



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Division of School Audits

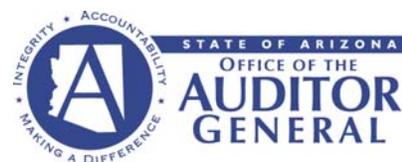
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Special Study

# Arizona Public School Districts' Dollars Spent in the Classroom Fiscal Year 2005

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MAY • 2006



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**Debra K. Davenport**  
Auditor General

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AUDITOR GENERAL

STATE OF ARIZONA  
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May 31, 2006

Members of the Arizona Legislature

The Honorable Janet Napolitano, Governor

I am pleased to present our report, *Arizona Public School Districts' Dollars Spent in the Classroom, Fiscal Year 2005*. We prepared this report in response to the Arizona Revised Statutes §41-1279.03 requirement to determine the percentage of every dollar Arizona school districts spend in the classroom. This report also describes how districts used Classroom Site Fund monies resulting from Proposition 301. To provide a quick summary for your convenience, I am also including a copy of the Report Highlights.

In fiscal year 2005, Arizona's state-wide percentage of dollars spent in the classroom decreased slightly, to 58.4 percent. This remains nearly 3 percentage points behind both the national average of 61.3 percent reported by the National Center for Education Statistics and the 60.9 percent average for the ten states with per-pupil spending similar to Arizona's. Likewise, Arizona's percentage is below other states' with similar district sizes, population growth, poverty rates, or per capita income.

State-wide, Arizona school districts spend a higher percentage of their dollars on plant costs, food services, and student support services than the national average, and a lower percentage on administrative costs. For individual districts, the primary factor associated with higher classroom dollar percentages continues to be larger student populations. Higher plant, administrative, student support, and transportation costs were the most significant factors associated with lower classroom dollar percentages.

Within Arizona, higher per-pupil spending does not equate to higher classroom dollar percentages. In fact, districts that spend the most per pupil have lower classroom dollar percentages, on average.

Districts continued to use Proposition 301 monies almost solely for instructional staff salaries and benefits. Based on district-reported data, 11 percent of teacher salary amounts, on average, were attributable to Proposition 301 monies.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on June 1, 2006.

Sincerely,

Debbie Davenport  
Auditor General

# SUMMARY

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The Office of the Auditor General has conducted an analysis of Arizona school districts' percentage of dollars spent in the classroom during fiscal year 2005. In addition, this report summarizes how districts reported spending their Classroom Site Fund monies resulting from Proposition 301, the education sales tax approved by voters in November 2000. This analysis was conducted pursuant to Arizona Revised Statutes (A.R.S.) §41-1279.03, which requires the Auditor General to monitor the percentage of each dollar spent in the classroom and conduct performance audits of school districts. This is the fifth year the Office of the Auditor General has conducted this analysis.

The definition of classroom dollars used in this report is the same definition developed by the U.S. Department of Education's National Center for Education Statistics (NCES) for "instruction." This definition, as described in Table 1 (see page 2), includes current expenditures for classroom personnel, instructional supplies, instructional aids, certain tuition payments, field trips, athletics, and co-curricular activities. This definition has been applied by the NCES for a number of years, and provides a basis for comparing Arizona's results with other states, the national average, and Arizona's past performance.

## Dollars in the classroom (see pages 7 through 26)

In fiscal year 2005, Arizona's state-wide percentage of dollars spent in the classroom was 58.4 percent, slightly less than the previous 2 years. Arizona's classroom spending continues to lag nearly 3 percentage points behind the national average of 61.3 percent, as reported by the NCES.

The same disparity is also evident when Arizona's expenditures are compared with those states that are closest to Arizona in per-pupil spending. Based on NCES-reported data, the ten most comparable states spent an average of 60.9 percent of their current expenditures on instruction. Likewise, when compared to other states with similar district sizes, population growth, poverty rates, and per capita income, Arizona's classroom dollars percentage remains at least 2.7 percentage points

behind. Thus, Arizona is behind both the national average and its “peer states” in directing dollars into the classroom.

Although the addition of Proposition 301 monies has helped raise the state-wide average to 58.4 percent, the average could have been higher still. If districts had spent their fiscal year 2005 non-Proposition 301 monies in the same proportions as they did prior to receiving Proposition 301 monies, the additional monies would have raised the state-wide average to 59.3 percent. However, most districts now spend proportionately less of their other monies in the classroom than they did before Proposition 301.

Excluding certain special-purpose districts, classroom dollar percentages for individual districts ranged from 34 to 86 percent. This wide range is somewhat misleading, though, as nearly two-thirds of Arizona districts were within 5 percentage points of the state average. Many of the districts with very high or low percentages are the State’s very smallest districts with fewer than 200 students each. Because of their size, these districts tend to either not provide some nonclassroom services, such as administration or food services, or have very high costs relative to their size to do so.

Compared to national averages, on a state-wide basis, Arizona school districts continue to allocate a lower percentage of their dollars to administration costs but higher percentages of their dollars to plant costs, student support services, and food service. Energy and other supply costs account for more than half of the difference between the national and Arizona plant cost percentages. Similarly, student support services salaries account for more than half the difference in that category of spending. The higher salary costs appear related to each full-time equivalent employee serving, on average, fewer students than the national average. Higher food service expenditures may relate to Arizona having a higher-than-average participation in the National School Lunch Program. In Arizona, a higher proportion of free- and reduced-price eligible students eat meals at school, which results in more meals being produced and higher food service costs.

Within Arizona, the primary factor associated with higher classroom dollar percentages continues to be larger student populations. Larger populations provide districts with more money, allowing them to meet their necessary fixed costs and leaving more money to devote to the classroom. Conversely, higher plant operation and maintenance, administration, student support services, and transportation costs were the most significant factors associated with lower classroom dollar percentages.

Further, within Arizona, higher total per-pupil spending does not equate to higher classroom dollar percentages. Although these districts have more resources available to spend per pupil, on average, they put a smaller proportion of each dollar

in the classroom. As a result, districts with the highest per-pupil spending, on average, have lower classroom dollar percentages.

## Districts' uses of Proposition 301 monies (see pages 27 through 34)

Districts spent more than \$250 million from their Classroom Site Funds during fiscal year 2005 and continued to use the monies almost solely for teacher compensation. This complies with the requirement that at least 60 percent of the monies be used for teacher compensation. However, 19 districts spent \$225,800 for administration, plant operation, and transportation costs. While some of these were for allowable purposes, such as interest expense or teacher liability insurance, as much as \$117,000 of these expenditures did not appear to comply with the new limitations placed on certain menu option programs. Effective in fiscal year 2004, expenditures for dropout prevention, AIMS intervention, and class-size reduction programs can be used only for instruction.

According to salary data collected by the Arizona Department of Education, the State's average teacher salary increased from \$37,176 in fiscal year 2001 to \$39,095 in fiscal year 2005. Based on district-reported data, teacher salary increases attributable to Proposition 301 monies averaged 11 percent, but ranged from 1 to 25 percent. The amounts attributable to Proposition 301 monies ranged from \$486 to \$7,904 per eligible employee, on average.

While most monies were directly used for teacher compensation increases, districts also used some of their monies for the other purposes authorized under Proposition 301. This was often accomplished by paying teachers for activities related to these other purposes, such as teacher development and AIMS intervention.

## Appendix (see pages a-1 through a-226)

The Appendix provides alphabetically organized one-page information sheets on individual school districts. Each page summarizes the district's classroom and nonclassroom spending, its reported Proposition 301 program results, and other descriptive and comparative data.



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# INTRODUCTION & BACKGROUND

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The Office of the Auditor General has, for the fifth consecutive year, conducted an analysis of Arizona school districts' percentage of dollars spent in the classroom. This analysis was conducted pursuant to Arizona Revised Statutes §41-1279.03, which requires the Auditor General to monitor the percentage of each dollar spent in the classroom and conduct performance audits of Arizona's school districts.

This report also summarizes how school districts have reported using their Proposition 301 funding. In November 2000, voters approved Proposition 301. This proposition raised the state sales tax by six-tenths of 1 percent for 20 years to fund educational programs. School districts may use this funding only for specified purposes, primarily increasing teacher pay.

## Classroom dollars: definition and benchmarks

The definition of classroom dollars used in this report is based on the same definition developed by the U.S. Department of Education's National Center for Education Statistics (NCES) for "instruction." This definition is described in Table 1 (see page 2) and includes current expenditures for classroom personnel, instructional supplies, instructional aids, certain tuition payments, field trips, athletics, and co-curricular activities. NCES has collected school district revenue and expenditure data from all states and published comparative statistics about dollars spent on instruction for more than a decade. Because this definition has been applied across the country for a number of years, it provides a basis for comparing Arizona's results with other states, with the national average, and with Arizona's past performance.

NCES compiles its analysis using expenditure data provided by all states, including Arizona. This information is currently available only through fiscal year 2003, as shown in Figure 1 (see page 3). Unless otherwise noted, the expenditure data for Arizona in this report is based on our own compilations using districts' Annual Financial Reports and summary accounting data.

Table 1: Classroom Dollars Definition

### How is a district's "Classroom Dollars" percentage determined?

The amount a district spends for classroom purposes is compared to the total amount a district spends for its day-to-day operations, or total current expenditures. A district's total current expenditures include both classroom and nonclassroom expenses as described below.

#### Classroom Dollars

**Classroom personnel**—Teachers, teachers' aides, substitute teachers, graders, and guest lecturers

**General instructional supplies**—Paper, pencils, crayons, etc.

**Instructional aids**—Textbooks, workbooks, software, films, etc.

**Activities**—Field trips, athletics, and co-curricular activities such as choir and band

**Tuition**—Paid to out-of-state and private institutions

#### Nonclassroom Dollars

**Administration**—Superintendents, principals, business managers, clerical, and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and information technology services

**Plant operation and maintenance**—Heating and cooling, equipment repair, groundskeeping, and security

**Food service**—Costs of preparing and serving meals and snacks

**Transportation**—Costs of transporting students to and from school and school activities

**Instructional staff support services**—Librarians, teacher training, and curriculum development

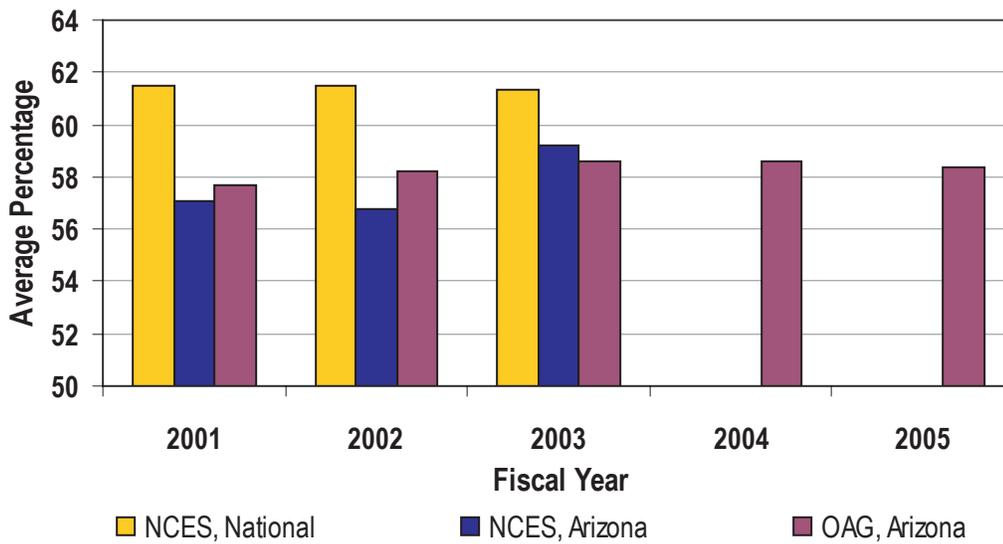
**Student support services**—Counselors, audiologists, speech pathologists, and nurses

### Are any expenditures excluded from the calculation?

Yes, the calculation excludes monies spent for debt repayment; capital outlay, such as purchasing land, buildings, and equipment; and programs outside the scope of K-12 education, such as adult education and community services.

