEWORK: a comprehensive public school finance system that

- a. provides accessible, meaningful, and useful information to the public and all stakeholders on how money is spent; and
- b. is open to analyses and publication about effective uses of resources for increasing student learning.

