



**GOVERNING BOARD AGENDA ITEM
AMPHITHEATER UNIFIED SCHOOL DISTRICT NO. 10**

DATE OF MEETING: **June 12, 2018**

TITLE: **Resolution Ordering, Calling for and Providing Notice of an Election to be Held on November 6, 2018, in and for the Amphitheater Unified School District No. 10 of Pima County, Arizona, to Submit to the Qualified Electors Thereof the Question of Authorizing the Adoption of a Maintenance and Operations Budget for Fiscal Year 2018-2019 that Renews and Increases the Existing General Maintenance and Operations Budget Override to benefit Kindergarten through Third Grade for a Total Override of the Revenue Control Limit Specified by Statute in the Amount of Fifteen Percent (15%), Approximately \$11,516,925; Approval of Proposed and Alternate Proposed Budgets, and Related Matters.**

BACKGROUND: It has been four fiscal years since Amphitheater Unified School District last sought a budget override. The current maintenance and operations budget override, initially approved by the voters in 2005, and subsequently renewed by vote again in both 2009 and 2014, begins to phase out in FY 2020 unless renewed by vote no later than November 2019. The existing budget override provides important benefits for the students of Amphitheater Public Schools, through class size reduction, fine arts instruction, intervention programs for struggling students, and other programs -- all of which could no longer be funded absent renewal of the override. The current override will begin to phase out in 2019-20 (down to 2/3), reduced further in 2020-21 (down to 1/3), and fully expires in 2021-2022.

On May 1, 2018, the Governing Board considered the possibility of authorizing an election for early renewal and increase of the existing maintenance and operations budget override. The Board also deliberated about the benefits of combining the renewal with a separate K-3 budget override to specifically target and benefit the District's programs and services for students in Kindergarten through third grade.

Administration presented the Governing Board with information about the benefits of early renewal of the maintenance and operations budget override during the General Election scheduled for November 6, 2018. As previously explained, because the District already has an election scheduled for this November's ballot (for the two Governing Board seats whose terms expire at the end of this year), the District must share in the financial responsibility for a portion of the costs associated with running the November 2018 General Election. Therefore, it would be cost effective to also include the maintenance and operations override renewal and/or increase, or separate K-3 override adoption, on that same ballot rather than wait to have the voters consider these options separately the 2019 election.

Override Ballot Opportunities Available for Consideration

Budget overrides are limited in their amount. M&O budget overrides can be granted up to fifteen percent (15%) of the Revenue Control Limit. Amphitheater's current budget override is for ten percent (10%) of the Revenue Control Limit.

Separate K-3 budget overrides can be granted up to five percent (5%) of the Revenue Control Limit associated with grades Kindergarten through eighth grade. School districts have the option to seek a combined maintenance and operations budget override including K-3 components, or may seek two separate questions – one for maintenance and operations and one dedicated to K-3 programs. In either



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case, district overrides cannot exceed a combined total of fifteen percent (15%) their revenue control limit when the override is fully funded by a local tax levy as Amphitheater's override is.

Thus, on May 1st, the Governing Board examined pursuing an override opportunities under four (4) different options during the November 2018 election:

1. A single ballot initiative to renew the current M&O budget override for ten percent (10%) of the Revenue Control Limit;
2. A single ballot initiative for a new and separate K-3 override for five percent (5%) of the Revenue Control Limit;
3. The inclusion of both (1) and (2) above as separate ballot initiatives on the same ballot, or
4. A ballot initiative that both renews and increases the existing M&O budget override but which dedicates a portion of the override to K-3 purposes for a total override of fifteen percent (15%) of the Revenue Control Limit.

After much discussion, the Governing Board requested more information be provided about the benefits that could be obtained through the ballot initiative identified in option (4).

Benefits Provided by a Budget Override

Amphitheater values the historical support of its taxpayers in authorizing the existing override for the benefit of the students in the District on multiple occasions. The Amphi taxpayers initially voted to approve a ten percent maintenance and operations override of the Revenue Control Limit in 2005. They thereafter voted to renew it twice since then in 2009 and again in 2014.

These good faith measures have greatly benefitted the students of Amphitheater Public Schools. Despite school districts across the state having experienced some of the most severe cuts to educational funding in Arizona history, Amphitheater has been able to provide its students the opportunity to receive more focused instruction through reduced class sizes as well as access to progressive educational intervention tools designed to improve individual growth of all students. Amphi has also been able to provide all students access to fine arts instruction through the override's funding for art and music teachers at every school.