Source: Auditor General staff analysis of the National Center for Education Statistics' *National Public Education Financial Survey Instruction Booklet*.

Figure 1: Average Percentage of Each Dollar Spent on Instruction  
Fiscal Years 2001 through 2005



Source: Auditor General staff analysis of National Center for Education Statistics (NCES) Web site, NCES' annual report, *Digest of Education Statistics*, and school districts' Annual Financial Reports and summary accounting data.

## Scope and methodology

To analyze the most current expenditure and budget data available for Arizona's districts, auditors obtained fiscal year 2005 district Annual Financial Reports (AFRs) and budgets from the Arizona Department of Education. In addition, all of the State's 238 school districts provided auditors with fiscal year 2005 summary accounting data, and 222 school districts submitted summaries of their Classroom Site Fund expenditures and program results. The AFRs, budgets, and summary accounting data were not audited to the underlying district records. Instead, auditors performed analytical procedures using the financial data and narrative information about the uses of Classroom Site Fund monies and interviewed school district officials about significant anomalies or variances. Auditors corrected data errors that this review identified prior to calculating classroom dollar percentages and analyzing Proposition 301 expenditures.

Other information related to the analysis was obtained from the Arizona Department of Education, such as school district staffing levels and average daily membership counts. In addition, to align with NCES' most current available expenditure data, which was for fiscal year 2003, auditors also obtained fiscal year 2003 national data, at both the state and district level. State-level data included staffing and enrollment

data from NCES, personal income data from the U.S. Department of Commerce, and poverty rates and population estimates from the U.S. Census Bureau. Fiscal year 2000 population estimates were also obtained to determine state population growth. National district-level data included expenditure, staffing, and enrollment data from NCES and census poverty rate data NCES collected for all U.S. public school districts. Auditors analyzed district-level data for approximately 15,000 public school districts, excluding special purpose districts, such as regional service agencies and charter schools that do not have established boundaries (span multiple census-block areas) and are not sponsored by public school districts. These other types of data were also compared against published reports for reasonableness and accuracy, but the various source records were not audited.

Using Arizona districts' data and national data, auditors analyzed both individual and grouped districts' classroom dollar percentages and characteristics, such as district size. After using statistical and correlation analyses to identify factors that were significantly associated with individual district percentages, auditors analyzed these factors for their relationship to grouped district percentages and to results that were previously reported for fiscal years 2001 through 2004. In addition, auditors examined the classroom dollar percentages with and without the addition of Classroom Site Fund expenditures to determine the effect of Proposition 301.

Auditors made certain adjustments to the Arizona district-level data that affected the average daily membership (ADM) counts for the districts that offered all-day kindergarten at no charge to parents. This adjustment was made at the school level based on district responses to a survey. Auditors also made certain adjustments that affected the classroom dollar results reported for the State's ten joint technological education districts. These districts typically pass-through more than 50 percent of their available funding to their member school districts. Thus, to avoid the same expenditures being counted for both the joint technological education districts and their member districts, classroom dollar percentages were calculated using only direct expenditures.

All of the State's 238 districts were included in the calculation of the State's classroom dollar percentage. However, some districts were excluded from further analyses of classroom dollars and Proposition 301 monies. The analysis of the percentage of dollars spent in the classroom for Arizona districts was based on 154 districts, and the analysis of Proposition 301 information was based on 222 districts. The specific exclusions and reasons for excluding are as follows:

- When calculating individual district classroom dollar percentages, transporting districts were excluded. These districts transport all their students to other districts and, therefore, do not have classroom expenditures. These districts are listed in Table 2 on page 6.

- When analyzing factors that affect the percentages, accommodation districts and joint technological education districts were also excluded. These two district types are unique in operation and few in number, and would, thereby, distort the analysis of factors generally affecting other district types. These districts are listed separately in Table 9 on page 26.
- The 54 smallest districts, those with fewer than 200 students, were also excluded from our analysis of factors affecting the percentages. These districts' operations and spending patterns are highly variable and do not contribute to identifying state-wide trends and norms. These districts are listed in Table 9 on pages 25 and 26 as "very small."
- Only 222 districts received Proposition 301 monies for fiscal year 2005. The 16 districts not receiving fiscal year 2005 Proposition 301 monies included the 10 transporting districts, and 6 of the 10 joint technological education districts. These districts are listed in Table 2 on page 6.

The Auditor General and staff express their appreciation to the Superintendent of Public Instruction, the staff of the Arizona Department of Education, and the staff of the Arizona public school districts for their cooperation and assistance during this study.

Table 2: Districts Excluded from Analysis as Noted  
Fiscal Year 2005

Districts by Type	Excluded from Analysis of	
	State-wide Classroom Dollar Factors	Proposition 301
<b>Accommodation Districts (10)</b> Listed on page 26	X	
<b>Joint Technological Education Districts (10)</b>		
Central Arizona Valley Institute of Technology	X	
Cobre Valley Institute of Technology	X	X
Cochise Technology District	X	X
Coconino Association for Vocation Industry and Technology	X	X
East Valley Institute of Technology	X	
Gila Institute for Technology	X	
Northeast Arizona Technological Institute of Vocational Education	X	X
Northern Arizona Vocational Institute of Technology	X	
Valley Academy for Career and Technology Education	X	X
Western Maricopa Education Center	X	X
<b>Very Small Districts (54)</b> Listed on pages 25 and 26	X	
<b>Transporting Districts (10)</b>		
Champie Elementary	X	X
Chevelon Butte Elementary	X	X
Eagle Elementary	X	X
Empire Elementary	X	X
Forrest Elementary	X	X
Klondyke Elementary	X	X
Redington Elementary	X	X
Rucker Elementary	X	X
Walnut Grove Elementary	X	X
Williamson Valley Elementary	X	X

Source: Auditor General staff analysis of fiscal year 2005 summary accounting data provided by individual school districts, School District Annual Financial Reports, school district type, and Proposition 301 revenue distribution data provided by the Arizona Department of Education.

# CHAPTER 1

## Dollars in the classroom

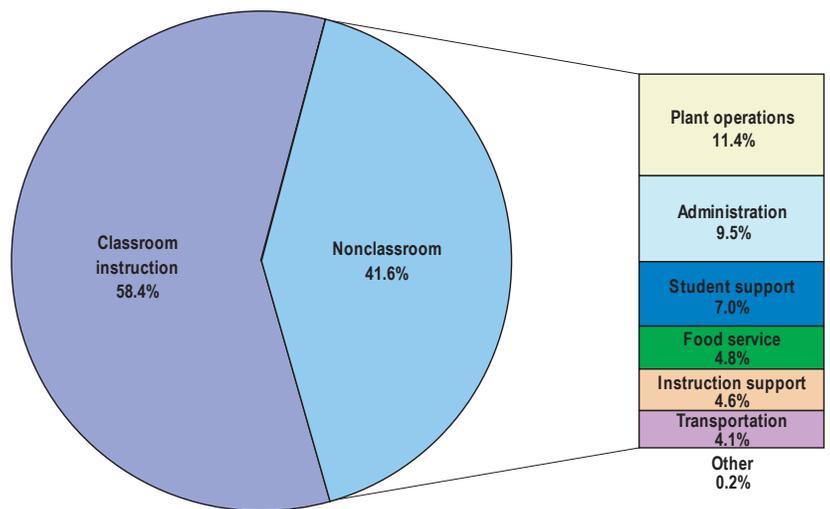
Arizona spent 58.4 cents of every dollar in the classroom, lower than the previous 2 years and the national average

As shown in Figure 2, in fiscal year 2005, Arizona school districts spent 58.4 cents of each dollar in their classrooms, slightly less than the previous 2 years. Districts also made slight spending shifts that lowered the proportion spent on plant operation and maintenance from the previous year, but increased the proportions spent on instructional support services, food service, and student transportation.

In the most recent national data available, the U.S. Department of Education's National Center for Education Statistics (NCES) reported the national average for fiscal year 2003 spending on instruction as 61.3 percent. The national average has remained between 61 and 62 percent for at least the last 10 years.

In fiscal year 2001, before Proposition 301 monies were available, the classroom dollar percentage for Arizona districts was 57.7 percent, as shown in Table 3 on page 8. With the infusion of \$251 million of Proposition 301 monies in fiscal year 2002, the state-

Figure 2: Current Expenditures by Functional Area  
Fiscal Year 2005



Source: Auditor General staff analysis of fiscal year 2005 summary accounting data provided by individual school districts.

wide classroom dollar percentage increased to 58.2 percent, as shown in Table 3. However, as the annual amounts of Proposition 301 monies stabilized, the flow of dollars into the classroom has stabilized as well. After a 4-year total increase of approximately \$968 million of Proposition 301 monies, the state classroom dollar percentage has increased less than 1 percentage point, and still lags about 3 points behind the national average.

**Table 3: Total Current Expenditures, Classroom Dollar Percentage, and Proposition 301 Monies Fiscal Years 2001 through 2005 (in millions)**

	2001	2002	2003	2004	2005
<b>Total Current Expenditures<sup>1</sup></b>	\$3,921	\$4,707	\$5,073	\$5,403	\$5,766
<b>Proposition 301 Monies Received</b>	\$ 0	\$ 251	\$ 236	\$ 232	\$ 249
<b>Proportion of Proposition 301 Monies to Total Current Expenditures</b>	0.0%	5.3%	4.7%	4.3%	4.3%
<b>Classroom Dollar Percentage</b>	57.7%	58.2%	58.6%	58.6%	58.4%

<sup>1</sup> Total Current Expenditures are those incurred for school districts' day-to-day operations. They exclude costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs, such as adult education and community service, that are outside the scope of preschool through grade 12 education.

Source: Auditor General staff analysis of fiscal year 2005 school district Annual Financial Reports provided by the Arizona Department of Education, and summary accounting data provided by individual school districts, and prior years' Classroom Dollars reports of the Arizona Office of the Auditor General.

Although the addition of Proposition 301 monies has helped to raise the state-wide average to 58.4 percent, the average could have been higher still. If districts had spent their fiscal year 2005 non-Proposition 301 monies in the same proportions as they did in fiscal year 2001, the additional Proposition 301 monies would have raised the state-wide average to 59.3 percent. However, most districts spent proportionately less of their other monies in the classroom.

