

THE VOTER

THE LEAGUE OF WOMEN VOTERS OF CENTRAL YAVAPAI

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CURRENT IMPACTS ON EDUCATION FUNDING

Saturday, January 29, 2022
10:00 a.m. - 12:00 noon
by Zoom

Panel of Speakers



Lynda Bennett
Community Outreach Coordinator
First Things First



Donna Davis
Community Impact Manager
Education Forward Arizona



Nicky Indicavitch
Statewide Outreach Coordinator
Save Our Schools AZ



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Zoom Link:

<https://us02web.zoom.us/j/85287057640?pwd=S0ZiclJmQlRKMjE2b1BWZUcxVmlSdz09>

Articles to Prepare for this Meeting

School funding a ticking time bomb - By: Kyra Haas Arizona Capitol Times January 7, 2022

Arizona schools are counting down to a March 1 deadline for the Legislature to override a cap on spending or face not being able to spend \$1.1 billion already approved for them.

The cap, known as the aggregate expenditure limit, is determined by a formula enacted in 1980 and since then, raising it has not been a point of contention. The limit typically increases as the state adds new residents and is also adjusted for inflation and enrollment. But the limit – which relies on the previous year’s enrollment – took a hit after K-12 public schools lost roughly 38,000 students last school year due to the Covid pandemic.

Further exacerbating the problem is the inclusion of Proposition 301 dollars in the funds that count toward the limit. Voters approved the 0.6% sales tax for education in 2000, which would have caused funding to exceed the expenditure limit in the 2001-2002 school year. At that time, legislators referred the issue to the ballot, and voters approved exempting Prop. 301 revenues from the limit.

However, when legislators renewed the 0.6% sales tax for education in 2018, they did not exempt it from the expenditure limit, which would have again required voter approval. The renewed measure went into effect July 1, 2021. The tax brings in more than \$600 million a year for education.

The \$1.1 billion schools won’t be able to spend translates to about a 16% budget cut, said Chuck Essigs, director of governmental relations at the Arizona Association of School Business Officials.

“This is the biggest problem I’ve ever seen,” Essigs said. “We have never had any problem come anywhere close to this reaching the magnitude of this problem.”

Essigs was working in Arizona school finance when the current funding formula was adopted in 1980. If the formula used the current year’s enrollment or if Prop. 301 dollars were still exempt, schools would stand to lose several million dollars, not more than \$1 billion, he said.

Essigs said there was concern that some lawmakers wouldn’t vote to override the limit because of Proposition 208, an initiative voters approved in 2020 to levy an income tax surcharge on the wealthy. But Essigs emphasized that Prop. 208 dollars are not part of the fiscal year 2022 budget. He said he saw no connection between this year’s limit and Prop. 208.

“If the Legislature were to override the limit in 2022, that doesn’t allow (Prop. 208) dollars to be spent in 2022,” he said. “Because of the way the income tax works, districts won’t start to get any of that money until the following fiscal year.”

“The tax rates have already been set to fund the budgets that the districts have adopted,” Essigs said.

As the deadline approaches, Sen. J.D. Mesnard, R-Chandler, said the situation with the aggregate spending limit was “in a state of paralysis” until the Prop. 208 ruling was resolved. Mesnard was a central player in crafting 2021 legislation to sidestep the tax on the wealthy that Prop. 208 would impose. He and House Majority Leader Ben Toma are now looking to repeal and replace the so-called flat tax, which would kill the referendum on it, the legislators acknowledged to The Associated Press last week.

Mesnard told the Capitol Times there was “a lot of interest” in dealing with the aggregate expenditure limit. He said he was willing to vote to exceed or waive the spending limit “under conditions.”

“Among other things, I need Prop. 208 to not be a factor,” Mesnard said. “I am certainly not supportive until that is the case.”

Democratic lobbyist Geoff Esposito said he thinks legislators will eventually override the limit but not before the March deadline – which could prove catastrophic for some schools, he said.

“We’ve had Republicans who have supported it before, but it is not only tied to the (Prop. 208) fight but to every other pet project that these conservative voices are going to want to leverage to get in education, from critical race theory to masks and vaccines,” he said.

