

REPORT HIGHLIGHTS SPECIAL STUDY

Subject

This is the fifth annual report addressing the percentage of dollars spent in Arizona's classrooms and the uses of Proposition 301 monies, which provide schools with additional funds for specified purposes.

Our Conclusion

In FY 2005, Arizona schools spent an average of 58.4 cents of each dollar in the classroom, slightly less than the previous 2 years. Arizona is below the most recent (FY 2003) national average of 61.3 percent and the average of 60.9 percent for 10 states with comparable per-pupil spending. Arizona spends more on plant costs, food services, and student support and less on administration. Most Prop 301 monies were spent for teacher pay increases, which averaged about 11 percent.



2006

May 2006

Classroom Dollar Percentage

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

Classroom Dollars include:

- Teachers' and teachers' 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 operation and maintenance

School districts spent 58.4 percent of dollars in the classroom

In FY 2005, Arizona's classroom dollar percentage was 58.4 percent, slightly lower than the previous 2 years' 58.6 percent. In FY 2001 – before Proposition 301 – the classroom dollar percentage for Arizona districts was 57.7 percent. If districts had maintained their previous levels of spending from non-

Proposition 301 monies, the FY05 state-wide classroom dollar percentage could have been 59.3 percent.

As with last year, the individual district percentages varied significantly after excluding certain special-purpose districts, from a low of 34 percent to a high of 86 percent. Small districts tend to have the very low or very high percentages. Most districts (about two-thirds) are within 5 percentage points of the state average.

Arizona below national and peer states' averages

The percentage of dollars spent in Arizona's classrooms remains lower than national and peer group averages because, although spending less on administration, Arizona districts spent a larger portion of available resources on plant operation and maintenance, student support, and food services.

Comparison of Arizona District Spending To National Averages, by Functional Area

Functional Area	Arizona		
	U.S. 2003	2003	2005
Classroom Dollars	61.3%	58.6%	58.4%
Plant Operation and Maintenance	9.5	11.7	11.4
Administration	11.1	9.9	9.5
Student Support Services	5.2	6.8	7.0
Instructional Support Services	4.8	4.3	4.6
Food Service	3.9	4.6	4.8
Transportation	4.0	3.9	4.1
Other Noninstructional Services	0.2	0.2	0.2

Arizona's higher costs for plant operations and student support services may be due to higher energy costs and higher staffing levels, respectively.

Higher food service costs may be related to higher-than-average participation in the National School Lunch Program. As shown in the Auditor General's 2005 *Arizona's Participation in the National School Lunch Program* study, a greater proportion of Arizona students who are eligible for free or reduced-price meals typically eat school lunches. As a result, Arizona may serve more meals per student than other states, on average, or incur more Program costs, or both.

Factors associated with classroom spending

Factors reported in previous classroom dollar studies continue to be associated with higher or lower classroom spending.

Larger District Size Associated with Higher Classroom Spending—As we reported last year, the primary factor associated with higher classroom spending is district size. Generally, the more students a district has, the higher the percentage spent in the classroom.

Average Classroom Dollar Percentages of Districts Grouped by Size

District Size	Number of Districts	Number of Students	Average Classroom Dollar Percentage
Very Large	10	20,000 or more	60.9%
Large	35	5,000-19,999	58.4
Medium	78	600-4,999	55.3
Small	31	200-599	54.3
Very Small	54	Less than 200	54.7

Factors Associated with Lower Classroom Spending—Certain factors continue to be negatively related to the percentage of dollars spent in the classroom. The most significant factors are plant, administration, student support, and transportation costs.

Districts that spent the most per pupil in these areas had these characteristics:

Plant operation and maintenance

- Located at higher elevations with colder temperatures
- Operate and maintain older buildings
- Serve more high school students
- Provide over 60 percent more building space per pupil

Administrative costs

- Serve fewer students per administrator

Student support

- Serve more at-risk students
- Employ more guidance counselors and social workers
- Serve more high school students

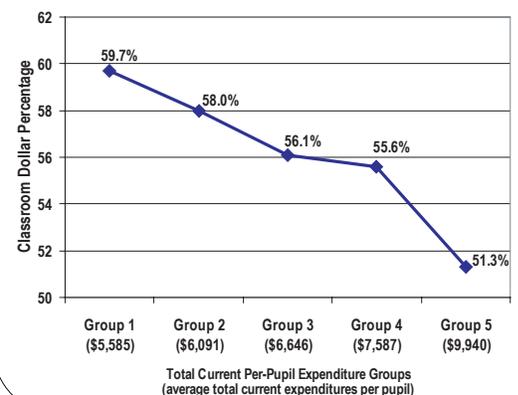
Transportation costs

- Transport students farther
- Transport higher percentage of students

Higher total spending does not equate to higher classroom percentages

Within Arizona, higher per-pupil total spending does not equate to higher classroom dollar percentages. In fact, on average, districts that spent the most per pupil have lower classroom dollar percentages. The highest per-pupil spending districts, mostly rural and small, spend more than twice as much on plant, administration, student support, and transportation than the lowest-spending districts.

