



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

DATE OF MEETING: **June 3, 2014**

TITLE: **Proposal for Renewal of Existing Maintenance and Operations Budget Override**

BACKGROUND: This item is submitted to provide the Governing Board with a review of district budgetary information pertinent to the existing maintenance and operations override. While this information presented will be familiar to Board members as content from prior business of the Board, it is offered here again for further study and discussion, and for the benefit of members of the public interested in this item.

School District Funding, Generally

In general, funding for an Arizona school district is derived from the school district's property tax base, state and federal allocations (derived from various state and federal taxes), grants, gifts and donations.

The primary funding mechanism for public school districts in the State of Arizona is *Maintenance and Operations* (M&O), consisting of finances specifically allocated to school districts under strict state formulas to pay for the day-to-day operations and functions, such as: employee payroll, utilities, fuel, supplies, services, and certain equipment. This funding mechanism is the focus of this item¹.

Arizona school districts are limited in the amount of funds that can be expended in M&O. Regardless of how valuable an individual school district's tax base or its level of need might be, each school district is limited by state formula to a certain amount which can be spent.

There is an exception to this ordinary spending limit: a maintenance and operations budget override.

Budget Overrides, Generally

The local voters of school districts within Arizona are able to authorize their school district to override the strict state budget limits normally imposed on school district services. In this way, local communities can choose whether or not they wish their school district to have greater resources than those that are provided by the Arizona Legislature.

Where overrides are approved by the voter, they are funded by local property tax assessments. In some cases, this results in a tax levy increase. In Amphitheater's case, however, District tax levies did not increase as a result of the existing override.

¹ The second basic budget mechanism previously known "*Capital*", consists of funding allocated to school districts (again, under strict and limited state formulas) to fund such things as building construction, durable assets and equipment, textbooks, and vehicles. The capital funding mechanism was recently renamed "additional district assistance" by the legislature.

It should be noted that budget overrides do not provide carte blanche spending authority to a school district. They are also limited by law, for example, in their duration. They can last for one, two or five to seven years at a time. If an override is for five to seven years (like Amphi's current M&O override), the budget increase for the next to the last year is equal to two-thirds of the initial budget increase approved by the voters. Then, the budget increase for the last year of a five to seven year override is equal to one-third the amount of the initial override.

Budget overrides are also limited in their amount. Presently, for example, one portion of a school district's M&O budget (the "revenue control limit") can only be overridden by the voters by 15%. K-3 program specific and special project overrides can provide additional capacity.

Development of Interest in Amphitheater's Existing Maintenance and Operations Budget Override

Amphitheater currently has the benefit of a 10% M&O override following voter approval of the same in 2005, and voter approval of a renewal of the override in 2009. The current override has its genesis in a substantial process of community input and Governing Board study. Given that more than nine years has passed since the first override approval, some review of the process involved might be helpful.

Where the process began can be hard to define. After all, the District sought budget overrides on several occasions over a period of approximately 20 years in the latter decades of twentieth century that did not receive voter approval. But, in terms of more recent and relevant process, the Governing Board first studied the override election process, as well as the previous unfavorable voter history, for the first time in this century on April 29, 2001. In the months and years that followed that first study, the Board continued to study relevant issues on several occasions, including legal requirements, procedural issues, and the purposes for overrides.

As the Board's consideration of override issues continued, District staff also responded to ongoing and increasing public interest in the issues by attending a number of PTO and other meetings at several schools to inform parents, staff and others on override procedures and laws. These meetings were informational in nature and included discussion of such matters as the statutory requirements and restrictions, Amphitheater override election history, tax rate information, and statewide tax factors. This same information has been presented to the Board in several Governing Board meetings.

