

**EDUCATION FUNDING IN ARIZONA:
CONSTITUTIONAL REQUIREMENT AND THE EMPIRICAL RECORD**

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The Cliff Notes Version:

Quotes taken directly from the text.

Purpose of the Paper

- The purpose of this paper is to provide insight as to whether existing legislative appropriations for public education meet the requirements of the Arizona Constitution.
- The purpose of this paper is to provide insight as to whether existing legislative appropriations for public education meet the requirements of Article 11, Section 10 of the Arizona Constitution. The focus is an analysis of empirical data on education funding in Arizona, over time and compared to other states.

Data Measurements Used:

- Three measures are included in this paper: expenditures per \$1,000 of personal income, spending per student adjusted for inflation, and spending per student per \$1,000 of per capita personal income (PCPI).

Explaining Education Expenditures and Funding Sources

- The Arizona Joint Legislative Budget Committee (JLBC) is the source of state government expenditure data. The focus in this paper is the Arizona state government general fund, since this is the fund that provides most of the state government's monies for education and because the general fund is under the discretion of the Legislature. The general fund is the largest of numerous funds maintained by the state government. It is the fund currently receiving attention because of its large deficit in the last fiscal year and projected large deficits in the current and succeeding fiscal years. (Page 9)
- Expenditures for education consist of two types: (1) capital outlays for land, buildings and equipment, and (2) current operations. Capital outlays and total spending are reported in this paper, but the focus is current operations spending, which better gauges support for students. (Page 2)
- The general fund is not the only source of state government education funding in Arizona. In addition, the voters of Arizona passed **Proposition 301** in November

2000, which raised the state sales tax 0.6 percentage points, earmarking the revenue to be used for education. Of the total spent on K-12 education in 2008 by state government, excluding the School Facilities Board but including all of Proposition 301, the general fund was the dominant source, accounting for 86 percent of the total. Proposition 301 revenue accounted for 13 percent, while the proceeds from the state trust lands contributed just 1 percent. The impact of Proposition 301 funds being added in 2002 is seen in Chart 7, causing total per student expenditures per \$1,000 of PCPI to increase a little; they would have decreased without the voter-approved proposition. (Page 23)

- Funding also comes in the form of federal aid, tuition, other fees, local property taxes, etc. (Page 24)
- Total expenditures per capita of \$5,900 per Arizona resident were 17.3 percent less than the national average. Arizona's per capita figure was fifth lowest in the nation and third lowest among 13 western and/or fast-growing states. (Page 24)

Arizona's Education Funding

- A disproportionately high share of Arizona's children face demographic challenges that have been shown to adversely affect educational achievement, including high poverty rates, low educational attainment of their parents, and lesser frequency of full-time, year-round employment of their parents. (Page 2)
- All else equal, for the state's students to realize achievement levels equal to the national average, these demographic challenges mean that the state's education funding per pupil needs to be greater than the national average. (Page 2)
- **Per student public funding for education — total current operations spending from all funds by all state and local governments, as reported by the U.S. Census Bureau — is among the lowest in the country in Arizona. (page 2)**
- **Based on the Census Bureau data for state and local governments combined, current operations funding for elementary and secondary (K-12) education in Arizona is very low compared both to other states and to Arizona's historical record.** Supporting Detail: In the most recent year (2006), education expenditures in Arizona ranked 47th (among the 50 states and the District of Columbia) per \$1,000 of personal income, 50th (next to last) on a per student basis, and 51st (lowest) per student per \$1,000 of per capita personal income. (Page 2)
- **Public spending for elementary and secondary education has fallen increasingly far below the national average.** Supporting detail: Regardless of the measure used, the decreases in K-12 spending in Arizona are more significant when compared to the national average. K-12 spending per \$1,000 of personal income in Arizona was 38

- percent above the national average in 1966. By 1992, it was 4 percent below average and in 2006 it had fallen to 17 percent below average. (Page 2)
- **Even during the years in which real per student spending was rising rapidly, Arizona's increases were less than the U.S. average.** Supporting detail: In 2006, spending was 33 percent below average; it had been 20 percent below average in 1992. By 1993, Arizona's rank had fallen to 41st; it was 50th in 2006. (Page 2)
 - **Since per capita personal income in Arizona is considerably lower than the national average, the per pupil expenditure per \$1,000 of PCPI in Arizona is higher as a percentage of the U.S. average than is the per student measure.** Supporting Detail: The 2006 figure was the lowest in the nation; Arizona had ranked 37th in 1993. (Page 2)
 - K-12 spending in Arizona has dropped substantially over time relative to personal income, and per pupil spending relative to PCPI has decreased considerably as well. [spending per student per \$1,000 of per capita personal income = PCPI] (Page 3)
 - The demand for public education in Arizona also is above average due to the state's relatively few private schools. Thus, Arizona needs to spend more relative to personal income than other states in order to provide the same quality of public education. To reflect differences in demand for public education over time and across states, governmental education spending should be placed on a per student basis. (Page 12)
 - To expect Arizona's schools and institutions of higher education to perform well despite the very low funding levels, the quality of the other inputs would need to be very high. (Page 39)
 - Arizona has a disproportionate share of disadvantaged students — a circumstance requiring above-average rather than below-average funding to overcome. (Page 39)