## Comparable states had higher classroom dollar percentages

Arizona's comparatively low classroom dollar percentage is not explained by low per-pupil spending or other factors auditors examined. Using NCES expenditure and other available state-level data as well as district-level data for approximately 15,000

public school districts in the U.S., auditors examined several factors that might explain Arizona’s relatively low classroom dollar percentage.<sup>1</sup> This was accomplished by creating ten-state peer groups to analyze potentially significant factors, such as total spending per pupil, district size, state population growth, and average state per capita income.

Arizona’s low classroom dollar percentage not explained by low per-pupil spending—As similarly reported in previous years, Arizona’s low per-pupil spending does not appear to explain its relatively low percentage spent in the classroom. In fiscal year 2003, the most recent year for which data is available nationally, Arizona spent \$6,048 per pupil, ranking 48th in per-pupil total current expenditures. When compared to the ten other lowest-spending states, which spent an average of \$6,078 per pupil, Arizona’s classroom dollar percentage is still below the 60.9 percent average for this peer group, as shown in Table 4.

**Table 4:** Comparison of NCES-Reported Expenditures for Ten Lowest-Spending States, Excluding Arizona Fiscal Year 2003

<b>State</b>	<b>Total Current Expenditures Per Pupil</b>	<b>Current Instruction Expenditures Per Pupil</b>	<b>Classroom Dollars Percentage</b>
South Dakota	\$6,547	\$3,836	58.6%
Arkansas	6,482	3,961	61.1
Florida	6,439	3,786	58.8
Alabama	6,300	3,812	60.5
Tennessee	6,118	3,933	64.3
Nevada	6,092	3,812	62.6
Oklahoma	6,092	3,528	57.9
Idaho	6,081	3,721	61.2
Mississippi	5,792	3,466	59.8
Utah	4,838	3,103	64.1
<b>Average of the 10 lowest states' averages (2003)</b>	<b>\$6,078</b>	<b>\$3,696</b>	<b>60.9%</b>
<b>Arizona (2003)</b>	<b>\$6,048</b>	<b>\$3,545</b>	<b>58.6%</b>
<b>Arizona (2005)</b>	<b>\$6,500</b>	<b>\$3,794</b>	<b>58.4%</b>

Source: Auditor General staff analysis of fiscal years 2003 and 2005 school district Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and NCES "Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2002-03," October 2005.

<sup>1</sup> NCES collects data on all districts nation-wide; auditors excluded special purpose districts, such as regional service agencies and charter schools, leaving approximately 15,000 public school districts.

Arizona's low classroom dollar percentage not explained by other factors—Several factors, including district size, state population growth, state poverty, and per capita income level, were not significantly related to classroom spending on the national level. As shown in Table 5, four different state

**Table 5:** Average Classroom Dollar Percentages and Factor Values for U.S., Arizona, and Various 10-State Peer Groups Fiscal Year 2003

Factors	Peer Group Classroom Dollars Percentage	Average Factor Value		
		Peer Group	Arizona	U.S.
District Size	61.1%	1,345	1,198	1,077
Population Growth (2000-2003)	61.4	6.3%	8.7%	3.0%
Poverty Rate	61.5	17.7%	17.7%	15.3%
Per Capita Income	61.6	\$27,024	\$27,199	\$31,484
U.S. average (2003)	61.3			
Arizona (2003)	58.6			
Arizona (2005)	58.4			

Source: Auditor General staff analysis of fiscal years 2003 and 2005 school district Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and NCES "Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2002-03," October 2005 and Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

peer groups, each selected to be comparable to Arizona in the following factors, on average, still had classroom dollar percentages very near or above the national average:

- District size**—Although the classroom dollar percentage is generally found to increase along with district size within Arizona, district size was not found to be significantly related to classroom spending at the national level. Specifically, the 10 states with median district sizes similar to Arizona spent an average of 61.1 percent of their dollars in the classroom, 2.7 percentage points higher than Arizona. One of the other lowest-spending states (shown in Table 4 on page 9), Idaho, was also in this group.
- High population growth**—The 10 states with population growth comparable to that in Arizona spent 61.4 percent of their dollars in the classroom; on average, 3 percentage points higher. Like Arizona, several of these high-growth states had low per-pupil expenditures. Between 2000 and 2003, Arizona and four of the other lowest-spending states had population growth

rates approximately two to four times the national average rate of 3 percent.<sup>1</sup> To a degree, their student enrollments related to this growth may have outpaced the states' education spending levels, contributing to low overall per-pupil expenditures. This might help explain why Arizona's per-pupil expenditures are low relative to most other states, but it does not explain Arizona's low classroom dollar percentage.

- **Poverty rates and per capita income**—Similarly, on average, states with poverty rates and per capita income levels comparable to Arizona spend dollars in the classroom at rates above the national average. As with high population growth, while per capita income may not be related to a state's classroom dollar percentage, it may be related to per-pupil spending, on average. The six other lowest-spending states listed in Table 4 (see page 9) that did not have high population growth had high poverty rates and low per capita income levels, relative to the national averages.

## Arizona's nonclassroom spending is higher for plant costs, food service, and student support services, but lower for administration

State-wide, about 42 percent of Arizona school districts' current dollars are not spent in the classroom. As shown in Table 6, compared with the national average, Arizona districts spend a larger portion of their current dollars on plant operation and maintenance, student support services, and food services, and spend less on administration. The national data used for the analysis is fiscal year 2003, the most recent available from NCES summarizing functional expenditures. Arizona's 2003 data from the Auditor General's fiscal year 2003 *Dollars Spent in the Classroom* report is also shown for comparison purposes.

**Table 6:** Comparison of Arizona Districts' Spending To National Average, by Functional Area Fiscal Years 2003 and 2005

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

Source: Auditor General staff analysis of fiscal years 2003 and 2005 school district Annual Financial Reports provided by the Arizona Department of Education, summary accounting data provided by individual school districts, and NCES "Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2002-03," October 2005.

**Plant operation and maintenance costs**—Arizona school districts continue to allocate a significantly larger percentage of their dollars to plant operation and maintenance costs than the national average. Plant costs include expenditures for

<sup>1</sup> Nevada, Utah, Florida, and Idaho experienced population growth rates of 12.2%, 6.5%, 6.3%, and 5.7%, respectively.

the care and upkeep of buildings, grounds, and equipment; utilities; and security. For fiscal year 2005, this category accounted for 11.4 percent of current expenditures in Arizona school districts, which is about 2 percentage points higher than the national average.

Arizona's high plant maintenance and operation cost percentage may be related to its higher-than-average percentage spent on supplies, which includes energy costs. Arizona's energy and other supply costs account for more than half of the difference between the national and state percentages.

**Student support services**—Arizona school districts allocate a significantly larger percentage of their dollars to student support services than the national average. This category includes student attendance, guidance, and health-related costs. Student support services accounted for 7 percent of Arizona school districts' fiscal year 2005 current expenditures, 1.8 percentage points higher than the national average. Arizona's higher proportion spent on student support service salaries accounts for over half of this difference. According to the fiscal year 2003 data collected as part of NCES' *Schools and Staffing Survey*, Arizona student support staff average 95 students for each full-time equivalent (FTE) employee, while the national average is 167 students.

**Food services**—Arizona school districts also allocate a larger percentage of their dollars to food service costs than the national average. Food service includes expenditures for preparing, delivering, and serving regular and incidental meals and snacks in connection with school activities. For fiscal year 2005, this category accounted for 4.8 percent of current expenditures in Arizona school districts, while the national average is 3.9 percent. Arizona's higher food service allocation may be related to its higher-than-average participation in the National School Lunch Program. As shown by the Auditor General's special study, *Arizona's Participation in the National School Lunch Program*, a greater proportion of Arizona students who are eligible for free or reduced-price meals typically eat school lunches. Since Arizona ranks among the states with the highest percentage of students in the Program, Arizona may serve more meals per student than other states, on average, or incur additional costs for participating in the Program, such as collecting and processing more school lunch program applications. Serving more meals per pupil would increase the proportion being spent on food service. In fact, the 10 states with similarly high percentages of free- or reduced-eligible students allocate 5.4 percent, on average, to food service.

**Administrative costs**—One area in which Arizona school districts, on a state-wide basis, allocate a smaller percentage of their dollars than the national average is administration. Administrative costs are those associated with a district's governing board, superintendent, and school principal offices, and its business and central support services. Although similar to the national average in fiscal year 2001, Arizona school districts' administrative costs have continued to decline during the past few years. In fiscal year 2001, Arizona districts spent 10.5 percent

of their dollars on administration while the national average was 10.9 percent. In fiscal year 2005, this category consumed only 9.5 percent of each current dollar in Arizona. The lower percentage spent on administration may be due to Arizona administrators serving more students. According to the fiscal year 2003 data collected as part of NCES' *Schools and Staffing Survey*, Arizona administrators serve 35 percent more students for each administrative full-time equivalent (FTE) employee than the national average.

## More than half of districts' classroom dollar percentages declined, with most still clustering around the state average

During fiscal year 2005, nearly two-thirds of Arizona school districts were within 5 percentage points of the state average. As the slightly lower state-wide average also reflects, more than half of the districts spent a smaller percentage in the classroom than they did the previous year.

### Most Arizona districts close to state average for classroom spending

percentage—For the 208 elementary, union high, and unified districts for which a percentage was calculated, individual district classroom dollar percentages ranged from 34 to 86 percent in fiscal year 2005. However, nearly two-thirds, or 138 districts, are within 5 percentage points of the state average, and more than one-quarter, or 61 districts, are within 2 percentage points. Table 7 groups the districts in comparison to the state-wide average.

**Table 7:** Districts Grouped by Percentage of Dollars Spent in the Classroom Fiscal Year 2005

Compared to State Average	Percentage Range	Number of Districts
More than 5% above	> 63.4%	12
2.1% to 5% above	60.5-63.4%	24
2% above to 2% below	56.4-60.4%	61
2.1 to 5% below	53.4-56.3%	53
5.1 to 10% below	48.4-53.3%	37
More than 10% below	< 48.4%	21

Source: Auditor General staff analysis of fiscal year 2005 school district Annual Financial Reports provided by the Arizona Department of Education and summary accounting data provided by individual school districts.

Many of the districts furthest from the average are very small districts (fewer than 200 students) or special purpose districts. The very small districts are among the highest (86 percent) and lowest (34 percent) classroom dollar percentages in the State and, as a group, they tend to be skewed to one or the other of these extremes. This is often the case because their unique circumstances have a marked effect on nonclassroom

expenditures. For example, a very small district may have very low administrative costs because the county school superintendent provides most of its administrative services, or it may not operate a food service program. On the other hand, very small districts that have their own administrative staff and/or operate a food service program have exceptionally high per-pupil administrative or food service costs because they have very few students over which to spread the costs. As a result, administrative costs for these very small districts ranged between \$0 and \$9,135 per pupil, and their food service costs ranged between \$0 and \$3,270 per pupil. Special purpose districts, such as accommodation districts and joint technological education districts, many of which do not operate their own campuses, also have a wide range of classroom dollar percentages (from 0.0 percent to 67 percent). These very small and special purpose districts are included in calculating the state-wide classroom dollar percentage, but are excluded from our further analysis.

