

REPORT HIGHLIGHTS SPECIAL STUDY

Subject

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

Our Conclusion

For the second year in a row, Arizona schools increased classroom spending slightly. Despite the increase to 58.6 percent, Arizona still falls below the national average. The most recent (FY 2001) national average was 61.5 percent, and the 10 states comparable to Arizona for per-pupil spending averaged 61.6 percent. As in the past, nearly all Prop. 301 monies were spent for teacher compensation and resulted in an average teacher pay increase of about \$3,480, or 10 percent.



2004

February 2004

Classroom Dollar Percentage

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

Classroom Dollars include:

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

Exclude:

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

School districts spent 58.6 percent of dollars in the classroom

In FY 2003, Arizona's classroom dollar percentage increased to 58.6 percent from the previous year's average of 58.2 percent and FY 2001 average of 57.7 percent, which was prior to Proposition 301 monies. If districts had maintained their previous levels of spending from non-Proposition 301 monies, the state-wide classroom dollar percentage could have been 59.3 percent.

As with last year, excluding certain special-purpose districts, the individual district percentages varied significantly, from a low of 37 percent to a high of 84 percent. Small districts tend to have the very low or very high percentages. Most districts (two-thirds) are within 5 points of the state average.

Arizona below national and peer states' averages

Arizona's average is still below the national average, which, based on the latest data available from the NCES (FY 2001), was 61.5 percent. Further, this same disparity is also evident when Arizona is compared with the 61.6 percent average for the ten states closest to Arizona in per-pupil spending.

Comparison of NCES-Reported Expenditures for Ten Lowest-Spending States, Excluding Arizona FY 2001

State	Total Current Expenditures Per Pupil	Current Instruction Expenditures Per Pupil	Classroom Dollars Percentage
Kentucky	\$6,079	\$3,725	61.3%
Louisiana	6,037	3,638	60.3
Oklahoma	6,019	3,483	57.9
Alabama	5,885	3,629	61.7
Nevada	5,807	3,628	62.5
Idaho	5,725	3,511	61.3
Tennessee	5,687	3,664	64.4
Arkansas	5,568	3,400	61.1
Mississippi	5,175	3,126	60.4
Utah	4,674	3,024	64.7
Average of 10 lowest states' averages (2001)	\$5,666	\$3,483	61.6%
Arizona (2003)	\$6,048	\$3,545	58.6%

State-wide nonclassroom spending compared to national averages—State-wide, Arizona districts spent a higher percentage on plant operation and maintenance and student support services than the national averages. On the positive side, Arizona districts allocated a lower percentage of their dollars to administrative costs.

- Operating and maintaining older buildings
- Serving more high school students
- Providing twice the building space per pupil
- **Administrative costs**
 - Serving fewer students
 - Higher administrative staffing levels
- **Transportation costs**
 - Serving fewer students
 - Transporting students farther
 - Transporting fewer students per route
 - Transporting higher percentage of students

Comparison of Arizona District Spending to National and Peer Group Averages, by Functional Area

Functional Area	U.S. 2000	10-State Peer Group 2000	Arizona 2003
Classroom Dollars	61.7%	61.3%	58.6%
Plant Operation and Maintenance	9.6	9.3	11.7
Administration	10.9	11.3	9.9
Student Support Services	5.0	4.4	6.8
Instructional Staff Support	4.5	4.0	4.3
Food Service	4.0	5.2	4.6
Transportation	4.0	3.8	3.9
Other Noninstructional Services	0.3	0.1	0.2

Higher total spending does not equate to higher classroom percentages

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

Factors associated with classroom spending

As we reported last year, certain factors continue to be associated with both higher and lower classroom spending.

Larger district size associated with higher classroom spending—The primary factor associated with higher classroom spending is still district size. Generally, the more students a district has, the higher the percentage spent in the classroom.

Factors associated with lower classroom spending—Certain factors continue to be negatively related to the percentage of dollars spent in the classroom. The most significant factors are plant, administration, and transportation costs. Districts that had higher per-pupil spending in these areas had the following characteristics:

- **Plant operation and maintenance**
 - Serving fewer students
 - Located at higher elevations with colder temperatures

Districts Grouped by Total Current Per-Pupil Spending

Group	Average Current Expenditures Per Pupil	Average Classroom Dollar Percentage
1	\$5,282	59.8%
2	5,758	58.9
3	6,318	56.4
4	7,013	55.6
5	9,072	52.5

High noninstructional spending may or may not be within district control. Districts have little control over their location and student population size. However, districts have more control over the efficiency of their operations and uses of their special-purpose revenues, such as federal impact aid and small school budget adjustments.

How Districts Spent Proposition 301 Monies

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

In FY 2003, districts spent about \$224 million of Prop. 301 monies, about 95 percent of the amount distributed to them. Prop. 301 monies are distributed to the districts based on their number of students.

Ninety-nine percent spent on salaries and benefits—Almost all of the Proposition 301 monies were spent on salaries and benefits. Classroom teachers received about 92 percent of these monies and other eligible employees received the rest.

- Individual districts' Prop. 301 pay increases ranged from 1 percent to 20 percent.
- On average, the amounts of these pay increases ranged from \$250 to \$7,547 per eligible employee.

Districts with the highest increases generally paid out unspent FY 2002 monies in addition to FY 2003 monies.

Performance pay based on a variety of goals—40 percent of Prop. 301 money is allocated to performance pay. Districts used many different techniques and methods to accomplish and measure their goals for awarding performance pay. Examples include:

- Increasing student achievement on standardized tests and providing tutoring.
- Restructuring math and reading curriculums.
- Providing teacher development opportunities.
- Improving student attendance and reducing disciplinary problems.

Menu options—40 percent of the Proposition 301 monies could be spent on 6 specified purposes, or menu options. These options include further increasing teacher salaries, but also include teacher development and class-size reduction.

Number of Districts Paying Increases, by Position and Fund FY 2003

Position	Base Pay	Performance Pay	Menu Options
Teachers	208	202	194
Librarians	113	112	106
Counselors/Psychologists	108	110	104
Speech Pathologists/Audiologists	71	76	63
Instructional Aides	4	10	29
Other Staff	35	33	15

About 1 percent of the Proposition 301 monies were spent for supplies and purchased services.

301 monies represented 10 percent of teacher salaries, on average—Districts reported that in FY 2003:

- Average teacher salaries increased an average of \$3,480, or 10 percent from Prop. 301 monies.

Percentage of Menu Option Expenditures
State-wide, and Number of Districts Spending
Monies by Program FY 2003

Menu Option	Percentage of Expenditures	Number Spending Monies
Teacher Compensation	73.3%	156
Teacher Development	8.6	80
Class-size Reduction	8.5	46
Dropout Prevention	4.2	35
AIMS Intervention	5.2	52
Teacher Liability Premiums	0.3	3
Total	100.0%	

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

Our full report includes:

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

Examples of spending in these areas include:

- Teacher Development—Apache Junction Unified spent \$182,350 to increase teacher training and development. The District added 2 days of professional development for all teachers and paid its 34 new teachers to attend 4 days of training prior to the start of the school year.
- AIMS Intervention—Crane Elementary spent \$269,698 to pay for intersession classes, a language camp, and additional tutoring programs.
- Class Size Reduction—Alhambra Elementary spent \$526,959 to hire more than 6 teachers and 11 instructional assistants to lower class sizes.
- Drop-Out Prevention—Casa Grande Elementary hired teachers to work with students at risk of dropping out.

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