One Valley school superintendent said his district is in line to lose the ability to spend tens of millions of dollars this year if the Legislature doesn’t act. The superintendent said he has heard from colleagues in other districts who could be forced to close schools temporarily.

“There have been conversations, and one district said that the impact on their district would be the equivalent of 77 days of instruction ... I would argue that a district shouldn’t ask its employees to work without being compensated,” he said.

The state budget the Legislature adopted for fiscal year 2022 automatically included money to fully fund the budget, and those dollars can’t be spent elsewhere because they’ve already been appropriated to education, Essigs said.

If the Legislature failed to override the limit, Essigs asked what schools were supposed to do with the \$1.1 billion they already had coming to them.

“You’re not saying they can’t raise it; you’re just saying you can’t spend it,” he said. “That doesn’t seem to make a lot of sense.”

Unlike district schools, charter schools are not subject to the limit because they didn’t exist in Arizona in 1980 when the formula was approved.

Esposito said he believes legislators will eventually raise the limit because “it has to get done,” but not before “schools have to like, start telling parents that they’re going to be shutting down in April and to start to think of child care.”

In August, the state’s Supreme Court ruled that Prop. 208 revenues were not grants and therefore not exempt from the spending limit.

“(I)f the trial court finds that (Prop. 208) will result in the accumulation of money that cannot be spent without violating the expenditure limit, it must declare Prop. 208 unconstitutional and enjoin its operation,” Chief Justice Robert Brutinel wrote at the time.

Stand for Children Executive Director Rebecca Gau said the Arizona Supreme Court’s decision regarding Prop. 208 doesn’t just affect Prop. 208. Stand for Children is one of the organizations that led efforts to get Prop. 208 on the 2020 ballot.

“Unless that expenditure cap is dealt with permanently, one way or the other, either increased significantly or done away with, then we’re never going to be able to increase school spending to where it needs to be,” she said.

Beyond overriding the limit, Essigs hopes the Legislature will be proactive in addressing the limit long-term because it’s not a one-year problem. As long as Prop. 301 dollars are included, the limit will be exceeded, he said.

Essigs said he hopes lawmakers will consider the value of the 40-year-old formula.

“First, do we even need that limit?” Essigs asked. “In the Constitution, it says that the Legislature shall adopt budget limits for every school district... It’s not like the Legislature can say, ‘Well, we don’t want to put limits on schools anymore.’ They’re required by the Constitution to do that.”

If the Legislature decides the aggregate limit should continue to exist, Essigs said it should be modernized. To make changes or to rescind the limit, voters would have to approve a constitutional amendment.

“Very rarely do you do something that’s proper and correct four decades after you do it.” he said. “The world changes.”

Tri-City Superintendents Delivered News on Potential Cuts Without State Spending Cap Fix

Nancy Hutson, Daily Courier

Area school district leaders are trying not to panic over funding figures they received this week that indicates they might need to cut millions mid-year from their operating budgets if the Legislature doesn't change the state education funding cap before March 1.

District leaders said they have been assured by some top lawmakers that they understand the impacts and will work to figure out how to adjust the constitutional spending cap to compensate for the excess funds related to COVID-related decreases in enrollment. Without such legislative intervention, district leaders said these "draconian" cuts – representing about 17 percent of existing budgets - will do severe harm to public education in a state already at the bottom of the nation in funding for public education.

So, tri-city area superintendents and financial officers are holding their breaths a bit as they begin strategizing how they would manage to keep teachers in classrooms and lights on in their buildings.

"I just think this is a piece of legislation from the 1980s that is outdated, and just doesn't make sense," said Prescott Unified School District Superintendent Joe Howard. "It's a formula for Arizona to implode right now, in terms of education."

Public school districts were notified on Monday, Nov. 1 the exact amount they could have to slice from their budgets before the end of the 2021-2022 school year if state lawmakers and Gov. Doug Ducey don't adjust the state's constitutional aggregate spending gap. They were notified of the potential issue a month ago, but the details were limited such that there was a lot of confusion about what it would actually mean to individual districts.