Over half of the districts analyzed spent a smaller percentage of dollars in the classroom—Although many districts continued to spend a similar percentage of dollars in the classroom as they did the previous fiscal year, 85 districts (55 percent of those analyzed) spent a smaller percentage of dollars in the classroom in fiscal year 2005. Districts with declining classroom dollar percentages typically increased their administrative costs and instructional support services, while districts increasing their classroom dollar percentages typically spent a smaller proportion on plant costs, administrative costs, and instructional support services. The districts that changed the most were, on average, much smaller than districts with more stable classroom dollar percentages. Relatively small changes in yearly expenditures and one-time costs can have a significant impact on smaller districts' classroom dollar percentages. For example, a small district in Pima County made a one-time expenditure of \$200,000 for information technology consultants in fiscal year 2005, which resulted in its classroom dollar percentage decreasing by more than 5 percentage points.

## Factors associated with higher or lower classroom spending

Within Arizona, certain factors were associated with higher or lower percentages of classroom spending. One factor, the number of students in a district, was positively related to dollars being spent in the classroom. That is, as district size increases, so does the classroom dollar percentage, on average. Conversely, cost factors identified in previous fiscal years continue to be associated with lower percentages. In fiscal year 2005, the factors with the strongest negative relationships are plant operation and maintenance, administration, student support services, and transportation costs. As these costs increase, the percentage of dollars spent in the classroom decreases, on average.

Larger district size associated with higher classroom dollar percentages—Generally, the more students a district has, the higher the percentage it spends in the classroom. As shown in Table 8 and as found in previous fiscal years’ analyses, the classroom dollar percentage increases as the number of students in a district increases.

**Table 8: Average Classroom Dollar Percentages of Districts Grouped by Size Fiscal Year 2005**

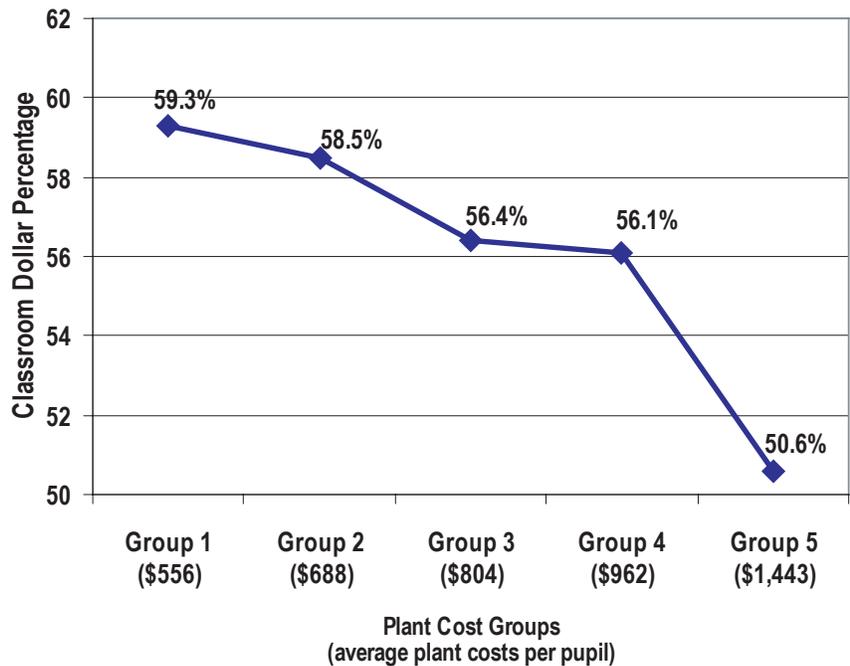
District Size	Number of Districts	Number of Students	Average Classroom Dollar Percentage
Very Large	10	20,000 or more	60.9%
Large	35	5,000-19,999	58.4
Medium	78	600-4,999	55.3
Small	31	200-599	54.3
Very Small	54	Less than 200	54.7

Source: Auditor General staff analysis of fiscal year 2005 school district Annual Financial Reports provided by the Arizona Department of Education and summary accounting data provided by individual school districts.

This increase in classroom dollar percentage may occur because larger districts can spread fixed noninstructional costs over more students, leaving additional dollars to spend in the classroom. For example, both large and small districts generally provide facilities such as gymnasiums for students. The large districts can spread the costs associated with operating these facilities over more students. In fact, small districts maintain almost twice the square footage per student as large and very large districts, on average. Further, small districts are typically rural and in fiscal year 2005, rural districts transported their students 25 percent farther than nonrural districts. In each of the following sections on noninstructional cost groups, the high-cost districts were typically small.

Higher plant costs associated with lower classroom dollar percentages—As per-pupil spending on plant operation and maintenance increases, the classroom dollar percentage decreases, on average. Auditors ranked districts by per-pupil plant costs and then divided this ranking into five equal-numbered groups, with Group 1 having the lowest per-pupil plant costs and Group 5 having the highest. Figure 3 (see page 16) shows the average classroom dollar percentages for these five groups. The group with the lowest per-pupil plant costs (averaging \$556) had the highest classroom dollar percentage (59.3 percent), while the group with the highest per-pupil plant costs (averaging \$1,443) had the lowest classroom dollar percentage (50.6 percent).

Figure 3: Classroom Dollar Percentages by Plant Cost Groups  
Fiscal Year 2005



Source: Auditor General staff analysis of fiscal year 2005 School District Annual Financial Reports provided by the Arizona Department of Education and summary accounting data provided by individual school districts.

Analysis of the districts in the lowest and highest per-pupil plant groups showed these two groups continue to differ in a number of characteristics. Compared to districts in the lowest per-pupil cost group, districts in the highest-cost group are:

- **Located at higher elevations with colder temperatures**—The average elevation for high-cost districts was 4,233 feet, compared to the low-cost districts' average of 1,789 feet. The 60-degree average annual temperature for these high-cost districts was 10 degrees cooler than the low-cost districts' 70-degree average.
- **Operating and maintaining older buildings**—High-cost districts' buildings were more than 5 years (32 percent) older, on average. For this comparison, the age of each building was weighted by its proportion of the district's total square footage.
- **Serving more high school students**—87 percent of the high-cost districts were high school or unified, whereas 61 percent of the low-cost districts were elementary. This is probably due to high schools incurring costs for

maintaining specialized facilities such as football fields, swimming pools, vocational classrooms, and science laboratories.

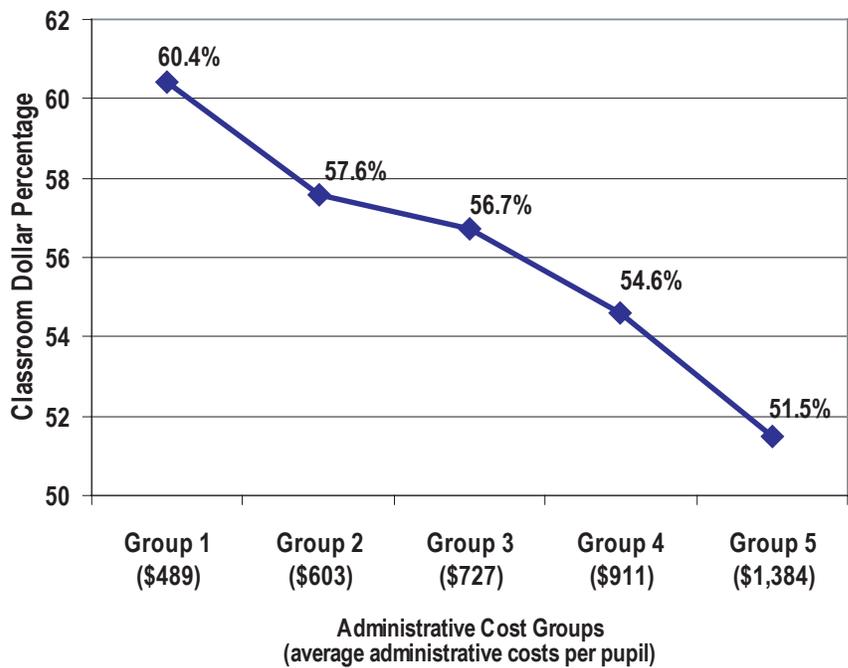
- **Providing more building space per pupil**—High-cost districts provided over 60 percent more square footage per pupil (181 square feet) as the low-cost districts (111 square feet). State requirements for square footage per pupil, established in 1999, range from 80 to 125 square feet, depending on school size and grades served.

**Higher administrative costs associated with lower classroom dollar**

**percentages**—As per-pupil spending on administration increases, the classroom dollar percentage decreases, on average. Auditors ranked districts by per-pupil costs for administration and then divided this ranking into five equal-numbered groups, with Group 1 having the lowest per-pupil administrative costs and Group 5 having the highest. Figure 4 shows the average classroom dollar percentages for these five groups. The group with the lowest per-pupil administrative costs (averaging \$489) had the highest classroom dollar percentage (60.4 percent), while the group with the highest per-pupil administrative costs (averaging \$1,384) had the lowest classroom dollar percentage (51.5 percent).

Compared to districts in the lowest per-pupil cost group, districts in the highest-cost group served only 44 students per administrative position, while the low-cost districts served 77 students per administrative position.<sup>1</sup>

Figure 4: Classroom Dollar Percentages by Administrative Cost Groups Fiscal Year 2005

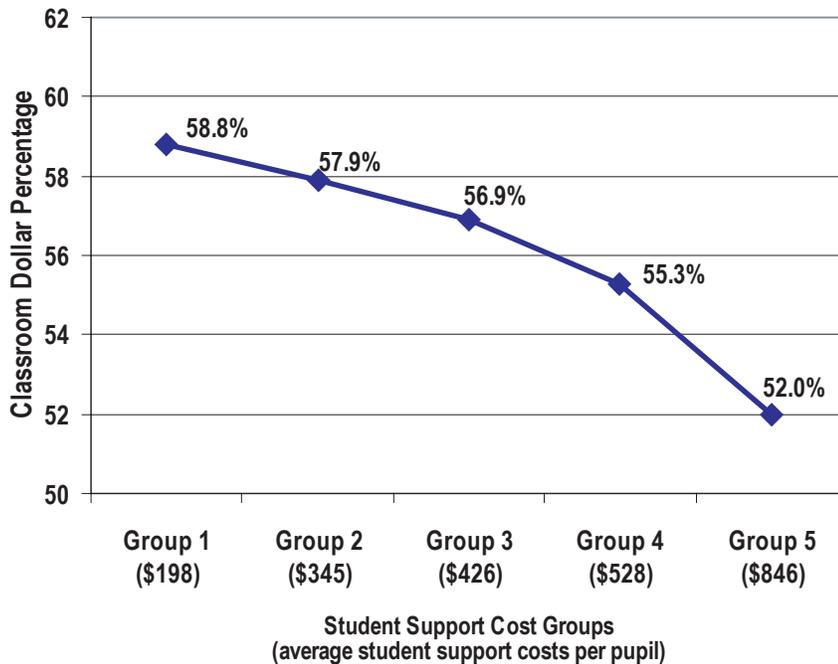


Source: Auditor General staff analysis of fiscal year 2005 School District Annual Financial Reports provided by the Arizona Department of Education and summary accounting data provided by individual school districts.

<sup>1</sup> Administrative positions are based on a "full-time equivalent" calculation.

Higher student support service costs associated with lower classroom dollar percentages—As per-pupil spending on student support services increases, the classroom dollar percentage decreases, on average. Auditors ranked districts by per-pupil costs for student support services and then divided this ranking into five equal-numbered groups, with Group 1 having the lowest per-pupil student support service costs and Group 5 having the highest. Figure 5 shows the average classroom dollar percentages for these five groups. The group with the lowest per-pupil student support service costs (averaging \$198) had the highest classroom dollar percentage (58.8 percent), while the group with the highest per-pupil student support service costs (averaging \$846) had the lowest classroom dollar percentage (52 percent).

