

REPORT HIGHLIGHTS SPECIAL STUDY

Subject

Proposition 301 monies are additional monies provided to schools through a voter-approved increase in the State sales tax. This is the second annual report addressing the uses of Proposition 301 monies and the percentage of dollars spent in Arizona's classrooms.

Our Conclusion

In 2002, Arizona schools spent an average of 58.2 cents of each dollar in the classroom. The previous year's average was 57.7 cents. The most recent (FY 2000) national average was 61.7 cents. If classroom spending from monies other than Proposition 301 had held steady from FY 2001, total classroom spending for FY 2002 would have reached 59.1 percent. Proposition 301 monies resulted in an average teacher pay increase of almost 9 percent.



2003

February 2003

Classroom Dollar Percentage

To determine the percentage of dollars spent in the classroom, we used the U.S. Department of Education's National Center for Education Statistics' (NCES) definition for instruction spending. Use of this definition allows consistency in comparing Arizona's performance to the national average and other states' statistics.

Classroom Dollars include:

- Teachers' and teacher's aides' salaries and benefits
- Instructional supplies
- Instructional aids (textbooks, software, etc.)
- Activities (field trips, athletics, etc.)

Exclude:

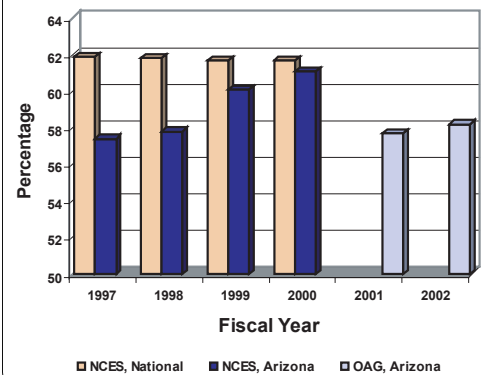
- Administration
- Food service
- Support services (counselors, librarians, etc.)
- Transportation
- Building maintenance and operation

Arizona historically below national average

Arizona's percentage of dollars spent in the classroom has been below the national average. Further, although data reported to NCES for FY 2000 showed Arizona at 61 percent, our analysis of the FY 2001 and 2002 data shows that Arizona has been closer to 58 percent.



Classroom Dollar Percentage



School districts spent 58.2 percent of dollars in the classroom

In FY 2002 Arizona's classroom dollar percentage increased to 58.2 percent from the previous year's average of 57.7 percent. However, the Arizona average is still below the national average, which, based on the latest data available from NCES (FY 2000), was 61.7 percent. As we found last year, the percentage spent in the classroom by individual dis-

tricts varied significantly, from a low of 34 percent to a high of 89 percent. Small districts tend to have very low or very high percentages. Most districts (two-thirds) are within 5 points of the state's 58.2 percent average. Only 27 districts spent less than 50 percent of their dollars in the classroom.

Spending on administration and maintenance decreased

The increase in the percentage of classroom spending was accompanied by a decrease in the percentage spent on plant operations and maintenance, and administration. More than half of the non-classroom dollars are spent on maintenance and administration. As shown, the percentage spent in both categories decreased from FY 2001. Maintenance decreased from 12.5 percent to 11.8 percent, and administration decreased from 10.5 percent to 10.2 percent.

However, despite the decrease in the percentage spent on maintenance, Arizona's average is more than 2 percent higher than the national average. Arizona is also higher for student support and food service.

Factors associated with classroom spending

As we reported last year, several factors are associated with higher classroom spending:

- **District size**—Generally, the more students a district has, the higher the percentage spent in the classroom.
- **Teacher's salary and experience**—Districts with the highest classroom dollar percentages pay teachers an average of \$2,700 more than districts with lower percentages. In addition, the per-

centage increases as the teacher experience index increases. Teachers' salaries generally increase with experience. Therefore, districts' with more experienced teachers and a higher teacher experience index will generally have higher average teacher salaries.

Factors not associated with classroom spending

As in our previous report, we found that district type, desegregation spending, and budget overrides had no apparent effect on classroom dollar percentages.

Classroom spending drops in over one-third of districts

By law, almost all of the additional Proposition 301 funding must go to uses that increase classroom spending. However, districts did not spend the same percentage of their non-Proposition 301 monies in the classroom in FY 2002 as they did in FY 2001. If they had, the additional Proposition 301 monies would have increased the statewide classroom spending to 59.1 percent.