At this time, the state's portion to education based on the constitutional spending limit has been exceeded by \$1.15 billion.

PUSD's reduction would amount to \$4.578 million, coincidentally just about the same amount they were just awarded in a third round of federal COVID-19 dollars expected to be used to assist district students with direct learning loss and other impacts through staffing, technology and other methods devoted to enhancing instruction.

In real life terms, PUSD Chief Financial Officer Brian Moore said that dollar amount would equate to 72.5 teachers. If Ducey and the state House and Senate don't take action – and it requires a two-thirds vote – Moore said this deep a cut would put the district in a "perilous situation."

"I don't know how we'd operate," Moore said, noting that there are some funds that do not go against the aggregate cost but would still be such a chunk of money that it would disrupt education with layoffs and other cutbacks that all correlate to instruction for children.

Humboldt Unified School District Superintendent John Pothast said he has high hopes this is simply a red herring that will be resolved at the state Capital in favor of students. But he admits the state Department of Education's notice about the actual dollar amount they stand to lose is beyond substantial. HUSD's figure is about \$6.2 million. "When you're talking a 17 percent cut, you're talking draconian. Those are some significant amounts," Pothast said.

Chino Valley Unified School District was informed its cut would be about \$2.8 million.

All state funding in Arizona is based on per pupil enrollment.

In perspective, though, Pothast said it is still way too early to predict what state lawmakers will do.

Indeed, lawmakers are already hearing from the various education lobbyists and organizations about the ramifications if they were to go down this trail.

State Senate President Karen Fann, R-Prescott, said she is confident the legislature will find a way to recognize the fallout of COVID-19 on districts so that these shortfalls aren't beyond reconciliation.

"We're fully aware that there are going to be shortages on (enrollment) counts, and we don't want (districts across the state) to go through another year because of that," Fann said.

Fann did say, however, the fact districts have received extra federal dollars to assist during this unprecedented pandemic might be a way they can make up for some of their declining enrollments. She said she and her colleagues can acknowledge funding shortfalls that are beyond district control, but they have received "additional revenues to compensate for some COVID-related issues." Fann said she expects this matter will be high on the agenda for the coming session that begins in January.

Locally, district leaders are disgruntled to think state lawmakers will avoid investing state money in education because they have received federal dollars intended to help districts enhance education in the aftermath of pandemic ripples that could last for years.

The three tri-city district superintendents all have stated they hope politics does not play out so that state lawmakers let federal grants supplant what they should be required to pay for their students' education.

"We happen to be in a position where schools, finally, have the opportunity to do some really cool things for students with this extra money, and suddenly we have a (state) money issue," Pothast said. "It certainly makes you pause and question!"

His PUSD colleague was more blunt. The federal emergency COVID-19 reliefs to schools all across the nation were to make up "for huge (learning) gaps we deal with every day because of COVID," Howard said. Any legislator who would argue districts aren't feeling those pressures more now than even last year has their "head in the sand," Howard said. Howard said he wishes state lawmakers would visit some classrooms and witness "the miracles" teachers and their support staff "are making happen every day." "We're just trying to hold this thing together," Howard said of the district that right now is contending with some 70 positive cases with additional quarantines to limit further spread.

