

Schools Face Catastrophic Budget Cuts Annually Due to Arizona's Aggregate Expenditure Limit

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Public school funding is a hot-button topic in any state in the nation. In Arizona, where funding for K-12 public schools ranks among the lowest in the nation, the debate can get ugly. The consistency of lack of funding for education can be attributed to many things. School Choice is a factor, a transient population, and rapid growth in population may all be factors. None of these may be more urgent to solve than Arizona's Aggregate Expenditure Limit.

### **History**

The Aggregate Expenditure Limit, or AEL, was passed by voters in 1980. The AEL created spending limitations for public school districts based on the aggregate expenditures of all public school districts in that year, charter schools are exempt from the calculation. This voter-approved expenditure limit also included limits for cities, towns, and counties. When a need arises for cities, towns, or counties to expend above the limit they need to put the over expenditure on a ballot and have it voter-approved. Expenditure increases under this limitation were based on changes in population and the cost of living. It is a restriction on total spending by all districts rather than a restriction on individual school districts.

For this outdated spending cap to be overridden, legislators must pass a resolution with a two-thirds majority vote in the House and Senate. The legislature has passed a resolution for an override of the AEL in 2002, 2008, and 2022. The AEL includes a majority of funding for districts that includes maintenance and operation, district additional assistance, desegregation funds, classroom site fund, results-based funding, school facilities, and transportation funds. In 2000, voters passed the Invest in K-12 Education, proposition 301, and in 2002 voters made 301 exempt from the AEL calculations. In 2018 legislators extended proposition 301 to allow the AEL exemption to sunset in 2020.

### **What happened in 2022?**

Keeping in mind that the AEL is a formula that allows for growth and inflation and has not included money from proposition 301 is important. Equally as important, is what has changed in our education since the beginning of the AEL. The creation of the AEL preceded many important factors in education funding. The AEL preceded open enrollment, the drastic rise in special education, ELL, and charter schools. Each of those have become a factor in today's K-12 funding. In 2021-2022 there was a large influx of federal relief dollars related to the COVID pandemic that triggered the AEL for the 2022 school year.

In 2022 the AEL was triggered by a \$1.15 billion overage. This left our public school district in a precarious position of having to cut 15.26% from their budgets. The legislature had until March 1st to pass the resolution to exempt schools for the year. If the legislature had failed to pass the resolution for exemption the schools would have needed to reduce their budgets by April 1<sup>st</sup>. This would leave schools with, roughly, two months to reduce their budgets by 15.26%. To provide an example of how big of a reduction this is, the Chandler School district would have needed to reduce its annual budget by \$54,431,647. 85%-87% of a district budget goes toward paying their staff and benefits. A cut of this much to the district budgets would, most likely, result in schools closing their doors months before the completion of the school year. Districts would not have been able to spend the funds that they had already received and budgeted for the school year. Thankfully, the state legislature did pass the resolution to exempt the schools from the AEL in 2022, but it left the field feeling vulnerable and looking for a long-term solution.

### **What may the future hold?**

The discussion regarding a more permanent solution to Arizona's outdated AEL calculations has been circulating amongst the education alphabet groups for months now. Three

strategies have emerged. The first is not much of a strategy, it is to continue on as-is with the legislature responsible for creating exemptions from year to year. This poses a problem by creating uncertainty in the field. A revision could be established to the AEL in the year it was triggered. If this is done it may be years before the AEL is triggered by inflation, Proposition 301 funding, Proposition 208, and the money that is in the state coffers for K-12 funding. Another solution could be the repeal of the AEL altogether. This would need to be a voter-approved process. It seems clear that voters would like to have some kind of baseline aggregate for spending. I predict this would not be passed by the voters in Arizona. The last proposal for a solution seems to be the most probable. This solution would be a change to the current AEL formula to include those aspects that are present in today's funding that was not in 1980.

Without a solution going forward public school districts face the uncertainty of being able to utilize their full budget capacity year after year. In a state that has historically neglected to properly fund education the message has been sent out to the field and the public. There remains a distrust of the education system and how funding is utilized on one side, and a distrust of the government to prioritize education and education funding on the other. Our classrooms and instructional models have changed considerably since 1980. The voters have established K-12 funding as a priority in the passing of Proposition 208 and 301. Our Governor has even prioritized increased funding for teacher pay. Without a revision to the AEL formula to include these priorities we will be faced with potential catastrophic operation costs and workforce layoffs on an annual basis. The message of this complex issue must be communicated with the public to gain support and move toward a long term solution.