Classroom Dollar Percentages of Districts Grouped by Per-Pupil Costs



High noninstructional spending may or may not be within district control. Districts have little control over their location and student population size and decline. However, districts have significant control

over the efficiency of their operations and uses of many of their special-purpose revenues, such as budget overrides, federal impact aid, and small school and rapid decline budget adjustments.

How Districts Spent Proposition 301 Monies

Statutes establish a formula, based primarily on the number of students, for determining how much Proposition 301 money each district receives and to provide direction on how it 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.

In FY 2005, districts received about \$249 million of Prop 301 monies – up from \$232 million in FY 2004—based on their number of students.

workers, principals, and assistant principals.

Prop 301 monies represented an average of 11 percent of teacher salaries—In their annual reports on Proposition 301 program results, districts reported that:

- Prop 301 pay made up 11 percent, on average, of teacher salaries
- On an individual basis, Prop 301 pay as a percentage of teacher salaries ranged from 1 percent to 25 percent
- On average, the amounts of Prop 301 pay ranged from \$486 to \$7,904 per eligible employee

Pay Increases by Position by Fund

Position	Number of Districts		
	Base Pay	Performance Pay	Menu Options
Teachers	216	215	200
Librarians	109	111	103
Counselors/Psychologists	113	115	108
Speech Pathologists/Audiologists	69	70	65
Instructional Aides	6	12	24
Other	30	31	39

Districts with the highest amounts of Prop 301 pay generally paid out unspent monies from prior years in addition to FY2005 monies.

Average teacher pay has increased by \$1,919 since FY 2001—State-wide, the average teacher salary has increased from \$37,176 in 2001 to \$39,095

in 2005. This increase is \$1,755 less than the average Prop 301 increase of \$3,674. Several factors account for the lower average salary:

- ADE changed the way it calculates average teacher salaries
- Retirement of more experienced, higher-paid teachers
- Beginning teachers hired at lower end of salary range

Over 93 percent spent in the classroom—Almost all of Proposition 301 monies were spent on salaries and benefits, with districts spending 93.5 percent of these monies for instruction purposes such as teachers' salaries and benefits.

Many districts include librarians and others—In addition to salary increases for teachers, about one-half of districts used Prop 301 monies to provide salary increases for librarians, counselors, and others, including noninstructional staff, such as bus drivers, custodians, cafeteria

Performance pay based on a variety of goals—40 percent of Prop 301 money is allocated to performance pay. Although most districts included goals related to student achievement, districts varied in the goals they established for awarding performance pay. However, almost all districts reported accomplishing their performance pay goals.

Number of Districts with Performance Pay Goals by Category

Goal Category	Number of Districts		Percentage Accomplishing Goals
	Setting Goals	Accomplishing Goals	
Student Achievement	186	178	96%
Teacher Development	113	108	96
Parent Satisfaction	85	82	96
Teacher Evaluation	70	68	97
Student Attendance	54	45	83
Leadership	51	48	94
Tutoring	44	42	95
Other	29	28	97
Teacher Attendance	27	25	93
Dropout/Graduation Rates	27	25	93

Other uses of Proposition 301 monies— Although Prop 301 monies primarily went to directly increasing teacher salaries, some monies were spent on other purposes, including class size reduction, AIMS intervention, and dropout prevention. However, in spending these monies, a few districts did not follow state law, which requires that monies spent for these three purposes must be restricted to instruction. Specifically, four districts spent a total of \$117,000 in menu monies for the three programs on administration, plant operations, and transportation.

New performance pay plan requirements— A recent change in statute requires districts' governing boards to adopt performance-based compensation systems for Prop 301 monies at public hearings. The systems must include certain elements, such as measures of academic progress and parent satisfaction ratings. While many districts' current plans already address the elements included in the statute, for some districts, significant changes will be needed. For example, 29 districts' fiscal year 2005 plans did not include any

measures of academic progress, and 7 districts based performance pay solely on teachers receiving acceptable performance evaluations.

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 dollars and Proposition 301 spending and other comparative data.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
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