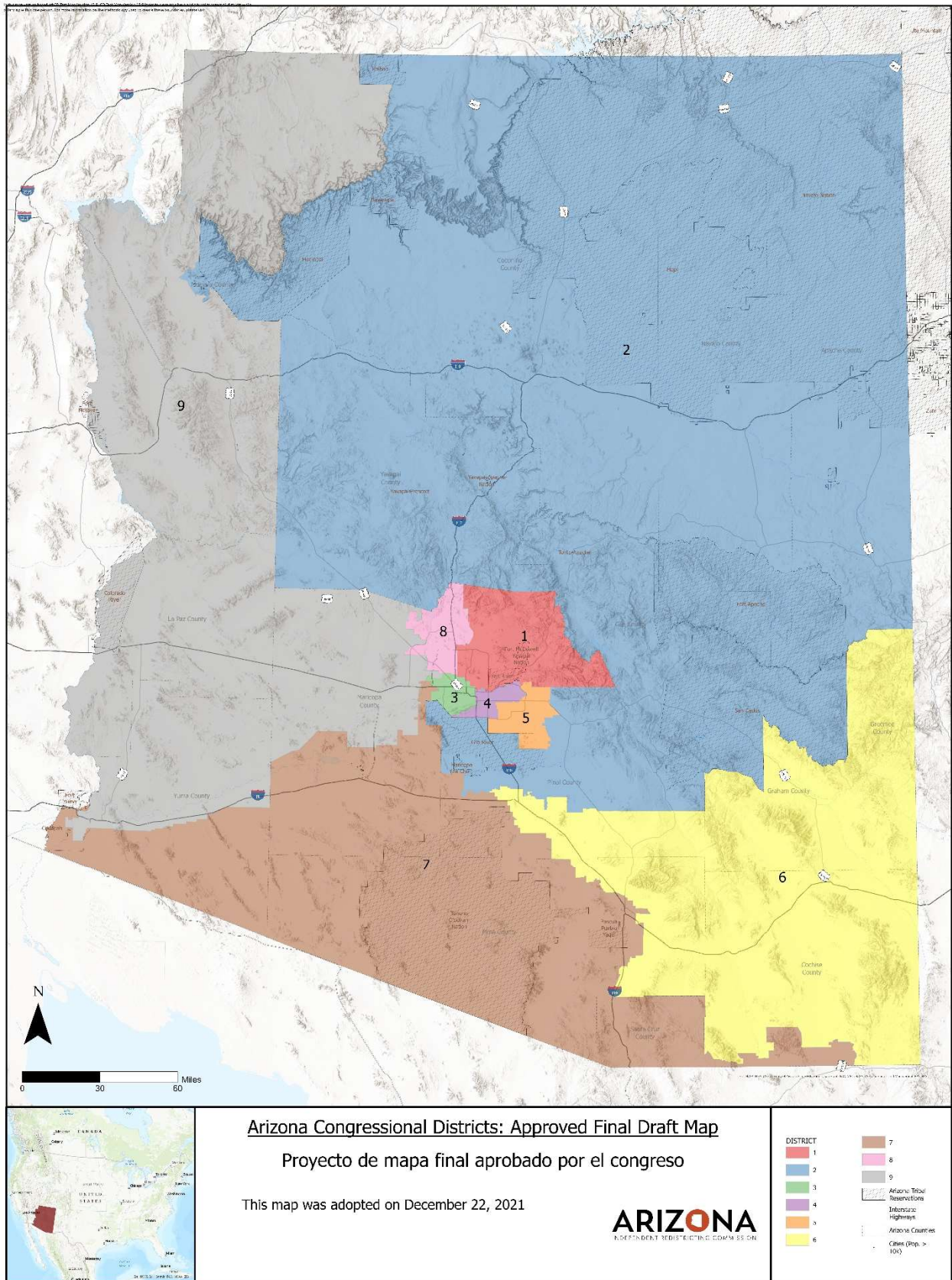
Chino Valley Unified School District Superintendent John Scholl said he's in a wait-and-see mode as it's anyone's guess right now what the majority of legislators will do. Yet he said he hopes the lawmakers' decision is determined on what is best for this states' children rather than their own political agenda.

Howard said he is angered that this even needs to be on his and his colleagues' radar.