When the Governing Board first approved a resolution to present the maintenance and operations override to the voters in 2004, it did so for the specific purpose of addressing clear and defined concerns expressed by the taxpayers in the District. The District began studying the possibility of an override in 2001. It studied the benefits accessible by a budget override for more than three years before it even approached taxpayers about this option. As part of this process, the District also engaged a Blue Ribbon Committee of interested stakeholders and taxpayers to evaluate and compare the benefits for students provided by the budget override with other potential interests of the taxpayers.



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When the District first approached taxpayers about the potential of a budget override in 2005, Arizona ranked 49th or 50th of all the United States in its financial support of K-12 public education. Since 2005, Arizona has made continuous and significant cuts to public education funding. In fact, Amphitheater experienced over \$99 million dollars in cuts to its educational funding from the State in the last ten years. This year, following an unprecedented weeklong, statewide teacher walkout, the Arizona Governor proposed a state budget that planned for a twenty percent (20%) pay increase for teachers by the year 2020. The legislature passed an education budget in the early morning hours of May 3, 2018 that included nearly \$273 million aimed at giving teachers pay raises, and the Governor signed the bill into law that same morning. Unfortunately, efforts to expand the definition of “teachers” (those eligible for the pay hike) to include other school district employees also commonly called “educators” failed in the Legislature.

The budget passed on May 3, 2018 also provided for an increase in additional assistance of \$100 million (“flexible dollars”) to account for a portion of the capital funding cuts to school districts over the past decade. The Governor proposed the budget in a manner that allowed school districts to use the additional assistance for a variety of needs, including employee raises. The funding that Amphitheater Public Schools received through this additional assistance was approximately \$1.6 million, and a significant portion of that is being recommended for use to fund employee salary increases for the 2018-2019 fiscal year to help address unanticipated budget concerns stemming from the 2016 approval of Prop 206: The Fair Wages and Healthy Families Act (codified as A.R.S. § 23-363) on District jobs. Prop 206 provides for mandatory employer-provided sick leave for all employees as well as an annual statewide minimum wage increase. Prop 206 raised Arizona’s minimum wage of \$8.05 per hour to:

- \$10.00 per hour effective January 1, 2017
- \$10.50 per hour on January 1, 2018
- \$11.00 per hour on January 1, 2019
- \$12.00 per hour on January 1, 2020
- \$12.00 per hour plus an inflationary increase on January 1, 2021 and annually thereafter.

School districts across the state had not anticipated such a drastic increase in minimum wage and, consequently, had to adjust their budget considerably in 2016-2017 to account for this added expense. Some districts were forced to cut services to students in other areas to be able to fund the minimum wage increase. By January 1, 2019, the minimum wage will have increased by approximately 24%. Schools did not receive additional funding from the state of Arizona to account for these increases.

The fact of the matter is that the approx. \$1.6 million in additional assistance (funds not designated for teacher salaries) restored to Amphitheater this year as part of the increased education budget does little to fix the historical underfunding endured for more than a decade. With a large portion of going to non-teacher salaries, as the RedforEd efforts did not bring about any funding for non-teaching school employees, it most certainly does not restore the District’s capital funding to the point where the District can comfortably maintain equipment and update technology as it becomes obsolete. The funds provided through additional assistance funding are not sufficient enough to allow the District to replace multiple air conditioners should two or more break this year.



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Notwithstanding this, in this day and age of charter schools and open enrollment in public school districts, the District competes with charter schools and neighboring school districts for student enrollment. School districts like Catalina Foothills receive significant donations from outside sources that allow it to acquire current technology for the benefit of instructing students at its schools. Similarly, the Marana district is currently building a new K-8 STEM school near the Amphitheater district boundary. This “new school” may attract elementary and middle school students unless Amphitheater offers its students access to similar technology in its own schools.

Maintenance and Operations Override Benefits

Amphitheater’s saving grace throughout this time has been the continued support of its taxpayers through their approval of the budget override. These additional funds have allowed Amphi the additional dollars needed during statewide funding cuts to continue to serve students with the interventions authorized by the override. The override has enabled Amphitheater to hire approximately 55 additional positions.

* *Smaller class sizes* – It was not surprising in 2005 that taxpayers identified smaller class sizes as a desire for our schools. What many constituents do not realize, however, is that Arizona school districts receive the same amount of funding per pupil regardless of their class size ratio. Many school districts create lower class sizes by hiring additional teachers through other funding sources, such as overrides. Each year, Amphi has been able to hire additional teachers in core content areas, across the District through the override funds.