Figure 5: Classroom Dollar Percentages by Student Support Cost Groups Fiscal Year 2005



Source: Auditor General staff analysis of fiscal year 2005 School District Annual Financial Reports provided by the Arizona Department of Education and summary accounting data provided by individual school districts.

As with the other noninstruction areas, the groups with the highest and lowest per-pupil student support costs also differed in certain characteristics. Compared to districts in the lowest per-pupil cost group, districts in the highest-cost group are:

- **Serving more at-risk students**—According to 2005 Census Bureau estimates, 34 percent of the students in high-cost districts live in poverty, compared to 21 percent of those in low-cost districts. On a per-pupil basis, high-cost districts also spend almost eight times more federal and state grant money on student support services than low-cost districts do. These grants include programs such as Title 1 for the disadvantaged and IDEA for children with disabilities, which are, at least in part, earmarked for student support-type activities.
- **Employing more guidance counselor and social worker staff to meet at-risk student needs**—The high-cost districts have more than twice the number of guidance counselors who serve 580 students per position, while the low-cost districts' guidance counselors serve 1,027 students per position. The high-cost and low-cost districts have about the same number of social worker positions, but the high-cost district employees serve 1,712 students per

position while the low-cost district employees serve 3,410 students per position, nearly twice as many.

- **Serving more high school students**—77 percent of the high-cost districts were high school or unified, whereas 52 percent of the low-cost districts were elementary. This is likely due to high schools having more counselors who provide career guidance to high school students.

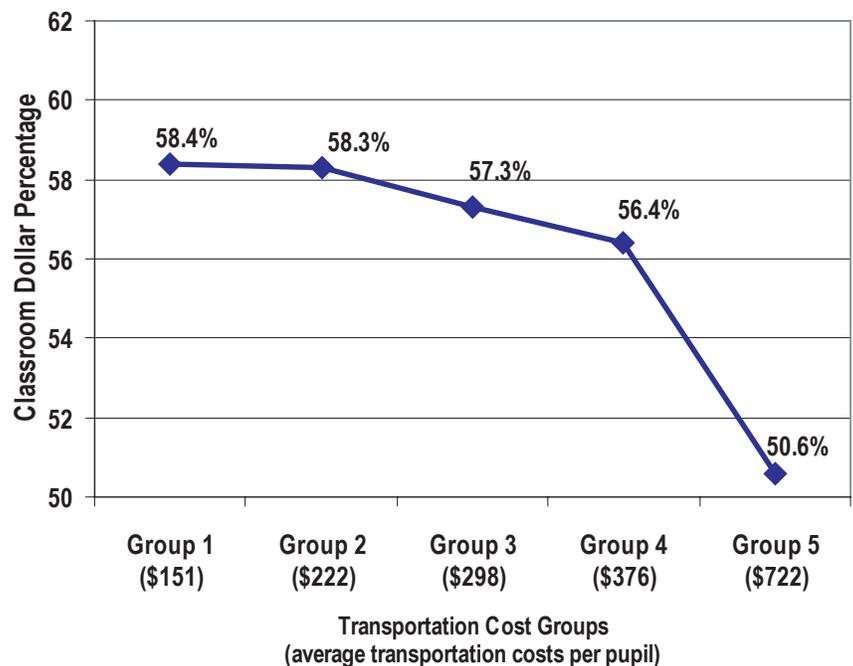
**Higher transportation costs associated with lower classroom dollar percentages**

—As per-pupil spending on transportation increases, the classroom dollar percentage decreases, on average. Auditors ranked districts by per-pupil costs for transportation and then divided this ranking into five equal-numbered groups, with Group 1 having the lowest per-pupil transportation costs and Group 5 having the highest. Figure 6 shows the average classroom dollar percentages for these five groups. The group with the lowest per-pupil transportation costs (averaging \$151) had the highest classroom dollar percentage (58.4 percent), while the group with the highest per-pupil transportation costs (averaging \$722) had the lowest classroom dollar percentage (50.6 percent).

As with other noninstructional costs, the groups with the highest and lowest per-pupil transportation costs also differed in certain characteristics. Compared to districts in the lowest per-pupil cost group, districts in the highest-cost group are:

- **Transporting students farther**—On average, the high-cost districts transport each rider 454 miles per year, over two and one-half times farther than the low-cost districts, which averaged 165 miles per year.
- **Transporting higher percentage of student population**—The high-cost districts transport, on average, 89 percent of the student population, compared to 34 percent for low-cost districts.

Figure 6: Classroom Dollar Percentages by Transportation Cost Groups Fiscal Year 2005



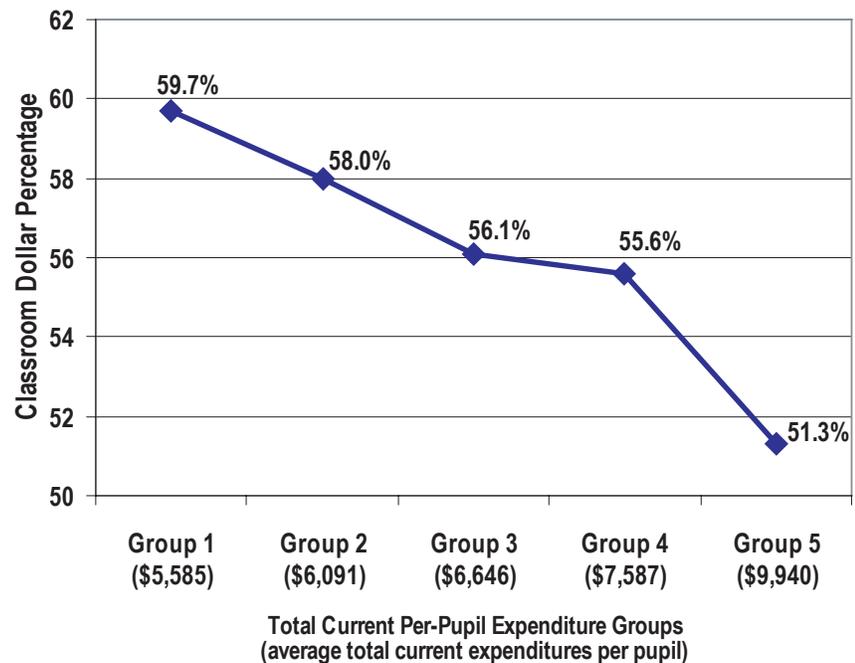
Source: Auditor General staff analysis of fiscal year 2005 School District Annual Financial Reports provided by the Arizona Department of Education and summary accounting data provided by individual school districts.

## Higher per-pupil spending does not equate to higher classroom dollar percentages

Districts that spend the most per pupil have lower classroom dollar percentages, on average. These districts continue to allocate a greater percentage of their total resources to administration, transportation, student support services, and plant costs. Higher per-pupil spending may be related to lower classroom dollar percentages for several reasons, including costs outside the district's control, inefficient operation of noninstructional areas, and the availability of additional funding.

**High-spending districts spend a lower percentage of dollars in the classroom**—As total current expenditures per pupil increase, the dollars per pupil spent in the classroom also increase, on average. However, the proportion of available resources being spent in the classroom decreases, on average. Figure 7 shows the average classroom dollar percentages for groups of districts ranked by their per-pupil total current expenditures and then sorted into five equal-numbered groups. As shown, the group with the highest total per-pupil spending (averaging \$9,940) had the lowest classroom dollar percentage (51.3 percent). For the high-spending districts, the additional monies flow into the classroom at a lower rate.

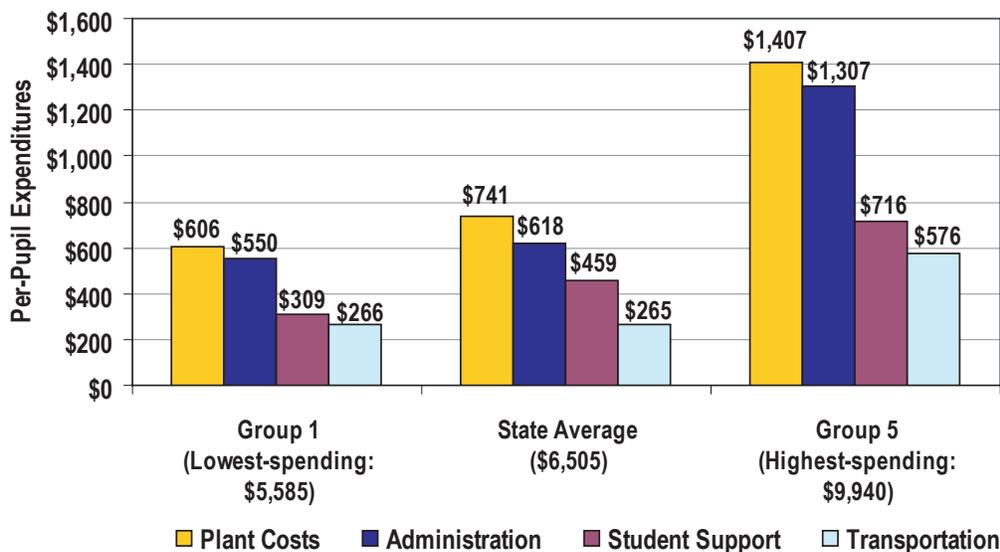
Figure 7: Classroom Dollar Percentages by Total Current Per-Pupil Expenditure Groups Fiscal Year 2005



Source: Auditor General staff analysis of fiscal year 2005 School District Annual Financial Reports provided by the Arizona Department of Education and summary accounting data provided by individual school districts.

High-spending districts spend significantly more of their resources outside the classroom—As seen in Figure 8, while the lowest-spending districts spend their noninstructional dollars at rates similar to the state-wide averages, the highest-spending districts spend significantly more on plant, administration, student support, and transportation costs. Specifically, when compared to the lowest-spending districts, the highest-spending districts spent, on average, \$801 more per pupil on plant costs, \$757 more per pupil on administration, \$407 more per pupil on student support, and \$310 more per pupil on transportation; more than twice as much per pupil in each category.

Figure 8: Per-Pupil Spending on Certain Noninstructional Cost Areas by Low- and High-Spending Districts and State Average Fiscal Year 2005



Source: Auditor General staff analysis of fiscal year 2005 School District Annual Financial Reports provided by the Arizona Department of Education and summary accounting data provided by individual school districts.

High noninstructional spending may or may not be within district control—The negative relationship between total spending per pupil and classroom dollar percentages has several possible explanations. They include the following:

- District location and student population outside of district control**—Highest-spending districts tend to be small, rural, and/or have declining student enrollment. About 61 percent of the highest-spending districts operate in rural locations, while only 16 percent of the lowest-spending districts are rural. One reason districts in rural areas may incur higher noninstructional costs is because they tend to transport their riders longer distances, a factor

associated with higher transportation costs. Also, 52 percent of the highest-spending districts are small, whereas only 3 percent of the lowest-spending districts are.<sup>1</sup> Smaller districts have fewer students over which to spread their fixed costs. In addition, the highest-spending districts experienced a 1.3 percent decline in student population from fiscal year 2004, compared to a 13.4 percent increase for the lowest-spending group, on average. These year-to-year changes in student population, especially at small districts, can significantly affect per-pupil costs.