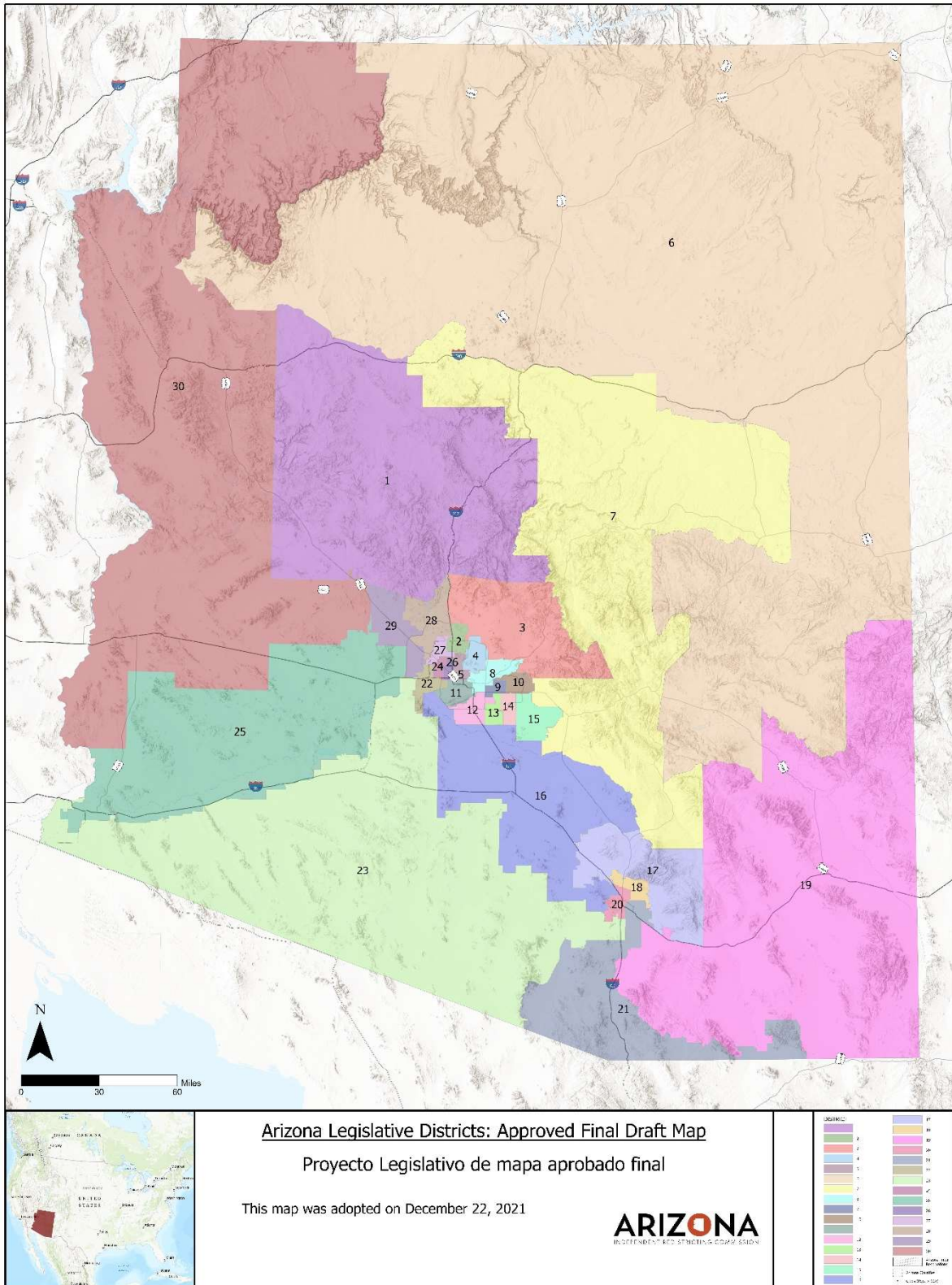
"Why attack people who already don't have enough resources? How can we let this happen? Attack our teachers? I don't understand it. These are public servants who are getting paid at the bottom (pay scale) in the nation," Howard concluded. "It makes me SO mad! They have to get this distraction out of the way, immediately."

Follow Nanci Hutson on Twitter @HutsonNanci. Reach her at 928-445-3333 ext. 2041 or email nhutson@prescottaz.com.

New Redistricting Maps - Congressional Final



Legislative Final



IMPORTANT WEBSITE REFERENCES

LWVUS www.lwv.org

LWVAZ www.lwvaz.org

LWVCYC www.lwvcyc.org

- ★ We recommend you check out these websites —lots of great information to help you with learning about the League of Women Voters.
- ★ Our website includes current and past Voters, an Elected Official Guide and more!

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—if you'd like to follow us!



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