* *Expanded art, music, and physical education for the elementary grades and expanded course offerings for the middle and high school grades* – One of the great advantages which Amphitheater provides to its elementary students is the provision of art, music and physical education classes. It is an unfortunate trend that many elementary schools have been compelled to terminate their separate programs. Many districts in Arizona “coped” with the effectively decreasing funding by eliminating their programs. Others that maintained their programs often did so through override funding, so the use of overrides to simply *expand* existing programs has merit.

At the middle and high school levels, schools across the state struggle just to ensure they meet the core content area needs of students. With a greater emphasis placed by the state and federal government on student achievement in those core content areas, available funding is naturally concentrated there. Consequently, schools have necessarily had to reduce their elective and other specialized course offerings. At the same time, studies show that the decreased availability of such offerings can have a negative effect upon student engagement in school. The resulting cycle is one of decreasing student achievement.

The override funding allowed Amphi the benefit of additional teachers that significantly expand Amphitheater’s course offerings at all grade levels – greatly improving the district’s elementary specialist programs and establishing new and increased course offerings at the middle and high school levels that stimulate students and encourage their full participation in school.



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* ***Intervention programs to assist struggling students year round*** – The cost of student failure is becoming increasingly more significant. Our children and indeed the success of our state demands that we do everything possible to help students to meet the vigorous graduation requirements imposed by the laws of this State. To that end, the District maintains academic interventions, including summer programs, credit-recovery programs, and on-line instruction, through the override designed to provide academic success to those most in need of assistance based on state testing data, including AZ Merit, AIMS, AZLAS, etc. These programs are offered to students *free of charge*.

* ***Fund Curriculum and Instruction Support Specialist (CISS)*** - CISS are experienced certificated teachers who are able to work directly with teachers to mentor them on the implementation of effective instructional practices in the classroom. This intervention, not currently available to all Amphitheater schools, would greatly improve student learning and growth because it assists the teacher to differentiate instruction and focus on individual student growth as opposed to singular classroom instruction.

* ***Expanded staff to support facilities maintenance and technology*** – Through the bond projects of the 1990's, the District's physical plants significantly expanded. New schools (La Cima, Wilson, Painted Sky and Ironwood Ridge) were built. Other sites expanded. New equipment was installed. The District's implementation of technology programs created school computer labs and placed computers in every classroom. The override has allowed the District to continue to maintain and increase technology for these labs.

* ***Retain and Attract High Quality Staff*** – Accountability programs have placed school districts across the nation and certainly locally in great competition with one other to hire highly qualified staff. The Every Student Succeeds Act mandates that teachers meet strict standards of preparedness for their instructional levels or content areas. Teachers that do not meet these standards, however skilled they may be and successful their students may be, are labeled under the law as not being appropriately certified. Hiring those best qualified under the federal standard, therefore, becomes an indicator of school and district success.

As a result of low salaries and continued education cuts in Arizona for the past decade, our state is in crisis now due to a statewide and indeed national shortage of teachers. The contest of recruiting and retaining the best teachers between the 50 states has become increasingly difficult, especially with Arizona having been ranked so low in teacher pay for such a long time. The recent increases provided through the Governor's plan for a 20% increase in teacher pay by 2020 is a step in the right direction. However, even with the recent teacher increases, Arizona's teacher pay still ranks among the lowest in the nation. As well, the pay for other school district personnel, such as counselors, psychologists, nurses, custodians, bus drivers, has not increased in comparison with other states and with private industry. It is becoming increasingly harder to recruit employees for these positions. The current override included a specific component to adjust employee compensation – to make the District more competitive in the recruitment and retention of staff – by providing additional funding to both certificated and non-certificated staff.



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Despite all of the recent efforts to increase educational funding in the state of Arizona, the fact remains that Amphitheater's employees face the potential of a salary decrease without renewal of the override.

K-3 Override Benefits

The funds derived from a simultaneous adoption of a K-3 budget override, which when combined with the maintenance and operations budget override, authorizes an increased total override of fifteen percent (15%) of the revenue control limit. Amphitheater could pursue the K-3 override separately at any time. However, it is more cost-effective for taxpayers and for students if the District pursues the K-3 override as part of a renewal and increase of the existing override. The funds specified in the renewed override which will account for the increase for K-3 will be used as follows:

** Fund free full-day Kindergarten at all Amphitheater Schools* - Amphitheater Public Schools currently only offers free all-day Kindergarten to children attending schools that qualify for Title 1 funds given the ability to use Title 1 funds for this purpose. Schools that do not qualify for Title 1 offer half-day Kindergarten which requires parents to subsidize the second half of the Kindergarten day. Kindergarten is an important opportunity for children to grow and learn at a formable time of brain development. The opportunity to provide free full-day Kindergarten at all Amphitheater schools is an important investment in our future.