- **Inefficient operations within district control**—Inefficient operation of noninstructional areas, such as those that have been identified by the Auditor General’s performance audits of individual school districts (see text box), can result in higher expenditures outside the classroom, and thus, lower classroom dollar percentages. In fiscal year 2005, auditors identified the following types of inefficient operations that may have contributed to lower classroom dollar percentages: high administrative staffing levels, lack of proper bidding likely resulting in higher vendor costs, inefficient bus routes resulting in low bus capacity utilization, and maintaining excessive amounts of unneeded building space.

#### Examples of Performance Audit recommendations

District staff should review and monitor:

**Administrative staffing levels** at district and schools, to reduce salary and benefit costs

**Costs per meal and meals per labor hour**, to identify and reduce high-cost areas

**Meal prices**, to determine adequacy in recovering program costs

**Food service contract terms**, such as requiring the vendor to break even or generate a profit for the district

**Cost per mile, cost per rider, miles per rider, and bus capacity utilization**, to identify inefficiencies and reduce transportation costs

**Transportation contract service terms**, to minimize built-in cost escalators and clarify billable time

**Cost per square foot**, to identify and reduce high electricity, water, and sewage costs.

<sup>1</sup> For the total 154 districts analyzed, 35 percent are in rural locations and 20 percent are small.

- **Additional revenue sources**—Higher-spending districts have more total revenues to spend. How these additional revenues are spent is within district control to varying degrees, depending on the revenue source.

On average, districts with high per-pupil total expenditures receive more federal and state grants, federal impact aid, budget overrides, small school budget adjustments, and/or rapid decline budget adjustments than lower-spending districts. The highest-spending districts spent more than three times the amount per pupil from federal and state grants, and on average, increased their Maintenance and Operation Fund budget capacity by nearly 25 percent through desegregation, federal impact aid, budget overrides, rapid decline adjustments, and/or small school adjustments. In contrast, none of the lowest-spending districts had desegregation or small school budget adjustments, and only one had a rapid decline adjustment. Also, none received significant additional monies through federal impact aid adjustments. Districts have significant control over whether monies from federal impact aid, budget overrides, small school budget adjustments, and rapid decline budget adjustments are spent in the classroom and less control over whether federal and state grants are spent in the classroom.

Ultimately, because these districts have more revenues to spend, they are able to spend above the state average for per-pupil classroom expenditures, and still have sufficient revenues to support higher-than-average expenditures for nonclassroom purposes, resulting in a lower-than-average classroom dollar percentage.

## Individual district percentages

Table 9 (see pages 24 through 26) lists the fiscal year 2005 classroom dollar percentages for each of the 208 districts grouped by size, 10 accommodation districts, and 10 joint technological education districts. For further information, see the attached Appendix, which provides alphabetically organized one-page summaries for each district. Along with other information, these pages show each district's comparative classroom dollar ranking from 1 (highest) to 228 (lowest).

### Additional Revenue Sources

**Federal and State Grants**—Monies provided above and beyond district basic funding that are generally provided for specific purposes.

**Federal Impact Aid**—Additional federal monies provided to districts that have been impacted by the presence of tax-exempt federal lands or the enrollment of students living on federal lands, such as military bases and reservations.

**Budget Overrides**—Allow districts, with voter approval, to increase their expenditure budgets by a specified amount.

**Small School Budget Adjustment**—Allows districts with very few students to increase their expenditure budgets.

- Grades K-8 with 125 or fewer students
- Grades 9-12 with 100 or fewer students

**Rapid Decline Budget Adjustment**—Allows districts experiencing at least a 5 percent decline in student population to increase their expenditure budgets by a specified amount.

Source: Auditor General staff summary of the *Uniform System of Financial Records for Arizona School Districts* and Title 8 of the Elementary and Secondary Education Act of 1965.

**Table 9: Districts Grouped by Size (Average Daily Membership) and Ranked by Percentage of Dollars Spent in the Classroom<sup>1</sup> Fiscal Year 2005**

<b>Very Large (20,000+)</b>	<b>Average = 60.9%</b>	<b>Large (Concl'd)</b>	
Chandler Unified School District	63.7%	Nogales Unified School District	54.9%
Mesa Unified School District	63.3%	Yuma Union High School District	54.6%
Paradise Valley Unified School District	63.0%	Yuma Elementary School District	54.5%
Gilbert Unified School District	63.0%	Casa Grande Elementary School District	54.5%
Scottsdale Unified School District	62.3%	Apache Junction Unified School District	53.3%
Deer Valley Unified School District	61.9%		
Washington Elementary School District	60.8%	<b>Medium (600-4,999)</b>	<b>Average = 55.3%</b>
Peoria Unified School District	60.0%	Willcox Unified School District	62.8%
Tucson Unified School District	55.4%	Liberty Elementary School District	62.4%
Phoenix Union High School District	55.3%	Toltec Elementary School District	62.3%
		Blue Ridge Unified School District	62.1%
<b>Large (5,000-19,999)</b>	<b>Average = 58.4%</b>	Buckeye Elementary School District	61.4%
Higley Unified School District	65.4%	Thatcher Unified School District	61.1%
Kyrene Elementary School District	64.3%	Bullhead City Elementary School District	60.9%
Avondale Elementary School District	63.9%	Fowler Elementary School District	60.3%
Alhambra Elementary School District	61.8%	Douglas Unified School District	60.0%
Cartwright Elementary School District	61.6%	Florence Unified School District	59.9%
Lake Havasu Unified School District	61.1%	Pima Unified School District	59.6%
Flowing Wells Unified School District	60.7%	Globe Unified School District	59.4%
Humboldt Unified School District	60.5%	Payson Unified School District	59.3%
Prescott Unified School District	60.5%	Madison Elementary School District	59.3%
Tolleson Union High School District	59.9%	Ray Unified School District	59.2%
Cave Creek Unified School District	59.7%	Show Low Unified School District	59.1%
Litchfield Elementary School District	59.6%	Chino Valley Unified District	58.7%
Glendale Union High School District	59.4%	Catalina Foothills Unified School District	58.4%
Pendergast Elementary School District	58.9%	Snowflake Unified School District	58.4%
Tempe Union High School District	58.9%	Morenci Unified School District	58.3%
Marana Unified School District	58.8%	Colorado River Union High School District	58.2%
Vail Unified School District	58.5%	Littleton Elementary School District	58.2%
Roosevelt Elementary School District	58.2%	Santa Cruz Valley Unified School District	58.2%
Flagstaff Unified School District	57.9%	Mingus Union High School District	58.1%
Creighton Elementary School District	57.8%	Safford Unified School District	58.1%
Sunnyside Unified School District	57.8%	Wilson Elementary School District	58.0%
Dysart Unified School District	57.4%	Mohave Valley Elementary School District	58.0%
Crane Elementary School District	57.4%	Benson Unified School District	57.8%
Phoenix Elementary School District	57.1%	Miami Unified School District	57.7%
Amphitheater Unified School District	56.9%	Tanque Verde Unified School District	57.6%
Sierra Vista Unified School District	56.8%	Wickenburg Unified School District	57.3%
Kingman Unified School District	56.7%	Tolleson Elementary School District	57.2%
Tempe Elementary School District	55.9%	Balsz Elementary School District	57.2%
Isaac Elementary School District	55.5%	Queen Creek Unified School District	57.1%
Glendale Elementary School District	55.2%	Williams Unified School District	56.9%

<sup>1</sup> Accommodation and Joint Technological Education Districts are grouped separately.

Table 9 (Cont'd)

**Medium (Concl'd)**

Winslow Unified School District	56.8%
Fountain Hills Unified School District	56.5%
Tombstone Unified School District	56.2%
J. O. Combs Elementary School District	56.2%
Mammoth-San Manuel Unified School District	56.2%
Maricopa Unified School District	55.8%
Sahuarita Unified School District	55.8%
Murphy Elementary School District	55.7%
Holbrook Unified School District	55.6%
Nadaburg Elementary School District	55.6%
Camp Verde Unified School District	55.4%
St. Johns Unified School District	55.2%
Parker Unified School District	55.1%
Round Valley Unified School District	55.1%
Palominas Elementary School District	54.3%
Coolidge Unified School District	54.3%
Cottonwood-Oak Creek Elementary School District	53.9%
Riverside Elementary School District	53.8%
Whiteriver Unified School District	53.6%
Casa Grande Union High School District	53.3%
Saddle Mountain Unified School District	53.1%
Sedona-Oak Creek Joint Unified School District	52.7%
San Carlos Unified School District	52.5%
Buckeye Union High School District	52.1%
Window Rock Unified School District	52.0%
Bisbee Unified School District	51.4%
Agua Fria Union High School District	51.3%
Page Unified School District	51.3%
Eloy Elementary School District	51.3%
Chinle Unified School District	51.1%
Laveen Elementary School District	50.7%
Somerton Elementary School District	50.7%
Indian Oasis-Baboquivari Unified School District	49.6%
Osborn Elementary School District	49.1%
Sanders Unified School District	49.0%
Stanfield Elementary School District	48.9%
Gadsden Elementary School District	48.6%
Tuba City Unified School District	47.7%
Altar Valley Elementary School District	47.5%
Kayenta Unified School District	46.9%
Pinon Unified School District	45.8%
Red Mesa Unified School District	43.9%
Ganado Unified School District	43.5%

**Small (200-599)**

Naco Elementary School District	65.3%
Beaver Creek Elementary School District	63.9%
Clarkdale-Jerome Elementary School District	62.5%
Fredonia-Moccasin Unified School District	62.4%
Wellton Elementary School District	62.3%
Continental Elementary School District	59.6%
Ash Fork Joint Unified School District	58.9%
St. David Unified School District	58.8%
Gila Bend Unified School District	57.3%
Duncan Unified School District	57.1%
Littlefield Unified School District	55.6%
Joseph City Unified School District	55.0%
Ajo Unified School District	55.0%
Ft. Thomas Unified School District	54.5%
Picacho Elementary School District	54.1%
Superior Unified School District	53.8%
Sacaton Elementary School District	53.7%
Mayer Unified School District	53.7%
Grand Canyon Unified School District	53.7%
Antelope Union High School District	53.7%
Mohawk Valley Elementary School District	53.6%
Heber-Overgaard Unified School District	51.7%
Hayden-Winkelman Unified School District	50.3%
Union Elementary School District	49.6%
Santa Cruz Valley Union High School District	49.6%
Palo Verde Elementary School District	49.6%
Bagdad Unified School District	49.5%
Oracle Elementary District	48.7%
Quartzsite Elementary School District	48.2%
Cedar Unified School District	43.0%
Colorado City Unified School District	39.0%

**Average = 54.3%**

**Very Small (1-199)**

Blue Elementary School District	86.4%
Valentine Elementary School District	75.6%
Santa Cruz Elementary School District	70.4%
Sonoita Elementary School District	68.1%
Bonita Elementary School District	68.1%
Crown King Elementary School District	67.0%
Double Adobe Elementary School District	62.9%
Yucca Elementary School District	62.1%
Peach Springs Unified School District	60.6%
Young Elementary School District	60.2%

**Average = 54.7%**

Table 9 (Concl'd)