Arizona Funding: Higher Education

- **Based on the Census Bureau's data for state and local governments combined, current operations funding for public institutions of higher education (community colleges and universities) is very low in Arizona compared both to other states and to Arizona's historical record. (Page 3)**
- Per student spending in Arizona was 24 percent below the national average in 2006, though expenditures per FTE student were only 13 percent below average. Since the mid-1990s, Arizona's per student spending has fallen relative to the national average. (Page 3)
- In 2006, per student spending in Arizona was the lowest in the nation; the state had ranked 49th in 1993. Spending per FTE (full time equivalent) student ranked 47th in 2006, down a bit from 44th in 1993.

- **Funding for higher education in Arizona is low relative to other states and lower than in the past. (Page 3)**
- **The NCES (National Center for Education Statistics) data agree with the conclusion of the education funding section of this paper: the higher education system in Arizona receives resources far below the national average. (Page 6)**
- Total public revenue per FTE student was 28 percent less than the national average of public institutions in 2005. State appropriations per FTE student were 20 percent below the average. (Page 6)
- **Tuition revenue was 18 percent below average at the state's public universities and 28 percent below average at the state's public community colleges. (Page 6)**
- Of those educated in Arizona, the percentage with a bachelor's degree ranks among the bottom 10 states in the nation. (Page 7)
- **The declining public support is occurring despite increasing evidence that investments in higher education yield quantifiable societal returns in addition to the widely recognized private financial returns. (Page 7)**
- While the number of higher education students per capita is quite high by national standards, the number of Arizona high school students going directly on to postsecondary education is quite low. In 2004, Arizona's proportion was estimated to be less than 48 percent, well below the national average of 56 percent. Arizona ranked 44th among the 51 states and eighth among the 13 comparison states. A higher-than-average proportion of those Arizonans attending college went to a school in state. (Page 49)
- Despite the higher-than-average enrollment per capita, the number of degrees granted in Arizona in 2006 at public institutions was 3 percent less than the national per capita average. Arizona's per capita figure was 2 percent below the national average for associate's degrees, 5 percent below average for bachelor's degrees, 1 percent higher than average for master's degrees, and 5 percent below average for other postbaccalaureate degrees. (Page 49)
- Arizona compares poorly — 48th among the 51 states and 12th among the 13 comparison states — on the percentage of high school freshmen enrolling in college four years later. (Page 50)

Funding: K-12 relative to Higher Education

- Since per student funding is greater for higher education than for K-12 education, the best way to compare the funding between K-12 and higher education is through the ratio to the national average of each. In 2006, using the Census Bureau data, per student K-12 spending was 33 percent less than the national average, while

expenditures for higher education were not as far below the norm at 24 percent per student and 13 percent per FTE student. Higher education also has not experienced as much of a decrease over time as K-12. (Page 4)

- **Even before accounting for the higher inflation in higher education, per student spending has fallen much more for higher education than for K-12. (Page 4)**

Evaluation of Public Education

- Despite the demonstrably low public funding for education in Arizona, it might be possible to argue that the constitutional funding requirement is being met if measures of educational achievement indicate that Arizona is in line with the rest of the nation. However, on most measures of elementary and secondary student performance, Arizona ranks among the bottom tier of states. (Page 4)

Evaluation: Elementary and Secondary Schools

- The K-12 educational system in Arizona receives among the least resources in the nation and the amount of funding has dropped substantially over time relative to the rest of the nation. (Page 5)
- On system indicators other than overall education finance, “Quality Counts” ranks Arizona 41st in the teaching profession category and “Educating Arizona” ranks Arizona 45th on teaching quality. Arizona’s teachers are relatively inexperienced and receive low pay — less relative to the national average than in the past. Average classroom size in Arizona is larger than the U.S. average, with Arizona ranking among the bottom few states on this measure and on related measures of the number of pupils per full-time-equivalent teacher and per total educational system personnel. Arizona has fewer administrative staff than the norm.
- **“Educating Arizona” reports that less than half of those who do graduate from Arizona high schools are eligible for admission to the state’s universities and that many of those admitted have deficiencies. (page 5)**
- Of those educated in the same state in which they lived, the percentage of adults who were high school graduates in Arizona ranked among the bottom few states in the nation. (Page 6)
- Arizona’s demographics — such as an above-average child poverty rate and an above-average share of English-language learners — contribute to the poor educational achievement of Arizona’s students in aggregate. However, the achievement of those children without such disadvantages is inferior to the performance of their peers nationally. (Page 6)

Additional Resources:

- Center for Competitiveness and Prosperity Research: University Economist Reports (Page 18)
 - <http://wpcarey.asu.edu/seid/ccpr/UEreports.cfm>
- “Measuring Up 2008” by the National Center for Public Policy and Higher Education
- “Quality Counts 2009” by *Education Week*
- “Educating Arizona” by the Arizona Community Foundation.