



State of Arizona  
Department of Education

## The Equalization Formula for Funding School Districts and Charters in the State of Arizona

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Date: 12/20/2010

### Description of the Equalization Formula

#### *Education Equalization Formula*

The State Equalization Formula is the main frame for determining state funding to school districts and Charters. The formula serves two purposes; the state aid payment calculation and budget expenditure limit for districts.

District equalization formula is made up of the following main components:

***The lesser of districts support level or revenue control limit:*** This is the amount that is described as the general fund or the maintenance of operation fund. The budget expenditure limit for districts is always the revenue control limit. This component is calculated using the weighted student count multiplied by the base level. The base level amount is set by state legislatures in the Arizona Revised Statutes and equals \$3,267.72 per weighted student count for FY2011. The weighted count is the outcome of the student count multiplied by certain weights set by state legislatures in statute which vary depending on the number of student count.

Student count for districts is defined as, the prior year's 100th day Average Daily Membership and for charters, as the current year's 100th day Average Daily Membership.

Districts can increase their expenditure budget limit and state aid payment by budgeting for:

- Transportation
- Teacher's Compensation Index of 1.25% of the base level amount approved yearly by the State Board of Education
- Teacher Experience Index calculated from teacher experience data submitted to ADE by the district
- Career Ladder increases the base level amount by up to 5%
- 200 days calendars increases the base level amount by 5%

The following items affect districts' budget limit to expend, but not necessarily, their state aid as they are all funded by local taxes:

- Small Schools Adjustment
- Desegregation (if they have an agreement with the Office of Civil Rights)



State of Arizona  
Department of Education

- Maintenance and Operations override as approved by the local district's governing board
- K-3 Maintenance and Operations override as approved by the local district's governing board

***Unrestricted Capital and Soft Capital Funds for Districts:*** As part of the equalization formula, districts are funded on a student count basis for their capital expenditures. Soft capital amount is \$225 per student count, Unrestricted capital amount is \$225.76 for K-8 students, and \$337.62 for 9-12 (9-12 unrestricted capital amount includes \$69.68 per student count for textbooks).

***Qualifying Levies:*** This amount is calculated based on the assessed valuations of the properties within the boundaries of each district multiplied by a qualifying levy rate set by legislatures then divide the outcome by a 100.

County Equalization Tax: This amount is calculated based on a county qualifying rate set by state legislatures.

Both Qualifying levies and the County Equalization Tax are deducted from the equalization formula to determine the state aid portion of the formula.

Charter funding is different than district as they have no budget limit. Additionally, Charter formula does not include any of the ADD on components except for the 200 days calendars, and does not include soft capital or unrestricted capital.

In lieu of transportation, soft capital and unrestricted capital, Charters receive additional M&O monies calculated with an additional assistance amount of \$1607.50/elementary student and \$1873.52/high school student in FY 2011. This additional assistance amount is also set yearly by the state legislature. These dollar amounts are meant to equalize the charter school funding to be more consistent with the district funding because charters cannot levy taxes.

## District Based Components

**Density/Sparsity of Small Schools:** Districts with less than 600 average daily memberships (ADM) are considered small and receive special weightings. If they are also isolated, they receive additional weightings. In addition, if they have less than a 100 student count, they are eligible to budget for a small schools adjustment. This small schools adjustment is paid directly from the local tax payer through the primary property tax.

### Grade Level Differences

The weights included below represent the minimum weights. They are increased dependent upon the size of the district or charter school.



State of Arizona  
Department of Education

**Instructional Unit Weight for Grade Level Differences**

Grade = K-3 = .06 additional weight

**Weights for District/School Size**

Small isolated and small school districts with less than 600 ADM receive special weighting for K-8 and 9-12 enrollments.

**Growth in Enrollment:** Additional funding due to growth is available for school districts only because they are funded based on prior year Average Daily Membership (or student count). Growth is not available to charter schools as they are funded based on current year Average Daily Membership. Current year student growth based on a weighted student count, in comparison to the prior year, is paid in the current year up through the 100<sup>th</sup> day. This growth also increases districts' available Expenditure Budget Limit.

**Transportation:** Districts calculate a Transportation Support Level and in most cases receive state aid based on prior year's daily route miles per transported student. Rates are \$2.35 per mile for districts with .5 miles or less per student, \$1.91 for .501 to one mile and \$2.35 for greater than one mile per student. Additional support is allowed for academic, vocational and technical education and athletic trips. This increase is determined by a factor based on district type and mile per student and varies from 15% to 30% over the support level calculated above. Approved daily route miles are multiplied by 180 days.

**Student-Based Components**

**Special Education**

Funding is provided through 11 weighted categories per the table included below.

**Weights for Special Education Programs**

Hearing Impairment	4.771
MD-R, A-R, and SMR-R (2)	6.024
MD-SC, A-SC and SMR-SC (3)	5.833
Multiple Disabilities Severe Sensory Impairment	7.947
Orthopedic Impairment (Resource)	3.158
Orthopedic Impairment (Self Contained)	6.773
Preschool-Severe Delayed	3.595
ED, MIMR, SLD, SLI, & OHI (4)	0.003
Emotionally Disabled (Private)	4.822
Moderate Mental Retardation	4.421
Visual Impairment	4.806



State of Arizona  
Department of Education

**English Language Learner/Bilingual Education:** Weight included in basic state aid calculations to provide additional funds. In FY 2011, the weight is 0.115.

### Revenue and Expenditure Information

**Property Assessment Ratios Used/Legal Standards for Property Assessment**

The prior year's assessed values are determined and the legislature sets a qualifying tax rate. In FY 2011, the qualifying tax rate was 1.4797 for HS and Elementary districts and doubles for Unified School Districts. The total Assessed Value is divided by 100 and then this tax rate is applied to determine the local contribution to the equalization formula need for each school district.

**School District Budget and Tax Rate Procedures/Sources of Local Revenue:**

County Equalization Tax rate is established by state legislatures to account for local county contributions to fund school districts. The tax rate is 0.3564 for FY2011.