**Very Small (Cont'd)**

Owens-Whitney Elementary School District	59.6%
Patagonia Elementary School District	59.0%
Mcnary Elementary School District	58.8%
Bowie Unified School District	57.5%
Cochise Elementary School District	57.5%
Tonto Basin Elementary School District	56.2%
Hillside Elementary School District	56.0%
Congress Elementary School District	55.6%
Kirkland Elementary School District	55.6%
Red Rock Elementary School District	55.5%
Elfrida Elementary School District	55.4%
Valley Union High School District	55.4%
Solomon Elementary School District	55.1%
Aguila Elementary School District	55.1%
Hyder Elementary School District	55.1%
San Simon Unified School District	55.0%
Hackberry Elementary School District	55.0%
Pine Strawberry Elementary School District	54.8%
Topock Elementary School District	54.5%
Arlington Elementary School District	54.2%
Seligman Unified School District	53.9%
Yarnell Elementary School District	53.2%
Apache Elementary School District	53.2%
Pearce Elementary School District	52.4%
Pomerene Elementary School District	52.3%
Vernon Elementary School District	51.6%
Alpine Elementary School District	51.4%
Clifton Unified School District	51.1%
Maine Consolidated School District	50.7%
Skull Valley Elementary School District	49.6%
Bouse Elementary School District	49.6%
McNeal Elementary School District	49.2%
Canon Elementary School District	48.1%
Paloma Elementary School District	48.1%
Wenden Elementary School District	47.4%
Bicentennial Union High School District	47.4%
Concho Elementary School District	46.9%
Morristown Elementary School District	45.8%
Salome Consolidated Elementary School District	44.5%

**Very Small (Concl'd)**

Sentinel Elementary School District	42.7%
Ash Creek Elementary School District	42.6%
San Fernando Elementary School District	41.8%
Patagonia Union High School District	41.7%
Mobile Elementary School District	34.2%

**Accommodation Average = 46.7%**

Pima Accommodation School District	66.5%
Coconino County Regional Accommodation School District	63.9%
Ft. Huachuca Accommodation School District	60.4%
Yavapai Accommodation School District	53.1%
Rainbow Accommodation School District	51.6%
Pinal County Special Education Program	45.2%
Maricopa County Regional School District	44.7%
Mary C. O'Brien Accommodation School District	39.2%
Graham County Special Services District	39.2%
Santa Cruz County Regional School District	2.7%

**Joint Technological Education<sup>2</sup> Average = 16.9%**

East Valley Institute of Technology	56.9%
Cochise Technology School District	28.8%
Northern Arizona Vocational Institute of Technology	28.7%
Central Arizona Valley Institute of Technology	26.1%
Northeast Arizona Technological Institute of Vocational Education	10.4%
Valley Academy for Career and Technology Education	10.2%
Gila Institute for Technology	7.4%
Cobre Valley Institute of Technology District	0.7%
Coconino Association for Vocation Industry and Technology	0.0%
Western Maricopa Education Center	0.0%

<sup>2</sup> The percentages for Joint Technological Education Districts include only their direct expenditures and exclude monies passed through to their member school districts.

Source: Auditor General staff analysis of fiscal year 2005 school district Annual Financial Reports provided by the Arizona Department of Education and summary accounting data provided by individual school districts.

# CHAPTER 2

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## Districts' uses of Proposition 301 monies

School districts, charter schools, and state schools received about \$277 million of the total Proposition 301 monies collected in fiscal year 2005. As in prior years, school districts used Proposition 301 monies primarily to increase salaries of certified teachers and other employees they have defined as eligible. These monies continued to account for 1 percent to 25 percent of eligible employees' pay and ranged from \$486 to \$7,904, on average. Statutory changes made during the first regular session of the 2005 Legislature will require district governing boards to adopt future Proposition 301 performance pay plans at public meetings and to address specified elements, while previously no statutory guidelines were established.

### Background

In November 2000, voters approved Proposition 301, which increased the state sales tax by six-tenths of 1 percent for 20 years to fund educational programs. Under Arizona statutes, school districts receive only part of the Proposition 301 monies. Statutes define and prioritize nine education programs that receive Proposition 301 distributions before schools. As shown in Table 10 (see page 28), the Students FIRST Debt Service Fund receives the first allocation, the amount necessary to make annual debt service payments for outstanding state school facilities revenue bonds. The other prioritized distributions go to universities, community colleges, the Arizona Department of Education, and the State's General Fund. In fiscal year 2005, these other distributions accounted for about \$247 million of the \$538 million in available Proposition 301 monies, or 46 percent.

After all of these distributions, any remaining Proposition 301 sales tax collections go to the Classroom Site Fund (CSF) for allocation to public school districts, charter schools, and state schools for deaf, blind, and committed youth. In fiscal year 2005, sales tax collections plus other sources to this fund totaled more than \$302 million. Using a per-pupil rate established by the Joint Legislative Budget Committee staff,

Table 10: Proposition 301 Distributions in Statutory Priority Order  
Fiscal Years 2004 and 2005  
(Unaudited)

	<b>FY 2004</b>	<b>FY 2005</b>
<b>State Tax Revenue</b>	<b><u>\$487,928,685</u></b>	<b><u>\$538,346,435</u></b>
<b>Students FIRST Debt Service Fund</b> —the amount necessary to pay annual debt service payments for outstanding state school facilities revenue bonds. The revenue bonds cannot exceed \$800 million.	66,053,206	65,814,700
<b>Universities</b> —Technology and Research Initiative Fund for investment in technology and research-based initiatives. (12 percent of amount remaining after Students FIRST deduction.)	50,625,058	56,703,808
<b>Community College Districts</b> —for districts' Workforce Development Accounts that invest in workforce development programs. (3 percent of amount remaining after Students FIRST deduction.)	12,656,264	14,175,952
<b>Tribal Assistance</b> —to community colleges owned, operated or chartered by qualifying Indian tribes for investment in workforce development and job training.	495,136	516,637
<b>Arizona Department of Education (ADE) for five programs:</b>		
• Additional School Days—to fund additional school days and the associated teacher salaries.	50,246,825	68,567,475
• School Safety programs	7,800,000	7,800,000
• Character Education matching grant program	200,000	200,000
• School Accountability—for developing performance measure and state-wide database on student attendance and academic performance.	6,855,441	7,000,000
• Failing Schools Tutoring Fund	1,500,000	1,500,000
<b>Income tax credit for sales tax paid</b> —reimburses the State's General Fund for the increased income tax credits to low-income households resulting from the sales tax increase.	<u>25,000,000</u>	<u>25,000,000</u>
<b>Available for Classroom Site Fund</b>		
Remaining Sales Tax Revenue	266,496,755	291,067,863
Permanent State School Fund earnings (Land Trust)	0	11,770,232
Monies not yet distributed to closed charter schools	(45,489)	0
Monies withheld for AIMS noncompliance <sup>1</sup>	0	(39,032)
Monies withheld for Arizona School Improvement Plan noncompliance <sup>2</sup>	0	(206,560)
Monies not yet distributed <sup>3</sup>	<u>(10,225,729)</u>	<u>(25,037,274)</u>
<b>Total Funds Distributed To Districts and Charter and State Schools—</b>	<b><u>\$256,225,537</u></b>	<b><u>\$277,555,229</u></b>

<sup>1</sup> These monies were to be distributed once schools complied with AIMS requirements.

<sup>2</sup> These monies remain in the CSF for future years' distributions; monies are not returned to a district when its plan has been submitted.

<sup>3</sup> ADE is not permitted to allocate monies in excess of the per-pupil amount established by JLBC. These amounts are included in the subsequent year's distributions.

Source: Auditor General staff analysis of Arizona Department of Education and Arizona State Treasurer's Office revenue collection and distribution data.

school districts received \$249 million, or about 90 percent of the \$277 million distributed; charter and state schools received the remainder.

Once school districts receive the monies, they must comply with statutory requirements regarding how the monies may be spent. Arizona Revised Statutes (A.R.S.) §15-977 directs districts to use at least 60 percent of CSF monies for teacher compensation. Districts are required to direct 20 percent toward increasing teachers' base pay and another 40 percent toward pay for performance. The remaining 40 percent, known as menu monies, can be used for six specified purposes: AIMS intervention (for the state-standardized test, Arizona's Instrument to Measure Standards), class size reduction, dropout prevention, additional teacher compensation, teacher development, or teacher liability insurance. Districts are required to use these monies to supplement, not supplant, existing funding. Further, in succeeding years, the Legislature specified that CSF monies could not be used for administrative purposes, and also required that monies directed toward class size reduction, AIMS intervention, and dropout prevention be spent only on instruction, except that they cannot be spent for athletics.<sup>1</sup> In the First Regular Session of 2005, the Legislature established the Arizona Performance Based Compensation System Task Force to evaluate and report on school districts' performance-based compensation.<sup>2</sup> In conjunction with establishing this task force, the Legislature also established requirements for Proposition 301 performance pay, which previously did not have guidelines. These new requirements specify that the Governing Board must adopt the plan at a public meeting and list certain elements that should be contained in the plan, but can be modified.

## Districts continued to spend more than 90 percent of Proposition 301 monies for teacher pay

As directed by Proposition 301, districts spent the majority of the CSF monies for teacher pay and related benefits. As shown in Table 11 (see page 30), the largest proportion of these monies, 93.5 percent, was used for instruction purposes, such as paying teacher salaries and benefits. Nonclassroom expenditures included such things as transportation, security, registration fees for professional development workshops, outside instructors, and supplies.

<sup>1</sup> In Laws 2000, 5th Special Session, Chapter 1, Section 62, the Legislature specified that CSF monies not be used for administration, and beginning in 2004, further restricted the use of certain menu monies to be spent only on instruction.

<sup>2</sup> By June 30, 2010, this task force is to develop and report recommendations on the implementation, operation, and monitoring of performance-based compensation systems in school districts.

Table 11: Proposition 301 Expenditures by Function  
Fiscal Year 2005

Function	Base Pay	Performance Pay	Menu Options	Total Expenditures	Percentage of Total
Classroom (instruction)	\$47,583,904	\$ 95,455,003	\$ 91,379,086	\$234,417,994	93.5%
Student Support	1,634,527	2,883,559	3,438,327	7,956,413	3.2
Instruction Support	754,153	2,195,424	5,239,993	8,189,570	3.2
Administration	11,869	24,571	134,621	171,061	0.1
Plant Operations & Maintenance	0	1,214	49,611	50,825	0.0
Transportation	0	0	3,926	3,926	0.0
<b>Total Expenditures</b>	<b>\$49,984,453</b>	<b>\$100,559,771</b>	<b>\$100,245,564</b>	<b>\$250,789,789</b>	<b>100.0%</b>

Source: Auditor General staff analysis of district-reported fiscal year 2005 Annual Financial Reports and summary accounting data.

While about half of the districts include Student Support Services and Instruction Support Services staff in Proposition 301 pay increases, a few districts pay less typical costs, which may still be allowable Proposition 301 expenditures. For example, a few districts used these monies to pay employees holding administrative positions, such as dean of students, principal, and assistant principal. Two districts used a portion of Proposition 301 monies to pay for allowable interest expenses, and one district paid for teacher liability insurance, which is an allowable plant operation expense. On the other hand, as Table 12 on page 31 shows, four districts spent approximately \$117,000 of Proposition 301 menu monies for expenditures not allowed by law. Since fiscal year 2004, A.R.S. §15-977 requires that menu monies directed toward class size reduction, AIMS intervention, and dropout prevention be spent only on instruction, except that they cannot be spent for athletics. However, the districts listed in the table also spent menu monies for these three specified programs on administration, plant operations, and transportation.