The Blue Ribbon Committee Process and Resulting Election

The Board's study of general override issues ultimately led to its formation of a constituent advisory committee to review the District's financial and operational issues. The "Blue Ribbon Budget Analysis Committee" was composed of a broad cross-section of the District's constituents and began its work in June, 2004. Over several months, the Committee studied a variety of key matters: laws applicable to the Committee and the District, operations and functions of the District, financial conditions and operations of the District and K-12 education in Arizona generally, public feedback regarding satisfaction with District programs and service and support for a possible override, as well as federal and state accountability measures and their effects upon the District and its students.

On December 14, 2005, the Blue Ribbon Committee presented its final report to the Governing Board and unanimously recommended to the Governing Board that the Board call for an election in May,

2005 for the purpose of obtaining voter approval of a 10% maintenance and operations override. The Blue Ribbon committee recommended that the override be used for specific purposes:

- Reducing/maintaining core content class sizes (Math, English, Science, Social Studies, etc).
- Expanding art, music and P.E. programs in elementary schools.
- Expanding courses of middle and high schools.
- Year-round intervention programs for struggling learners
- Increased support of school facilities and equipment
- Staff recruitment and retention support

On February 8, 2005, after nearly four years of study, the Governing Board approved a resolution calling for an election to authorize a 10% maintenance and operations budget override² for the same purposes recommended by the Blue Ribbon Committee.

In May 2005, the District's voters soundly approved the District's M&O override request. That override continued in force and effect until 2009, when as briefly mentioned above, voters again approved the same override, albeit by a much slimmer margin. But, in doing so, voters "renewed" the May 2005 override before it began to phase out.

Voter Confidence Put Into Action; What the Current M&O Override is Doing

The 2005 and 2009 M & O Overrides have provided many benefits to district students:

- Prior to the override, class sizes at the elementary level were routinely at or over 30 students.
 - In middle school, English and writing classes ranged up to 35 students; averages in Language Arts in 7th grade were 29.3; in Science 32.3; and both math and science classes were as high as 38 students.
 - In high school, English, Math & Science classes ranged up to 35 or 36 students.
 - Legislative budget cuts to public schools (\$47.2 million in cuts to Amphitheater alone over the last six years) have taken their toll on many district programs and services, including consequential increases to class sizes of 2 students on average.
 - Without the override, however, state budget cuts would have impacted class sizes much more.
- Prior to 2005, some elementary grade levels only received as little as 20 minutes a week in Art, Music and Physical Education instruction. That has changed, thanks to the override:
 - This has been enhanced to benefit all students at our elementary schools.
 - The district now provides at least 50 minutes per week per grade level in Art, Music, and PE *through specialist teachers*.
- Math and Writing Labs have been added at each middle school, along with Technology, Science and Fine Arts electives, and new courses have been added at the high school level:

² At the time of the Board's call for an override election in 2005, Arizona law allowed a maximum 10% maintenance and operations budget override. Current Arizona law now allows, as discussed above, a 15% increase.

- Middle school enhancements include Marine Biology, MESA (Mathematics, Engineering, and Science Achievement), Drama, and Dance.
- At the high school level, course additions have included, among others, the following: International Baccalaureate®, Cambridge Academy®, Studio Art, Computer Science, Engineering, French, Music Theory, Teen Court, and a variety of Advanced Placement course such as, AP Psychology, AP Environmental Science, AP Physics/Mechanics, Biology, AP Statistics and AP Government.
- Tutoring and other intervention programs have been also implemented that serve students throughout the school year as well as into the summer. This level of student interventions and support was not possible prior to the override.

The Current M&O Override Is Expiring

The current M&O Override, approved by the voters in 2009, completely expires in 2017 and will begin phasing out (as described above) in the 2015-2016 school year unless the override is renewed during next fiscal year (2014-2015).

A presentation of this and other information will be made at the Governing Board’s meeting on June 3, 2014.

RECOMMENDATION: This item is present for Board study at this time. A recommendation will be forthcoming at the time of the Board’s next review of these issues.

INITIATED BY:



Todd A. Jaeger, Associate to the Superintendent

Date: May 28, 2014



Patrick Nelson, Superintendent