

REPORT HIGHLIGHTS SPECIAL STUDY

Our Conclusion

Between fiscal years 2001 and 2009, Arizona's total operational spending per pupil increased 47 percent before decreasing 5 percent between fiscal years 2009 and 2013. Despite this overall increase, per pupil spending in Arizona continued to trail the national average both in total and in the classroom, with the classroom dollar percentage dropping to 53.8 percent in fiscal year 2013, the lowest point since we began monitoring it in fiscal year 2001. Each year since fiscal year 2004, districts have decreased the percentage of their resources they allocated to the classroom. At the same time, the percentages allocated to administration, plant operations, food service, transportation, student support, and instruction support have all increased. Although factors outside a district's control—such as district size, type, and location—can affect its efficiency, some districts operate efficiently and have lower costs despite these factors, while others do not. Finally, analysis of six measures found 31 percent of Arizona districts had a moderate to high financial stress level.



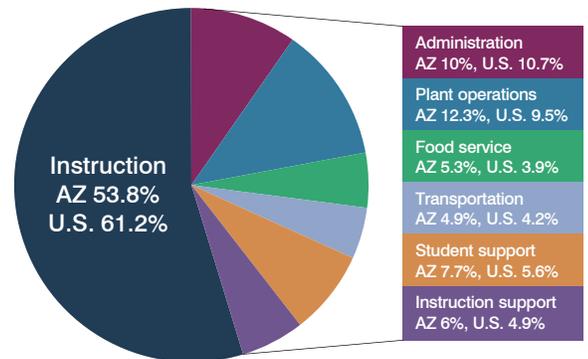
2014

Arizona school districts spent less overall and spent differently than districts nationally

Despite overall increase, spending still lower—Between fiscal years 2001 and 2009, Arizona's spending per pupil rose 47 percent before declining 5 percent between fiscal years 2009 and 2013. Despite this overall increase, Arizona's fiscal year 2011 per pupil spending of \$7,485 was still \$3,173 less per pupil than the 2011 national average (most recent national data available).

Arizona districts spent lower percentage in classroom—In 2013, Arizona districts spent 53.8 percent of their available operating dollars in the classroom, 7.4 percentage points below the national average of 61.2 percent. This lower instructional spending is reflected in Arizona's larger class sizes. In 2011, Arizona's class size was 18.1 students per teacher compared to the national average of 16.0 students per teacher.

Arizona and U.S. spending by operational area
Fiscal years 2013 (Arizona) and 2011 (U.S.)

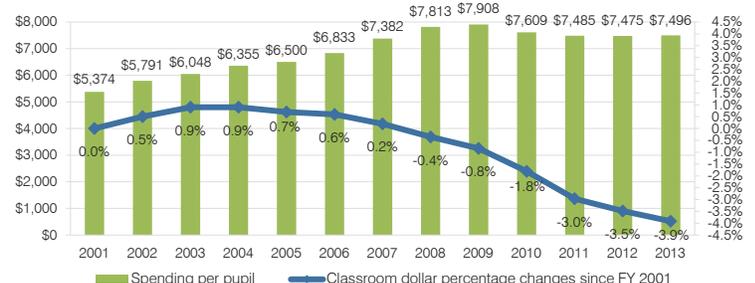


Arizona districts spent lower percentage on administration, but higher percentage in all other nonclassroom operational areas—In 2013, Arizona districts spent 10 percent of their available operating dollars on administration, 0.7 percentage points less than the national average. However, Arizona districts spent a higher percentage of their operating dollars in all other nonclassroom operational areas, especially for plant operations and student support services.

Continuing its long decline, instructional spending dropped to 53.8 percent

In fiscal year 2013, Arizona districts spent 53.8 percent of their available operating dollars on instruction—This is the lowest percentage in the 13 years we have been monitoring district spending. In fiscal year 2001, Arizona districts spent 57.7 percent of available operating dollars on instruction. Then, in fiscal year 2002, districts began receiving Classroom Site Fund (CSF) monies intended to increase classroom spending. Soon after, in fiscal years 2003 and 2004, the State's classroom dollar percentage

Arizona's operational spending per pupil and change in classroom dollar percentage since fiscal year 2001
Fiscal years 2001 through 2013



increased to 58.6 percent. However, despite an overall increase in per pupil spending, the percentage spent on instruction has decreased every year since fiscal year 2004, down 4.8 percentage points. At the same time, the percentages spent on administration, plant operations, food service, transportation, student support, and instruction support have all increased. Had districts continued directing resources into the classroom at the same rate they did in fiscal year 2001, they would have spent an additional \$357 million in the classroom in fiscal year 2013. One of the impacts of spending less in the classroom is larger class sizes. Since fiscal year 2009, the number of students attending Arizona school districts has decreased 28,000 students, or 3 percent, while the number of teachers has decreased by 4,700, or 8.6 percent. As a result, the State's average class size has increased during this time from 17.1 to 18.3 students per teacher.

Efficient districts are able to allocate more of their resources to instruction—Performance audits of individual districts have found that efficient districts are able to allocate more of their resources to instruction.

Efficient and inefficient districts come in all sizes, types, and locations

Although a district's efficiency can be affected by its size, type, and location, wide ranges of costs among districts grouped by these factors reflect a variety of efficient and inefficient practices. For example:

Administration—More efficient districts monitored performance measures and used staffing formulas, while less efficient districts had costly benefit packages and higher staffing levels.

Plant operations—More efficient districts typically had energy conservation plans and monitored performance measures, such as building capacity utilization, while less efficient districts operated schools far below designed capacity and did not monitor energy consumption.

Food Service—More efficient districts maximized use of free federal commodities and adjusted staffing levels based on industry standards for meals per labor hour, while less efficient districts did not obtain best food prices and had poorly written vendor contracts.

Transportation—More efficient districts monitored performance measures and adjusted routes to ensure that buses were full, while less efficient districts paid drivers for time not spent working and failed to monitor vendors for accurate billing and effective performance.

Cost variance examples

- A very large, urban, unified district spent \$514 per pupil for administration; another spent \$865 per pupil.
- A medium-sized, rural, unified district spent \$3.46 per square foot for plant operations; another spent \$9.58 per square foot.
- A medium-sized, rural, unified district spent \$2.25 per meal; another spent \$4.60 per meal.
- Two medium-large, urban, elementary districts drove a similar number of miles per rider; one district spent \$3.56 per mile, and the other spent \$7.42 per mile.

Assessment raises awareness on local issues impacting financial stress

In a financial stress assessment for Arizona school districts, 69 percent of the districts assessed were found to have an overall low financial stress level based on six district-level measures. However, the other 31 percent of districts were found to have overall moderate or high levels of financial stress based on those measures. District decision-makers can use the details of this assessment in conjunction with other information, such as operating efficiency, to determine possible actions to reduce financial stress.

Number of districts by overall financial stress level Fiscal year 2013

Stress level	Number of districts
High stress	9
Moderate stress	55
Low stress	144