**Eligible employees included staff other than certified teachers—**In addition to providing salary increases for teachers, about one-half of the districts reported providing Proposition 301 pay increases to librarians, counselors, and others. As shown in Table 13 (see page 31), a few districts also paid Proposition 301 monies to instructional aides and other staff, such as nurses, instructional specialists, and support staff. In some cases the districts provide these other staff with performance pay but reserve the base pay increases for certified teachers.

Among those in the “Other” category, two very small districts paid Proposition 301 monies to noninstructional staff, such as bus drivers, custodians, and cafeteria workers. One of these districts indicated that these employees were also involved in its students’ education. The other district stated that cafeteria workers helped with AIMS tutoring. Further, one large district used approximately \$15,200 of menu monies to pay employees, including clerical and other support staff, for working an additional school day even though districts already receive additional state aid for this purpose.

Table 12: Proposition 301 Expenditures from Menu Options for Administration, Plant, and Transportation Functions Fiscal Year 2005

District Name	Function	Description of Expenditures	Amount Spent
Arlington Elementary School District	Transportation	Transporting students to summer school for AIMS intervention	\$ 742
Avondale Elementary School District	Transportation	Transporting students to field trips as part of dropout prevention efforts	3,184
Deer Valley Unified School District	Administration	Administration of the District's dropout prevention program, including salary and benefits for the program's principal and secretary as well as printing and binding costs for program materials.	106,187
	Plant Operations	Additionally, the District paid salary and benefit costs for a security monitor and custodian for its dropout prevention program	5,939
Somerton Elementary School District	Administration	According to the District, an accounting error caused the cost of binders to be charged as a menu monies expenditure	965
<b>Total</b>			<b>\$117,032</b>

Source: Auditor General staff analysis of district-reported Classroom Site Fund Narrative Results forms, summary accounting data, and interviews with school district officials.

Pay increases varied widely, ranging from 1 to 25 percent—Proposition 301 monies contributed significantly to teacher salaries. The 222 districts that included salary information on their required Classroom Site Fund spending reports indicated an average increase of 11 percent, or \$3,674, from Proposition 301 monies. On an individual district basis, however, the average increases ranged from 1 to 25 percent, which equated to \$486 to \$7,904 per eligible employee.

One reason for the wide variance is that Proposition 301 monies are distributed on a per-pupil basis, rather than based on the number of eligible employees. As a result, districts with fewer pupils receive smaller amounts than districts with more pupils. Similarly,

Table 13: Number of Districts Paying Increases by Position and Fund Fiscal Year 2005

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

Source: Auditor General staff analysis of district-reported data in fiscal year 2005 Classroom Site Fund Narrative Results forms.

teachers in districts with larger student-teacher ratios could potentially receive more monies than those with fewer students per teacher. Further, districts with the highest increases generally were also paying out unspent monies from prior fiscal years in addition to fiscal year 2005 monies.

State-wide average teacher pay has increased by \$1,919 since the inception of Proposition 301 monies—According to salary data collected by the Arizona Department of Education (ADE), the State’s average teacher salary increased from \$37,176 in 2001 to \$39,095 in 2005. This increase is \$1,755 less than the average Proposition 301 increase of \$3,674. Several factors may be contributing to the difference. One is that ADE has changed the methodology it uses to calculate the state-wide average teacher salaries, meaning that the 2001 averages are not fully comparable to the 2005 averages. Another contributing factor may be teacher turnover as several districts reported that declines in their average teacher salary amounts were related to more experienced, higher-paid teachers retiring and being replaced with newer teachers at the lower end of teacher pay ranges. For example, 20 districts reported decreases in teacher experience of more than 10 and up to 50 percent, and 33 districts reported declines in teacher experience of 5 to 10 percent.

Districts based performance pay on a variety of goals—Districts created a variety of goals as a basis for awarding the 40 percent of Proposition 301 monies required to be used for performance-based pay increases. As in prior years, most districts reported that their performance pay goals related to student achievement, teacher development, and to parent and student satisfaction or involvement, as shown in Table 14.

Table 14: Number of Districts with Performance Pay Goals by Category  
Fiscal Year 2005

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

Source: Auditor General staff analysis of district-reported data indicating one or more goals set and accomplished obtained from fiscal year 2005 Classroom Site Fund Narrative Results forms.

Due to a recent change in statute, school district governing boards must adopt at a public hearing the performance-based compensation system for Proposition 301 monies.<sup>1</sup> The compensation system is to incorporate the following elements:

- School district performance and school performance
- Measures of academic progress toward the state academic standards
- Other measures of academic progress
- Dropout or graduation rates
- Attendance rates
- Parent and student ratings of school quality
- Teacher and administrators' input, including approval of the system by a vote of at least 70 percent of teachers eligible to participate in it
- An appeals process for teachers who have been denied performance-based compensation
- A regular evaluation of the system's effectiveness

However, the law also allows districts to revise these elements as long as the compensation system is adopted at a public meeting. In addition, the performance-based compensation system must provide for teacher professional development programs aligned with these elements.

As can be seen more specifically in the attached Appendix, many school districts incorporate some of these elements in their current performance pay plans. For example, 21 districts incorporated goals addressing at least six different areas of performance measurement. Specifically, these districts' plans included goals related to achieving measures of academic progress, such as targeting certain percentages of growth in standardized test or district assessment scores, achieving Adequate Yearly Progress, or attaining AZ LEARNS labels of "performing" or better for their schools. In addition, these districts often also required improvements in student and teacher attendance rates and dropout or graduation rates as well as improved parent and/or student satisfaction with school or district quality and performance. Many of these districts further incorporated goals requiring teachers to attend a certain number of hours of professional development activities and participate in committees, mentoring, and tutoring. However, for other school districts, significant changes would be needed. For example, 29 districts' plans did not include any goals measuring academic progress or school or district performance. Of these districts, 7 based performance pay solely on teachers receiving acceptable performance evaluations.

<sup>1</sup> Laws 2005, First Regular Session, Chapter 305, which amended A.R.S. §15-977.

Districts directed menu monies toward various Proposition 301 purposes as well as teacher compensation—Although districts reported spending Proposition 301 menu monies primarily for teacher compensation, many districts directed some of these monies to the other allowable programs or purposes, often by linking part of increased teacher compensation to the activities. For example, teachers often performed additional duties to earn monies associated with AIMS intervention and dropout prevention programs. After direct teacher pay increases, districts again reported spending most of their menu monies on teacher development, AIMS intervention, and class size reduction.

## Individual district results

Further information about how each district reported spending its Proposition 301 monies, its classroom dollar percentage, and related data is provided in the attached Appendix.

# APPENDIX

This appendix provides alphabetically organized one-page information sheets on individual school districts. Each page contains a summary of the district's reported results using Proposition 301 monies, and its classroom and nonclassroom spending. Each page also contains descriptive and comparative information; n/a is used to indicate if data is not available or is not applicable.

Table 15 shows the sources of data used on the individual district pages, and also defines some common terms and acronyms used to describe districts' Proposition 301 goals and results. Also, for reference, a map of the Arizona counties is included as Figure 9 on page a-4.

Table 15: Individual District Page Source Information

Data	Source
Students attending	Auditor General staff analysis of Arizona Department of Education's (ADE) average daily membership (ADM) counts for fiscal year 2005. ADM numbers are rounded to the nearest whole number. Auditors included kindergarten ADM counts at a full count for the districts that offer all-day kindergarten at no charge to parents.
District size	Auditor General staff analysis of ADE's fiscal year 2005 ADM counts. District sizes were categorized as follows: <ul style="list-style-type: none"> <li>• Very Large 20,000 + ADM</li> <li>• Large 5,000 to 19,999</li> <li>• Medium 600 to 4,999</li> <li>• Small 200 to 599</li> <li>• Very Small fewer than 200</li> </ul>
Number of schools	ADE fiscal year 2005 data.
Number of certified teachers	ADE October 2004 data on full-time-equivalent (FTE) certified teachers for fiscal year 2005. Certified FTE numbers are rounded to the nearest whole number.
Student/teacher ratio, district and state for 2003, 2004, and 2005	Auditor General staff analysis of ADE's ADM and certified teacher counts for fiscal years 2003, 2004, and 2005.

Table 15 (Cont'd)

Data	Source
Average teacher salary, state 2005	ADE average annual salaries associated with full-time-equivalent certified teachers, for fiscal year 2005.
Average teacher salary, district 2003, 2004, and 2005	District-reported average fiscal years 2003, 2004, and 2005 teacher salaries, including Proposition 301 monies. Some districts reported corrections to their previously reported prior years' average salary information.
Average years' experience, district 2003, 2004, 2005, and state 2005	ADE average years' experience associated with full-time-equivalent certified teachers, by district, for fiscal years 2003, 2004, and 2005. The maximum years of experience that ADE includes for calculation and reporting purposes is 15 years.
Classroom dollars—Pie chart and per-pupil expenditures	Auditor General staff analysis of fiscal year 2005 school district summary accounting data and Annual Financial Reports (AFRs), and ADE's 2005 ADM counts.
Classroom dollar ranking	Auditor General staff analysis of 228 Arizona school districts' summary accounting data and AFRs. The ranking numbers are from 1 (highest) to 228 (lowest) based on percentage of dollars spent in the classroom.
5-year comparison—District and state percentages for 2001 through 2005; national percentage for 2003	Auditor General staff analysis of school district summary accounting data and AFRs for fiscal years 2001 through 2005. The 2003 national average was obtained from the U.S. Department of Education's National Center for Education Statistics (NCES), and is the most recent data available for national spending on instruction, the equivalent of classroom dollars.
Expenditures by function—District and state percentages in fiscal years 2001 through 2005	Auditor General staff analysis of school district summary accounting data for fiscal years 2001 through 2005.
Expenditures by function—National percentages	NCES fiscal year 2002 data. Although the 2005 data is not yet available, the national percentages have been relatively stable. For the most recent 5-year period that is available, fiscal years 1998 to 2002, the variations were less than 0.6 percent in any of the functional categories.
Proposition 301—District-reported results	Auditor General staff analysis of district-reported Classroom Site Fund Narrative Results. The narrative form was completed by each of the 222 districts receiving Proposition 301 monies in fiscal year 2005.

♦

Table 15 (Concl'd)

**Definitions of commonly used terms and acronyms**

AZ LEARNS	Arizona LEARNS is an accountability program administered by ADE and established under A.R.S. §15-241 to rank school performance using standardized test results and other criteria. Using these criteria, ADE annually labels schools as “excelling,” “highly performing,” “performing,” “performing plus,” “underperforming,” or “failing to meet standards.”
AIMS	AIMS, or Arizona’s Instrument to Measure Standards, is a series of standardized tests that assess student achievement in reading, writing, and math. The tests are administered to students in grades 3, 5, and 8, and high school. To graduate from high school, students must successfully pass these tests during high school.
ELL	English Language Learner

Figure 9: Map of Arizona Counties