Even with the additional Proposition 301 monies, more than one-third of districts (78) spent a lower percentage in the classroom in FY 2002 than in the previous year. Without Proposition 301 monies:

- Over 60 percent of the districts would have had a lower classroom dollar percentage in FY 2002.
- The statewide average for classroom dollars would have declined to 56.8 percent.

Districts with the largest decrease in classroom dollar percentage decreased their non-Proposition 301 spending for teachers' salaries by \$23 per pupil while increasing spending on administration by \$151 per pupil. About two-thirds of these increases, or \$100 per pupil, were increases in administrative spending at the district versus the school level.

Non-Classroom Spending

	Arizona		National Average
	2002	2001	1999
Maintenance	11.8%	12.5%	9.7%
Administration	10.2	10.5	10.9
Student support	6.5	6.4	5.0
Staff support	4.3	4.2	4.4
Food service	4.9	4.8	4.1
Transportation	3.9	3.6	4.0
Other	0.2	0.3	0.3

How Districts Spent Proposition 301 Monies

Statutes establish a formula for determining how much Proposition 301 monies each district receives and provide broad direction on how the monies may be used. Districts are required to direct 20 percent of the monies to increasing teacher base pay, and 40 percent to performance pay. The remaining 40 percent may be used for six purposes specified in law.

Prop 301 monies are distributed to the districts on a per-pupil basis. The largest district, Mesa Unified, received \$21 million while the smallest district, Blue Elementary, received \$810. Half of the total monies went to the 14 largest districts.

Distribution by Number of Districts FY 2002

Number of Districts	Total Dollars (in millions)	Percentage of Total
14	\$126.0	50%
26	48.8	20
20	28.4	11
36	26.1	11
64	18.4	7
72	2.8	1
<u>222</u>	<u>\$250.5</u>	<u>100%</u>

Proposition 301 generated \$251 million for FY 2002, but only \$196.5 million was distributed in FY 2002. This is because districts did not receive their final payments until after the end of FY 2002, and because some data needed to calculate performance pay was not available until after the end of the year

Ninety-nine percent spent on salaries—Almost 99 percent of Proposition 301 monies were spent on salaries and benefits. Slightly over 1 percent went to supplies and purchased services.

Teacher salaries increased 8.8 percent—Statewide data showed that the average teacher salary increased from \$37,176 in FY 2001 to \$39,973 in FY 2002.

Districts responding to our survey on their uses of Prop 301 monies reported that:

- Teacher salaries increased an average 8.8 percent from Prop 301 pay in FY 2002.
- Individual Prop 301 pay increases ranged from less than 1 percent to 20 percent.
- Amounts of these individual pay increases ranged from \$280 to \$5,875.

Other uses of Proposition 301 monies—In addition to increasing teacher salaries, districts were able to spend some Proposition 301 monies for other purposes. Although 84 percent of the monies went to directly increasing teacher salaries, some monies paid salary costs associated with these other purposes, such as teacher development and drop-out prevention.

Districts' Other Uses for Prop. 301 Monies

Purpose	Number of Districts
Teacher development	89
AIMS intervention	53
Class-size reduction	48
Drop-out prevention	36
Teacher liability insurance	1

Examples of spending in these areas include:

- **Teacher development**—Florence Unified spent \$155,534 to hire three teachers to form a staff development department. This department created a course catalog and presented training classes for teachers.

- **AIMS intervention**—Ash Creek Elementary spent \$8,460 to extend school one hour on Tuesdays and Thursdays to tutor in reading, writing, and math. Nearly all 50 students participated.
- **Class-size reduction**—Prescott Unified spent \$95,856 to reduce the student-to-teacher ratio in PE, music, sixth grade, kindergarten, music/band, and drama by 1 to 3 students.
- **Drop-out prevention**—Mesa Unified spent \$445,610 to hire teachers to work with specific groups of students and their families on such issues as substance abuse, attendance, and other behaviors that increase the risk of dropping out.

A district-by-district perspective of dollars in the classroom

Our full report includes:

- A listing of districts grouped by size and ranked by percentage of dollars spent in the classroom.
- A data sheet for each district, presented in alphabetical order, including classroom, administrative, and Proposition 301 spending and other comparative data.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



or by visiting
our Web site at:
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