

REPORT HIGHLIGHTS SPECIAL STUDY

Our Conclusion

Over the past decade, Arizona's total spending per pupil increased by 47 percent before declining 4 percent in fiscal year 2010. Despite this increase, per-pupil spending in Arizona continues to trail the national average both in total and in the classroom, with the classroom dollar percentage reaching a record low 55.9 percent in fiscal year 2010. Arizona also allocates less of its resources for administration but more for plant operations and student support services than the national averages. Although factors outside a district's control—such as district size, type, and location—can affect its efficiency, some districts operate efficiently and have lower costs despite these factors, while others do not.



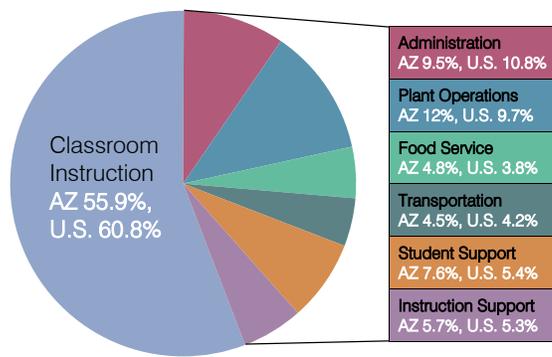
2011

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

Compared to national averages, Arizona districts spend less overall and allocate their resources differently.

operating dollars in the classroom, about 5 percentage points less than the 60.8 percent national average. Arizona's lower instructional spending is reflected in Arizona's larger class sizes, 17.3 students per teacher in 2008 compared to the national average of 15 students per teacher.

Arizona and U.S. Spending by Function Fiscal Years 2010 (Arizona) and 2008 (U.S.)



Arizona spends lower percentage on administration—In fiscal year 2010, Arizona districts spent 1.3 percentage points less than the national average on administration. This lower spending is primarily in salaries and benefits.

Despite large increase, overall spending still lower—Between fiscal years 2001 and 2009, Arizona's spending per pupil rose 47 percent before declining 4 percent in fiscal year 2010. Despite this large increase, Arizona's fiscal year 2008 per-pupil spending of \$7,813 was still nearly \$2,500 less per pupil than the 2008 national average (most recent national data available).

Arizona spends higher percentage on plant operations and student support—In fiscal year 2010, Arizona districts spent 2.3 percentage points more on plant operations than the national average primarily because Arizona spends more on energy. In addition, Arizona districts spent 2.2 percentage points more on student support costs, such as counselors and social workers, primarily because a higher percentage of Arizona's students live at or below the poverty level and require more of these services.

Arizona spends lower percentage in classroom—In fiscal year 2010, Arizona districts spent 55.9 percent of their total

Classroom spending drops to record low 55.9 percent

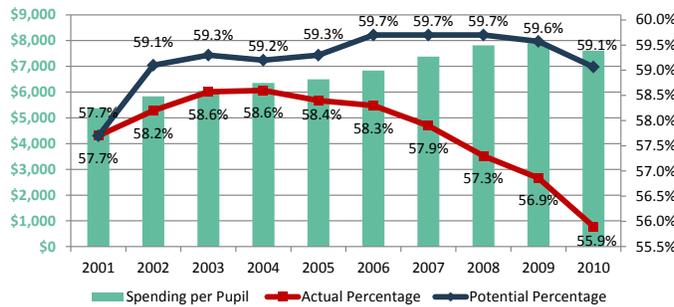
In fiscal year 2010, Arizona districts spent 55.9 percent of their available operating dollars on instruction—the lowest in the 10 years our Office has been monitoring classroom dollars.

Classroom Site Fund (CSF) monies and overall per-pupil spending in 2010. However, as shown in the figure on the next page, the percentage spent on instruction also decreased between fiscal years 2004 and 2009, when overall spending per-pupil increased nearly 20 percent. In fact, between 2001 and 2009, only 55 percent of increased spending went to instruction, while 80 percent of the 2010 spending decrease came from

Declining percentage spent on instruction indicates likely supplanting—The decline in instructional spending in fiscal year 2010 is partially explained by the decline in both available

instruction. As a result, the percentage spent on instruction has steadily declined, and the gap between districts' actual percentage spent on

Arizona Actual and Potential Classroom Dollar Percentages and Operational Spending Per Pupil Fiscal Years 2001 through 2010



instruction and what it would be had they maintained their fiscal year 2001 efforts at directing resources to the classroom has continued to grow. This widening gap indicates districts are likely using CSF monies to supplant or replace other district monies, a violation of state law.

Efficient operations enable more spending on instruction—Performance audits show that efficient districts are able to spend more on instruction. In order to devote more resources to instruction and instruction-related programs, districts should pay close attention to the efficiency in non-instructional areas. In addition, preliminary analysis suggests that districts with higher classroom dollar percentages tend to have higher student achievement, even when considering district poverty rates.

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

Although a district's efficiency can be affected by factors outside its control—such as its size, type, and location—some districts operate efficiently and have lower costs despite these factors, while others do not. As a result, there are wide ranges of costs within peer groups which reflect a variety of efficient and inefficient practices. For example:

While one small, rural, unified district spent \$967 per pupil on administrative costs, another spent \$2,391 per pupil.

Administration—Small districts typically have higher administrative costs per pupil than larger districts, but, even when grouped by size, some districts spend significantly less on administration than their peers. More efficient districts monitored performance measures and used staffing formulas, while less efficient districts had costly benefit packages and higher staffing levels.

Plant Operations—Districts serving high school students generally have lower plant costs per square foot because they generally have more square footage than elementary schools. However,

While one medium-sized, urban, elementary district spent \$5.36 per square foot for plant operations, another spent \$8.95 per square foot.

even among similar districts, there is a wide range of costs. More efficient districts typically had energy conservation plans and monitored performance measures, such as building capacity utilization. In contrast, less efficient districts operated

schools far below designed capacity and did not monitor energy consumption.

Food Service—Although food service costs are likely influenced by district size, type, and location, the wide ranges of cost per meal across peer groups indicate that operational efficiencies can be achieved regardless of these factors. More efficient districts maximized use of free federal commodities and adjusted staffing levels based on industry standards for meals per labor hour, while less efficient districts did not obtain best food prices and had poorly written vendor contracts.

While one medium-sized, rural, unified district spent \$2.20 per meal, another spent \$4.17 per meal.

Transportation—Urban districts that transport short distances typically have higher costs per mile than their rural counterparts. However, even among districts grouped by location, there is a wide range of costs. More efficient districts monitored performance measures and adjusted routes to ensure that buses were full, while less efficient districts paid drivers for time not spent working and failed to monitor vendors for accurate billing and effective performance.

While one medium-sized, urban, elementary district spent \$3.24 per mile, another spent \$9.70 per mile.