** Fund a Literacy Coach at each elementary school* - Literacy coaches work directly with K-3 teachers on the implementation of effective literacy practices in the classroom. This intervention, not currently available to all Amphitheater elementary and K-8 schools, would greatly improve student learning and growth because it assists the teacher to differentiate instruction and focus on individual student growth as opposed to singular classroom instruction. Research dictates that inclusion of a Literacy Coach at a school exponentially improves student growth. For struggling students, the Literacy Coach assists growth by modeling lessons, coaching teachers, modeling intervention strategies, and assisting in curriculum implementation.

** Fund Early Childhood Literacy Interventionists and/or intervention programs at all elementary and K-8 schools* - The addition of these highly qualified reading teachers and blended learning instruction programs would enable work with students at a personal level or in small groups on targeted skills that students need in order to be a reader by the third grade which could improve individual and overall student growth across the District for the benefit of students, families, schools, and the community.

** Fund an additional teacher at each elementary school specific for a K-3 class* – this additional teacher would be funded to further reduce class size for the earliest learners in K-3 grades. Research has proven that smaller class sizes in the early grades are critical to providing individual attention to early learners and improves overall student growth and advancement.

The combined expense required to provide all of these interventions to Amphitheater students, including those previously approved by the taxpayers in 2005 and those proposed through the



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additional five percent increase to benefit K- 3 now that research is known about the benefits of focused learning for early students.

Costs of Pursuing the Override

In evaluating the District's needs, with consideration being given to the state-wide recent efforts of teachers and other District personnel to increase state funding to schools, it is apparent that state funding shortfalls will likely not be completely remedied in the foreseeable future. As a result, the District recommends adoption of a Resolution authorizing the District to proceed this year toward early renewal and increase of the existing the M&O override to fifteen percent (15%), the maximum capacity allowed by Arizona state law, which includes adoption of the proposed K-3 elements for the benefit of the early learners. This would enable the District to continue to provide and improve upon its excellent education focused on individual student growth and success in the least costly manner available for an override election. It will enable the District to increase its funding capacity to a maximum level to be able to provide much needed services to its youngest students while also maintaining the standard of care currently provided to all students and staff here in Amphi.

In addition, with the possibility of two Governing Board positions being included on the ballot for the November 2018 election, the costs of pursuing an M&O override renewal would be substantially lower in November 2018, by nearly sixty percent (60%), than by waiting until November 2019 for renewal consideration. Moreover, by proceeding with an early override renewal, there is less risk that the override would not pass before it expires since the District would always have the opportunity to pursue the override again next year before it expires in 2020.

- **Renewal and increase of existing M&O Override:** Currently, the M&O override is \$7,384,604. If the override is increased to fifteen percent (15%), which is the maximum capacity allowed by Arizona state law, the additional capacity to the District would be \$3,692,302. This would mean a tax rate increase of \$0.26 per \$100 of assessed valuation. In other words, the additional cost to the average homeowner in the District, assuming a value of \$215,000, would be \$56.00 annually
- **Renewal of existing M&O Override with no change to its current terms:** Currently, the M&O override is \$7,384,604. If the override is renewed under its same terms of ten percent (10%), this would mean no change in the override tax.

Additional Considerations

There are other tax implications to Amphitheater residents for FY 2018-2019 which must be weighed when determining whether to proceed with the override election this year. The budget adopted by the State of Arizona for FY 2018-2019 includes tax increases for Amphitheater taxpayers. Assuming a value of \$215,000, the average homeowner will see a tax increase of approximately \$56 on their tax bill from the State's budget. This tax bill will arrive immediately before Amphitheater asks its taxpayers to vote on the maintenance and operations override.



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RECOMMENDATION: Based upon the previous recommendation of the Blue Ribbon Committee convened in 2005, as well as the subsequent legislative funding cuts to the District and the serious and continuing needs of the District and its students and staff, the Administration recommends that the Governing Board adopt and pass the attached form of Resolution, calling for and ordering an election on November 6, 2018, seeking voter approval to renew the existing M&O Budget Override for FY 2019 in a manner that increases it to 15% of the maintenance and operations budget authorized by Arizona state law, and delegates necessary authorities, as specified in the Resolution.

INITIATED BY:

A handwritten signature in cursive script that reads "Michelle H. Tong, J.D." is written over a horizontal line.

Michelle H. Tong, J.D.
Associate to the Superintendent and General Counsel

Date: June 11, 2018

A handwritten signature in cursive script that reads "Todd A. Jaeger, J.D." is written over a horizontal line.

Todd A. Jaeger, J.D., Superintendent